

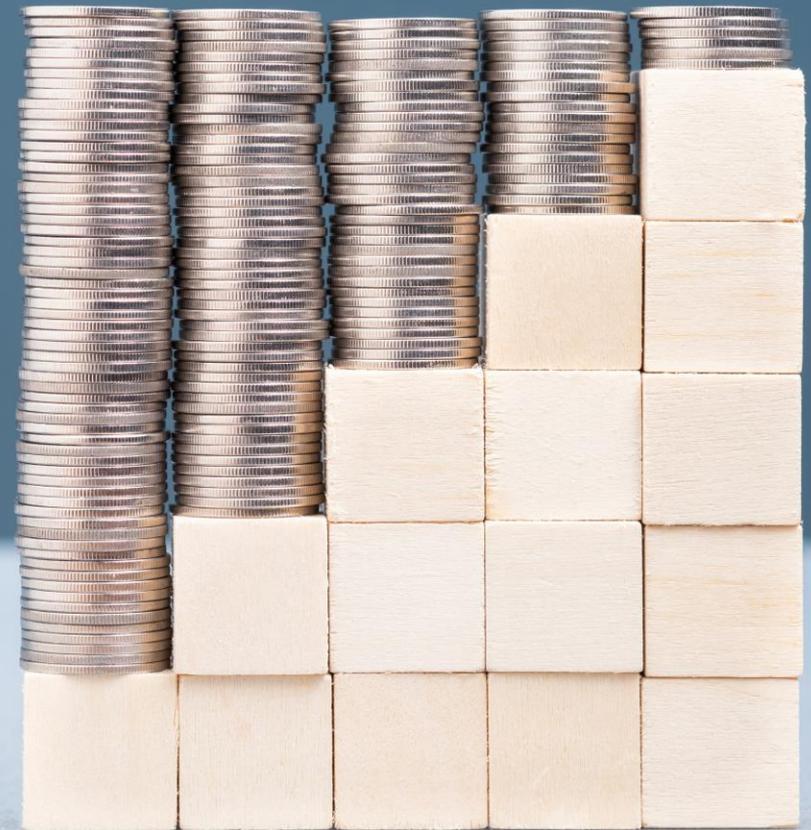


Wilson Perumal  
& Company



OFFERING  
INTRODUCTION

**ACHIEVING NEXT-LEVEL  
COST REDUCTIONS**  
BECOME STRONGER AND LEANER



# Cutting costs to win in today's complex environment

## Today's Reality

- Rising interest rates, inflation, and a tight labor market demand swift, thoughtful, and impactful action from business leaders
- Preserving cash to get through current macroeconomic pressures is required, but you must also emerge ready to operate and compete

## Tough Choices are Everywhere

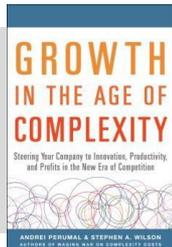
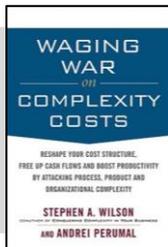
- Targeted cost reductions create more beneficial impact and less damage than broad cuts or price increases, but are harder to implement
- Exercising cost discipline aligned with overall business strategy enables:
  - You to emerge ahead of competitors
  - Optimization of your portfolio for the new business environment
  - Investment in areas that will outperform in the next cycle
- Seeing the future from today's present challenges

## Leverage Our Experience

- WP&C is uniquely positioned to help where it matters most right now
- Unique costing methodology quickly reveals your true profitability
- Complexity-focused analysis uncovers tough-to-find waste
- Deep experience across industries and sectors adds richness to benchmarks
- Our unique depth in operations and focus on results delivers value quickly

# Wilson Perumal & Company at a glance

- Focused on complexity: helping companies simplify for profitability and better compete and grow in increasingly complex environments
- Premier strategy consulting firm with significant operations transformation experience, serving private equity, large corporate clients, and the US military
- Founded 2009 by Stephen Wilson and Andrei Perumal
- Value and results oriented: focus on profit, growth, and working capital outcomes
- Thought-leadership: two books published by *McGraw-Hill* and significant work with *The Wall Street Journal*



# WP&C uses three complementary lenses to identify next-level cost reduction opportunities

*“42% of leaders are struggling to move beyond the cost savings they have already achieved.”*

