

Our objectives in this project were clear

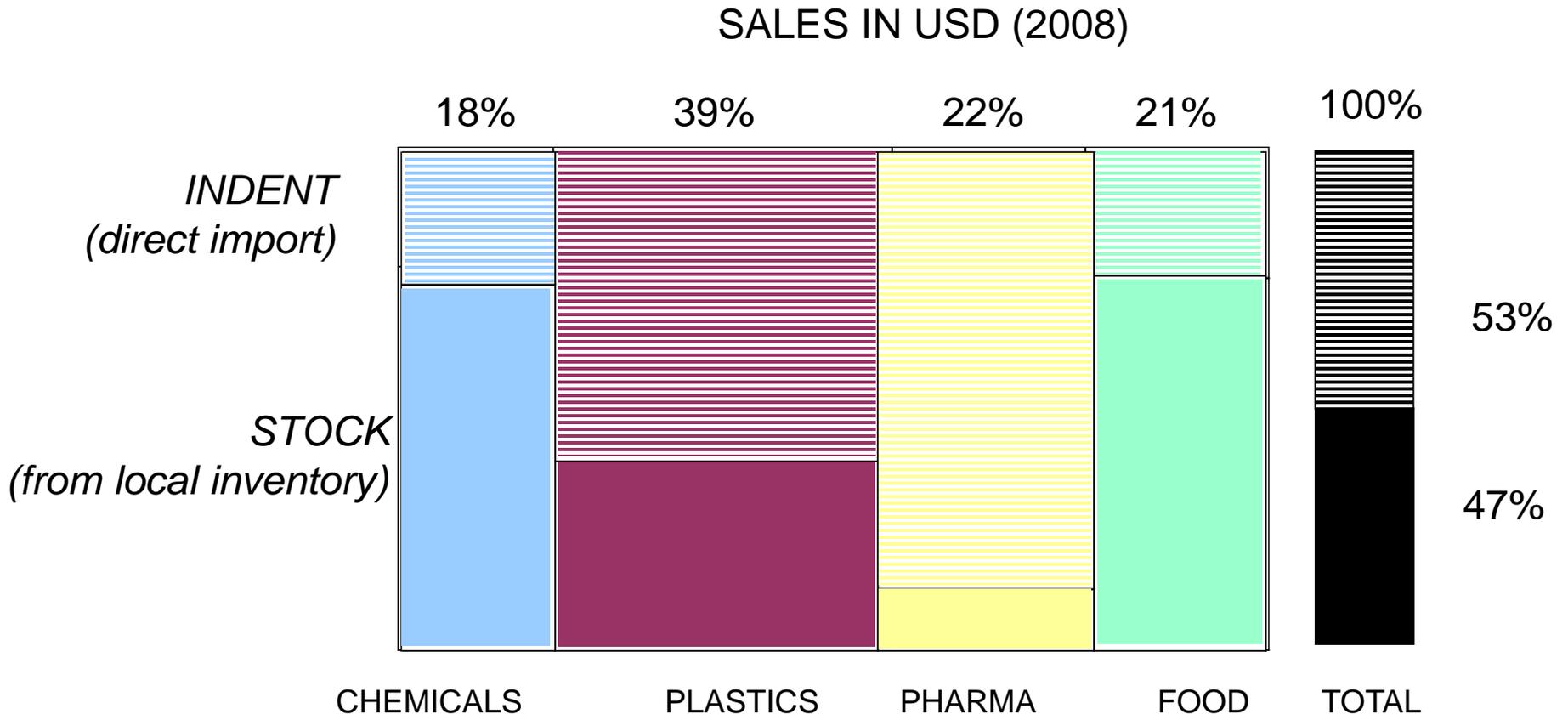
- Analyze the competitive position of the firm with respect to
 - Profitability and room for growth
 - SWOT per LOB
 - Establishment of a baseline for future initiatives and budgets
- Evaluate Key Success Factors
 - Understand pricing strategies and impact ($\Delta Q/\Delta P$)
 - Evaluate impact of improvements in service levels, fulfillment and customer service
 - Evaluate the breadth and depth of the product lines and adequacy of current product portfolio
- Understand the impact of downstream migration
- Evaluate the impact of changing the positioning of the different product lines
- Define an overall strategy for the next 3-5 years in light of changes in the market and economic environments

