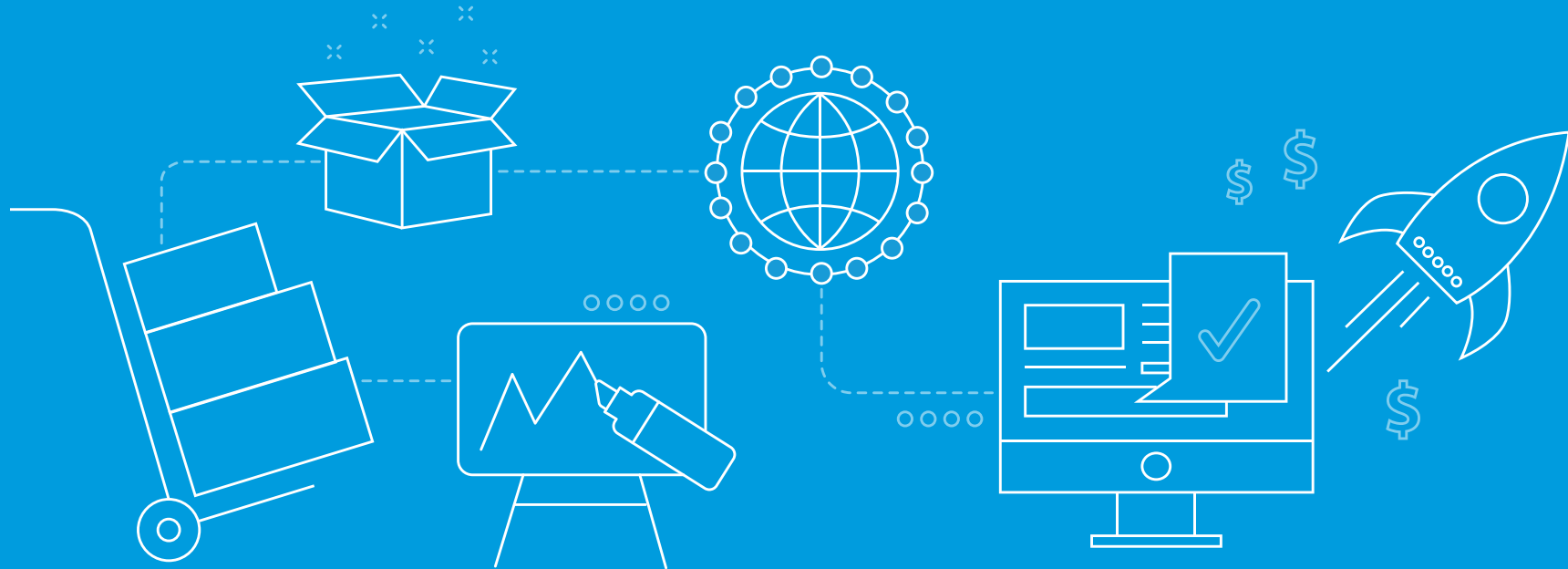


GLOBAL EXPANSION ASSESSMENT

A SWITCH IN STRATEGY SENDS SALES SOARING





COMPANY

U.S.-based manufacturer of premium musical instruments

NEED

To reverse slumping e-commerce sales, the company was considering adding a distribution and assembly facility in Europe to be able to offer lower prices and faster shipping.

GOAL

Assess the opportunity to increase sales in Europe by:

- › Streamlining the supply chain
- › Receiving and assembling parts closer to European clients
- › Maintaining premium brand status and margins

CHALLENGE

With no international manufacturing or distribution facilities, the company was passing on the shipping and import cost to its European customers, which made them less competitive with local businesses.

A customer survey indicated that lower prices would be the best way to service the European market, but the company needed additional European sales in order to justify supplying customers directly in market.

The leadership team needed to know a few things before developing its global expansion strategy:

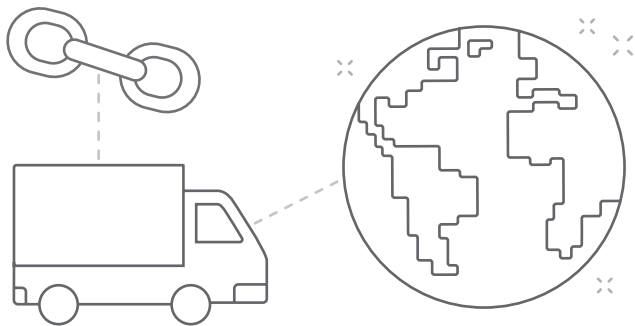
- › Would streamlining the supply chain result in higher sales?
- › Was investment in European expansion the only solution?

➤ Turning up the volume on international sales

In addition to these challenges, the company faced other hurdles:

- A strong U.S. dollar
- Customer uncertainty on landed costs
- Limited European language and marketing programs

The company previously had proven it could increase international sales through a customer loyalty program, but in this case, it was limited by its supply chain. By streamlining its supply chain to enable receiving and assembling closer to European clients, company leaders believed they could offer faster, two-day shipping and lower prices by reducing fully landed pricing and shipping fees.