- March 30, 2020 Gartner Survey

## APPROACH

## PURPOSE & BENEFIT

## RESULT

### Square Root Costing\* (SRC)

- Reveal true portfolio profitability by product, region, customer, etc.
- Understand which products create operating profit & which destroy it
- Foretell the impacts of market shifts; implement change ahead of losses
- Identify precisely where costs occur throughout the value chain
- Assess opportunities for product substitution to meet customers’ needs

Identifies cost-out opportunities tied to unprofitable products, segments, and customers

### Complexity Value Stream Mapping\* (CVSM)

- Lays out how the organization creates & delivers value
- Pinpoints missing, overlapping, & redundant process components
- Reveals non-obvious opportunities to reduce cost & reallocate resources
- Exposes waste and the impact of variety (process, product)

Targeted cost removal using an end-to-end perspective

### Benchmarking

- Better understand entitlement and quantify performance gaps
- Question the status quo ways of working
- Help prioritize performance improvement opportunities
- Articulate an actionable plan the whole team can understand

Establish targets and priorities for the core drivers of value

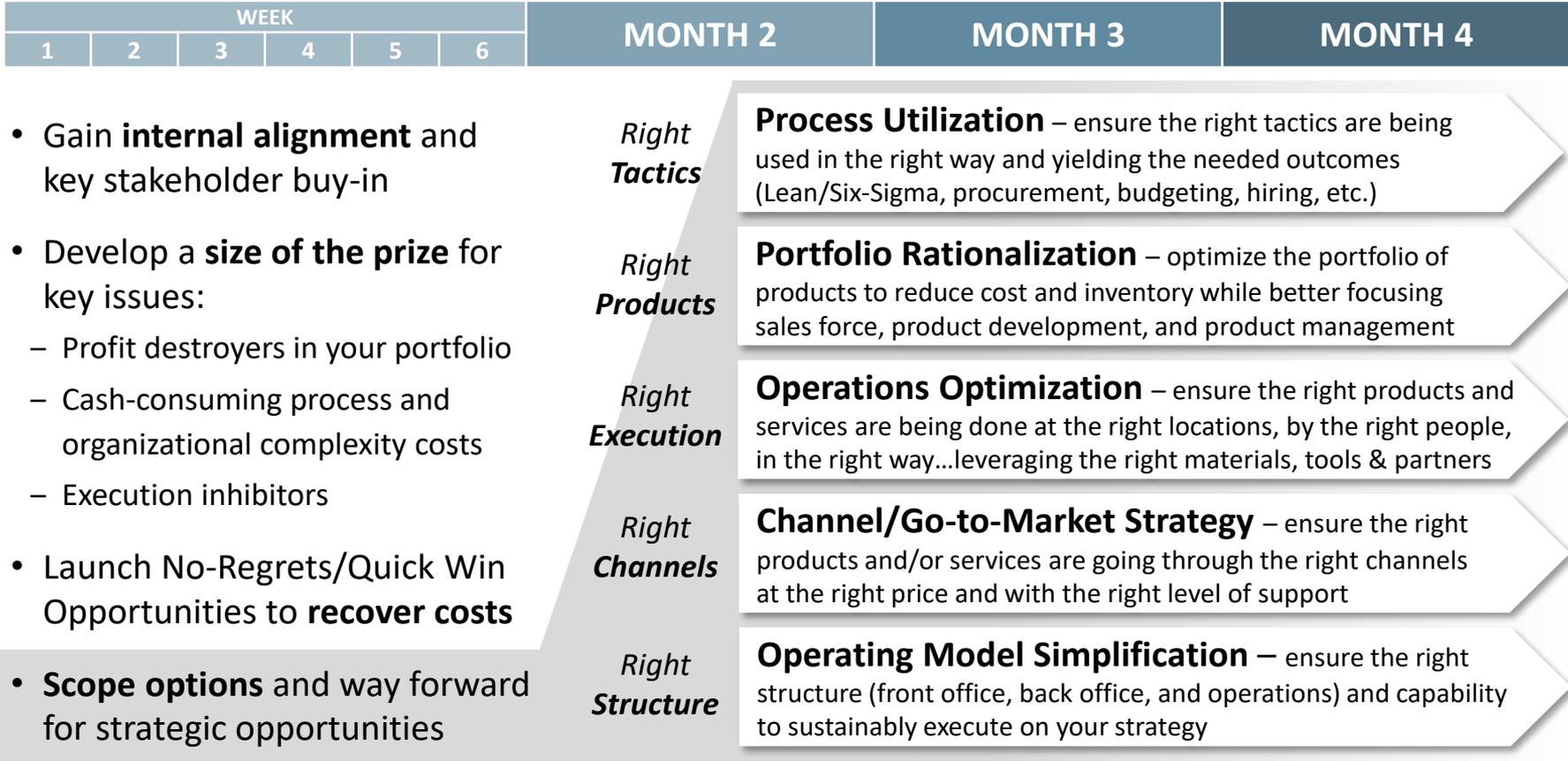
**Opportunity areas include Quick Wins which can lower costs in just weeks**