XY needs to differentiate according to product position: “Commodities” vs. “Specialties”

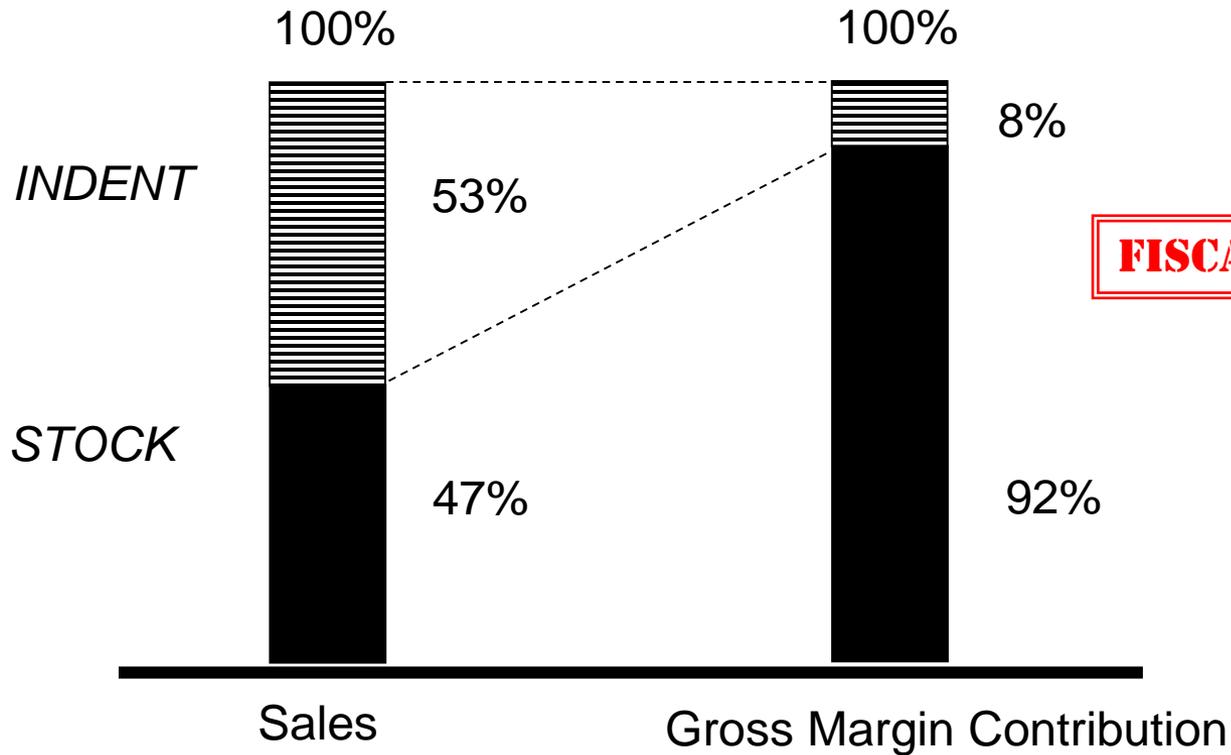
- Commodities are strictly price sensitive while Specialties rely on other aspects which create differentiation such as performance, branding or customization to client needs; there are products that fall inbetween the two qualifiers
- Current assignment of a “flat margin” based on a company wide “Cost plus” ignores the difference between products and product lines/LOB’s
 - Linked to this, salesforce compensation does not recognize the varying difficulties in selling to different markets: “one size” does not fit all
 - Current compensation does not reward those that sell a complete portfolio of products vs those that concentrate on only a few items in the product line
- XY has sufficient scale to create a strong market position in nearly all markets
- Migrating downstream was seen as overly risky by all the participants that were interviewed: competing with your clients was an option whose downside overcame potential upsides
- The current competitive landscape requires that XY implement a strategy based on ‘One to One Management’ for Key Accounts and develop a more finely tuned commercial approach
- Mid-sized clients, those with purchases between USD 10-100 thousand per year, are a key client segment for all the LOB’s and show preference for suppliers with ample stocks and frequent re-supply of inventory; achieving greater supply chain efficiencies would help XY be more competitive for these clients