QUESTIONS

CONDITIONS

CONSIDERATIONS

DECISIONS

ACTIONS

➤ Creating a decision framework

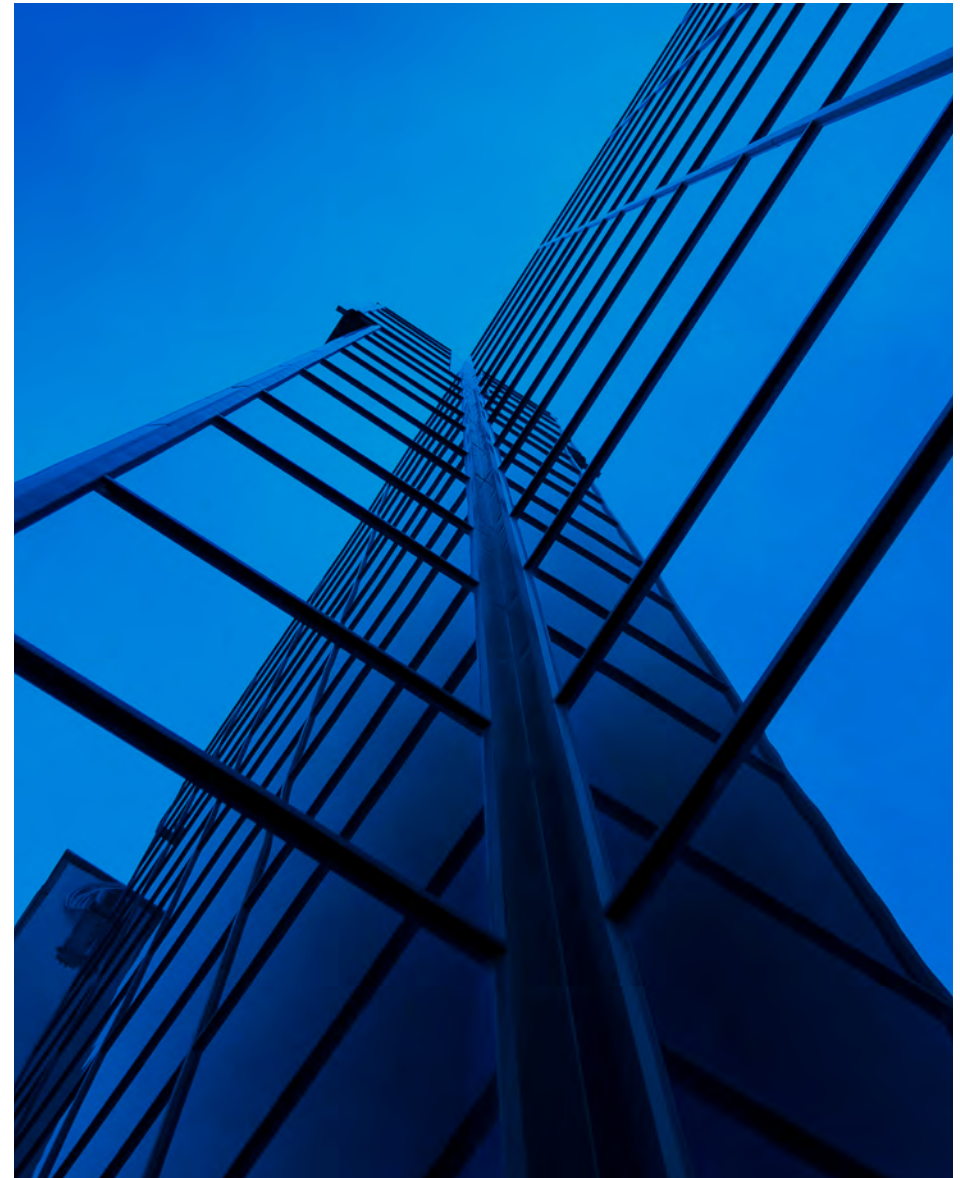
Company leaders engaged the RSM Strategy Advisory practice to help them assess the opportunity.

They divided the challenge into financial and non-financial goals and then built a decision framework that could help the client systematically explore all potential options and determine which expansion model best fit its requirements.

“It’s about creating a process that removes uncertainty every step of way, helping the client make decisions around issues that matter so that they don’t lose time focusing on those that don’t.”

MATT DOLLARD

Director and Industrials Senior Analyst, RSM



Modeling investment decisions

The RSM team began by confirming the client's initial goals for its European expansion. Next, they studied the company's international sales by inventory SKUs to determine a potential starting inventory for Europe. That was followed by creating a dashboard to model investment decisions based on sales and initial investment assumptions.