\* See detail about these approaches on slides 7 & 8  
 Source: <https://gtnr.it/3g17uiy>

# In 4-6 weeks we identify new opportunities, then execute to capture value

**1** Rapid 4–6-week assessment using WPC’s three lenses (SRC, CVSM, Benchmarking)

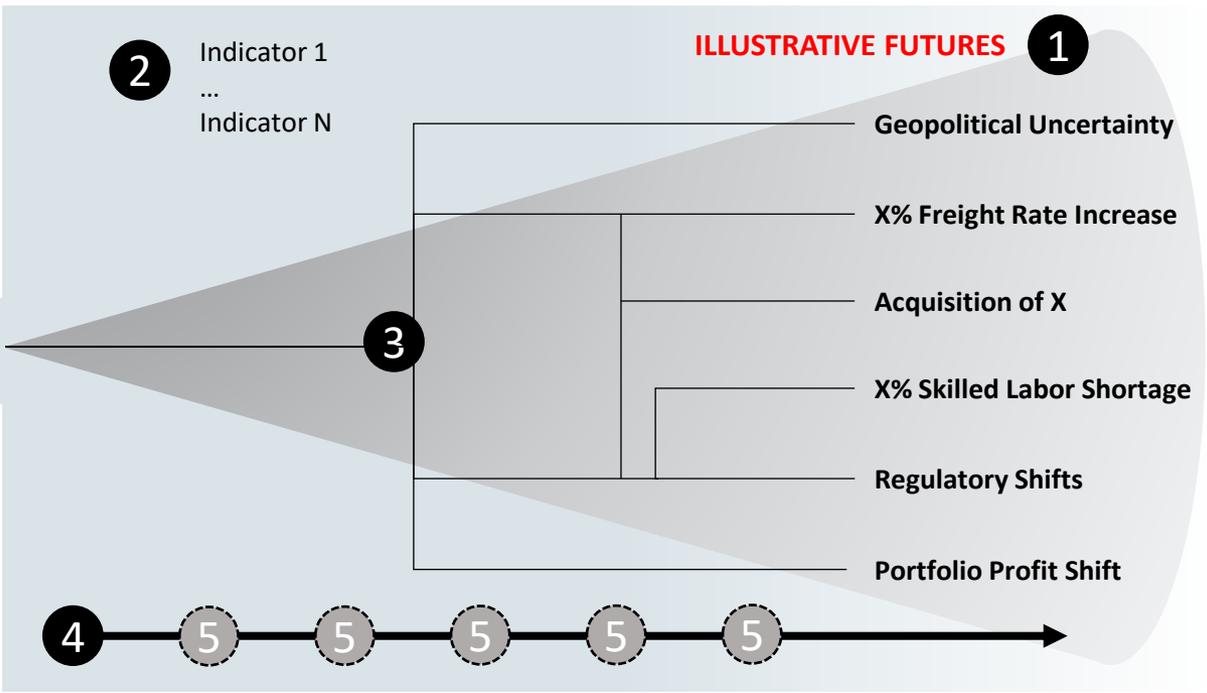
**2** Typically **less than 3 months to realize benefits** from Quick-Wins and implement broader plans for strategic & transformational opportunities



# We use Scenario Analysis to identify “no regrets” cost decisions

*WP&C brings significant depth and analytical rigor to planning that is specific to your business*

- 1 Develop distinct futures using research, industry experience, interviews, and workshops
- 2 Define and monitor indicators to understand which scenarios are unfolding
- 3 Develop a menu of actions for each decision point
- 4 Take “no regrets” actions now (valid in any scenario)
- 5 Shift to higher frequency planning and review