Overview

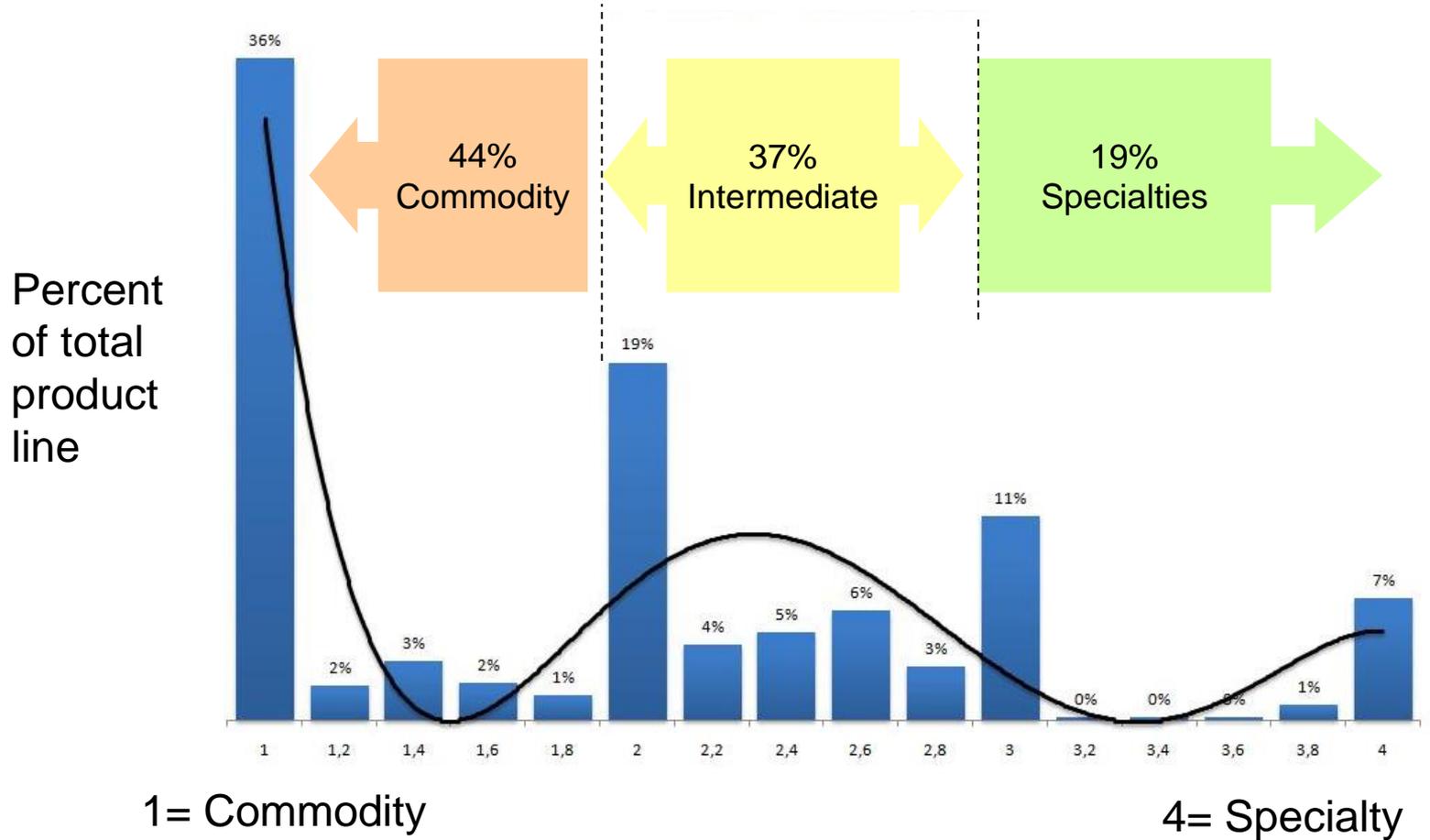
Over 50% of XY's sales are by Indent – direct import for a client- while the remainder is from XY's local inventory - Plastics is 60% Indent and Pharma, almost exclusively Indent; Food and Chemicals are local Stock based