Finally, the RSM team conducted a distribution center assessment for multiple European locations and walked the client through the decision framework to develop an implementation roadmap that would meet the company's goals.

“The company’s CFO loved the modeling tool and still uses it to simulate projections for European business.”

MATT DOLLARD

Director and Industrials Senior Analyst, RSM



Redefining targets through prioritization

To truly get to the heart of what the client needed for its path to growth, RSM underwent an iterative discovery process that took about two months. Through discussions, RSM developed a deep understanding of the client.

The RSM team could then focus in on the best target market fit based on the client's goals, the company's largest near-term growth opportunities and multiple points of validation.

For example, RSM assessed engaging a third-party logistics company vs. an owner-managed facility. This included identifying investment hurdles for each scenario, modeling initial investments, understanding the impacts to customer service and landed costs, and finding location options for customer service shipping.

KEY PRIORITIES



Financial viability



Legal and regulatory



People



Management capability



Supply chain



Customer experience



Customer service

Rocking sales goals

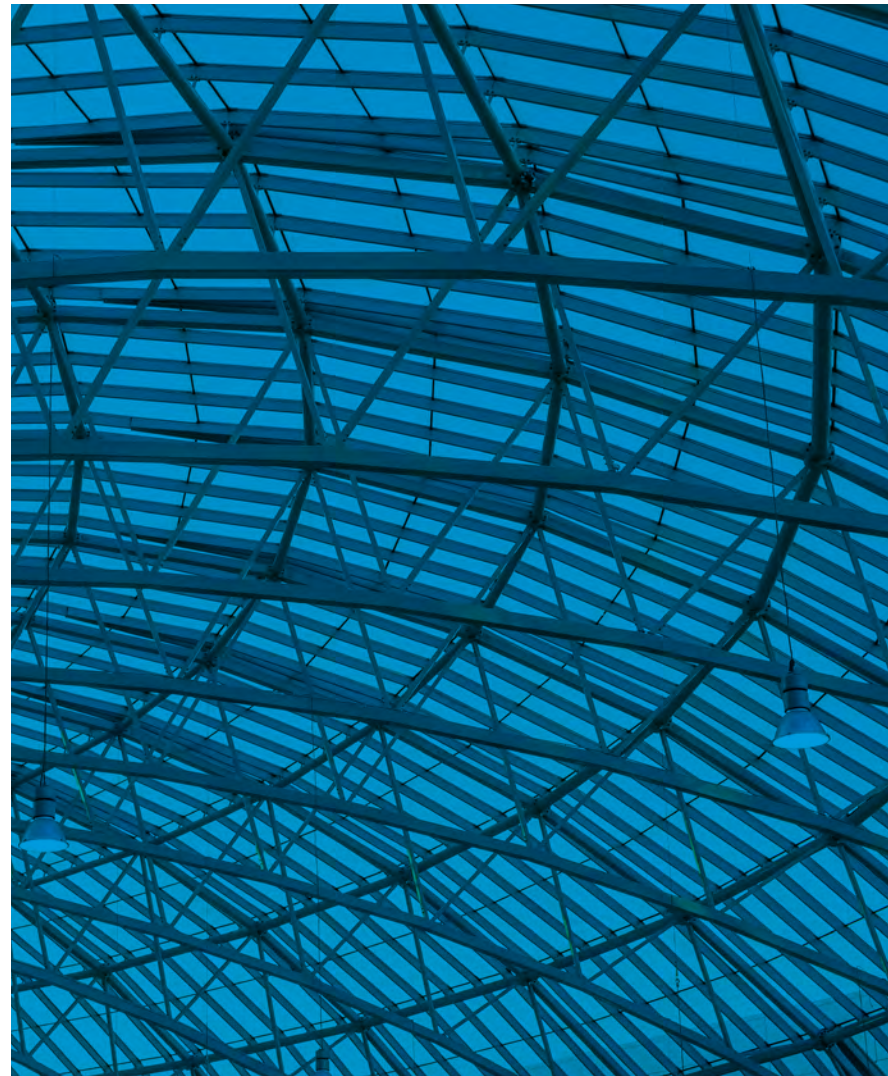
RSM's modeling showed that the business should try to increase non-U.S. sales to better support its expansion and cover operating costs.

During the expansion study, RSM's analysis predicted that offering the sales loyalty program overseas while charging less for shipping and accelerating delivery would boost sales. The CEO immediately implemented that recommendation, and sales skyrocketed across each country **from 14% to 30% in three months.**

Once the engagement was complete, the RSM team presented the formal final findings to the client for board approval. Thanks to increased sales, the company had set its global expansion strategy: increasing market share without immediately setting up a costly overseas location. Today, its market share is still growing and the company is planning for additional manufacturing and warehousing.

At RSM, helping our clients realize their full potential is music to our ears. To find out how we can help you explore your own potential, contact our Strategy Advisory team.

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+1800 274 3978
rsmus.com

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