CASE STUDY

CREATIVE APPROACH POWERS TOP BATTERY BRAND'S ACQUISITION STRATEGY

Manufacturers face multiple challenges as they grow through acquisition. Can the combined companies cross-sell to their respective customer bases? Should distribution channels be shared? How does the new company expand geographically while providing the same customer service levels?

The acquiring company must ensure it can integrate operations to improve efficiency and reduce costs; existing leases are often a significant challenge to making this happen. A company well known for its consumer battery products was charged up about its acquisition of a prominent personal care products brand. The battery maker needed best practices for consolidating the two companies' supply chains while sustaining excellent customer service.

CUSTOMER CHALLENGE

To analyze the alternatives for maximizing supply chain efficiencies, the battery maker called on DHL Supply Chain and its integrated logistics design expertise to evaluate all options. DHL Supply Chain determined that consolidating the brands and facilitating warehouse operations out of a single facility in Southern California would generate the best return on investment. However, this approach would require doubling the size of the customer's current operation.

The company's existing 150,000-square-foot facility in the area could not be expanded, so a new facility was needed. To relocate, though, the company had to overcome a major obstacle: four years remained on its current lease at a facility too small to support its future needs.

CUSTOMER CHALLENGE:

- Integrate distribution centers for two major brands
- Mitigate existing lease obligations
- Locate facility that meets client's new needs for location, size and cost
- Ensure smooth, cost-effective transition to new facility with no service disruptions

DHL SUPPLY CHAIN SOLUTION:

- Identify creative solutions through collaborative effort by DHL Supply Chain's team of experts in real estate, contracts, operations and other areas
- Leverage relationships with facility owners and industry partners to negotiate lease, identify subtenant
- Orchestrate cost-effective facility transition in one weekend to ensure zero service disruptions

CUSTOMER BENEFITS:

- Increased lease concessions on new facility
- Reduced liability on existing lease
- Disruption-free, cost-effective transition

DHL SUPPLY CHAIN SOLUTION

Working as an integrated team, DHL Supply Chain's experts in operations, project management, real estate and contracts conducted a detailed assessment of the customer's needs. Four key objectives emerged: mitigate the existing lease; secure a new facility offering the right combination of location, size and cost; minimize transition costs; and ensure a smooth relocation to the new facility, with no disruption in customer service.

Drawing upon its vast experience negotiating real estate contracts, the DHL Supply Chain team sought proposals from real estate firms for a 300,000-square-foot distribution center; approached facility owners to discuss creative solutions for mitigating the existing lease; and worked aggressively to locate a subtenant to assume the existing lease. DHL Supply Chain identified a real estate firm interested in assuming the client's existing lease, provided the battery maker relocated to another distribution center owned by the same firm. While this offer looked promising in terms of mitigating the lease, DHL Supply Chain continued negotiating with other facilities to ensure its customer received the best deal. DHL Supply Chain identified a candidate to sublease the battery maker's existing facility from the real estate firm. This clinched the deal — the real estate firm assumed the lease, which it subleased to the tenant DHL Supply Chain recruited. In total, $1.3 million in savings was negotiated through lease mitigation and new lease concessions, including paying only for the warehouse space it had used for the first 30 days, which minimized transition costs.

To meet the subtenant's timetable, the battery company needed to relocate earlier than planned. DHL Supply Chain orchestrated the movement of about 250 truckloads of inventory in one weekend within cost constraints. The customer also needed a new IT system capable of supporting the expanded inventory. DHL Supply Chain integrated a warehouse management system with the scope and functionality essential to cost-effective operations.

CUSTOMER BENEFIT

Addressing a complicated set of business issues and requirements with creativity enabled DHL Supply Chain to:

- Eliminate 100 percent of existing lease liability – a savings of more than $700,000
- Secure about $600,000 in new lease concessions by negotiating a phase-in period to the lease while the client ramped up operations
- Ensure a cost-effective move with no disruption of service to customers.

QUOTE

"Our customer knew they could come to us for a complete solution. Through collaboration among subject matter experts, we identified and implemented creative approaches to ensure the customer could integrate its acquired company and achieve supply chain efficiencies."

Steve Odom
Director of Operations, DHL Supply Chain

For further information
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