In terms of Gross Margin Contribution, Indent represents only 8% because of thin margins and no value add from local availability

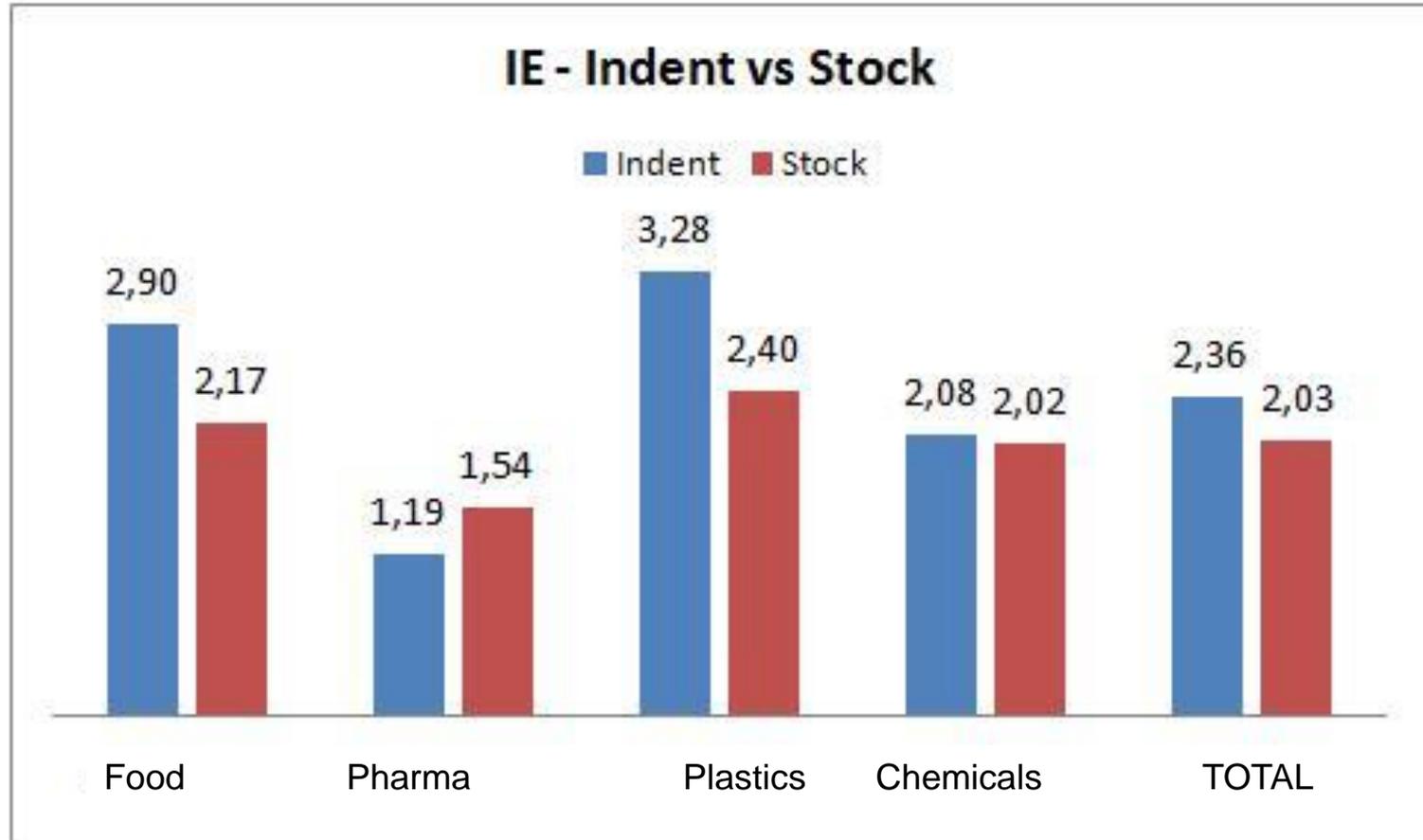


Forty Four percent of XY's product line can be classified as Commodities vs only 19 percent as Specialties according to internal and client evaluations



