

Case Study: **arco**[®]

experts in safety and workwear

The Leadership issue: Growth and Improved Margins

Background

This major distributor is the UK's leading supplier of safety clothing and equipment. The organisation sought assistance to help understand how it could improve its revenues and increase its profit margin from 2.2% to 10%.

The firm had grown substantially since its inception and now has 2,000 employees and over 100,000 customers. With 40 branches in the UK and over 25,000 stock items, Arco supplies companies in Africa, Asia, Europe, North America, the Middle East and Australia.

What we found

We were able to identify the following issues within the organisation:

- ◆ The drivers of net profitability were not sufficiently understood
- ◆ Pricing was inconsistent across customer segments and channels and there was a high discounting rate
- ◆ Processes, organisation and behaviours were inconsistent across the branches and service teams. This was leading to higher costs and a lower spend per customer
- ◆ All customers were treated the same, irrespective of characteristics and behaviours

What we did

We established a 'Joint Team' of consultants with a select number of employees from within Arco. We provided them with core skills training and then implemented a change programme. This began with a short period of detailed review and analysis to help us to identify and understand the potential areas for improvement. The review covered a number of areas across the business:

- ◆ Pricing and revenue opportunities
- ◆ Contract profitability and customer service levels
- ◆ Customer sector and management of contracts
- ◆ Team effectiveness, organisation, competencies and incentives

Pilot programmes were then launched to validate the proposed changes and to 'test and learn' new ways of working.

Best practice was then rolled out across the organisation. This resulted in the introduction of more effective and differentiated contract fulfillment and customer handling processes.

Results

The pilot programmes led to an immediate revenue increase of 11% and a significant improvement in margins. The changes have been successfully embedded within the organisation and the company continues to go from strength to strength.

“You have certainly left a large element of DNA throughout the organisation. Thank you for your part in making our business significantly different.”

Joint Managing Director, Arco