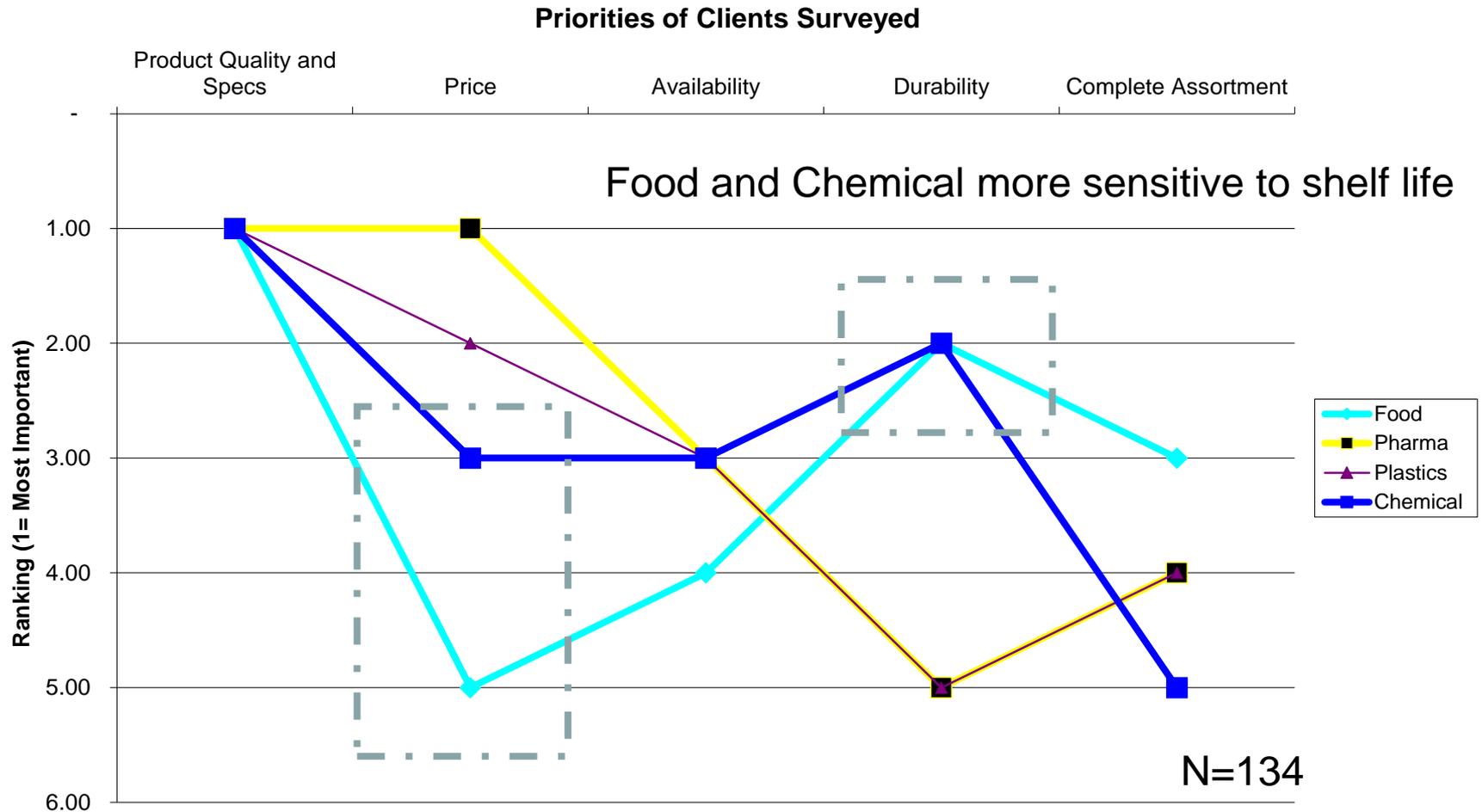
Strategy

Indent skews towards Specialties while Stock skews more towards Commodity
– Indent's lower margins indicates the value placed on local availability even in Commodity products



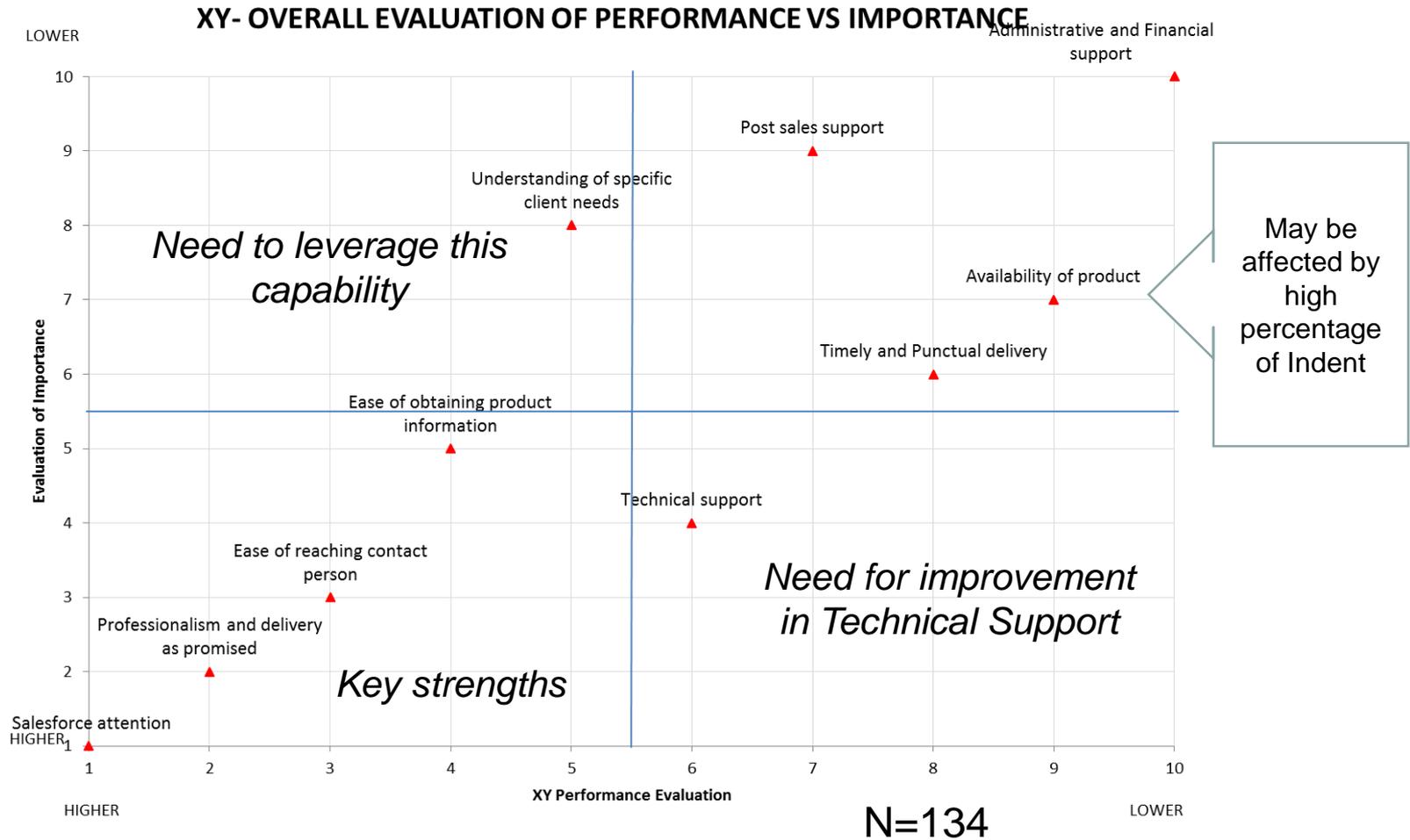
Based on Sales force and Client Surveys; N=86

Differences among the four Lines of Business were clear in the surveys and interviews - although Product Quality and Specs were always No. 1; Food and Chemical showed similarities in Price and Durability preferences



Food and Chemical less price sensitive

XY overall ranked best in the attributes considered of highest importance, although lagging in Technical Support among key factors



Best practices point towards integrating Product Management and Sales Loops- XY has many areas of opportunity for improvement

The Next Dimension in Chemical Distribution – Steven Cartledge, Lake Chemicals and Minerals Limited
European Coatings Journal, May 2004, 14 - 16