**WP&C will provide your team with the expertise and objectivity to be competitive in the future while avoiding internal biases and undue risk**

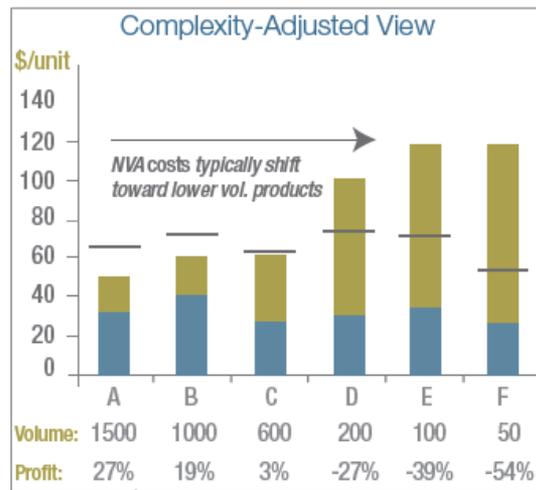
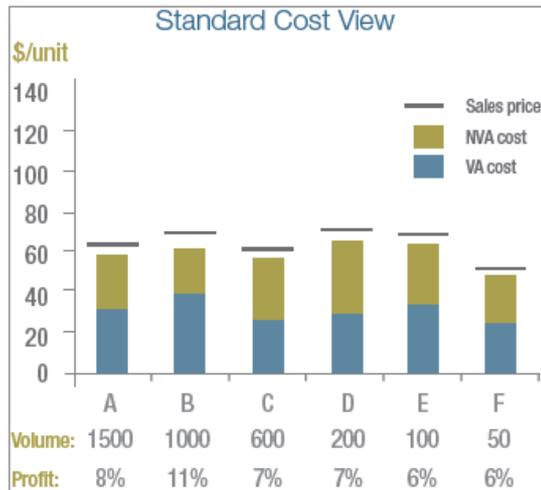
# WP&C's *Square-Root Costing (SRC)* quantifies and sources non-value-added complexity costs

*SRC goes beyond the fixed-variable cost paradigm. It is a faster, more dynamic alternative to onerous methodologies like Activity-Based Costing.*

- Helps determine which products are truly profitable and where complexity costs are killing profit
- Answers the question: At what volume would Product A achieve profitability, if at all?

*Standard methodologies often spread costs evenly making all products look profitable...*

*...Square Root Costing reveals which products are truly profitable, and which are not*



## SRC IN ACTION

At **MillerCoors** we recently determined the cost and profitability of their 1,700 products, across all nine breweries, and down to the operating profit level.

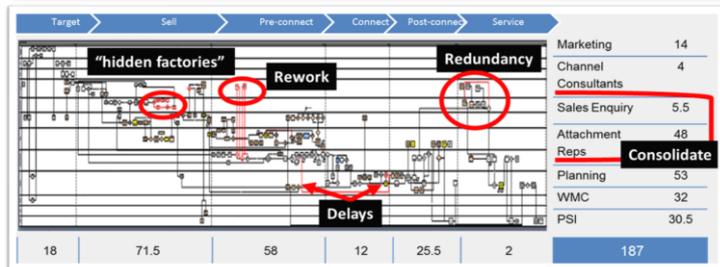
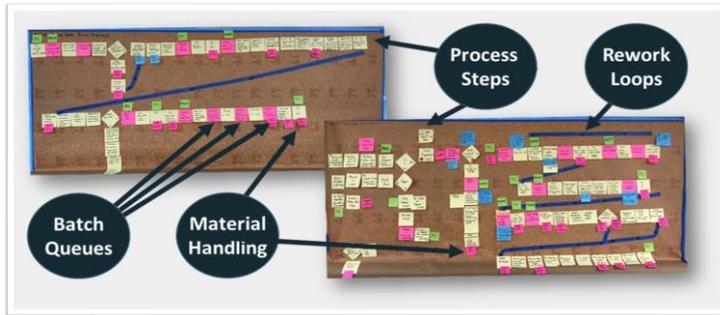
*“This was a quick and painless way to understand our true product profitability, and it challenges how we think about our business. I am extremely pleased with the results.”*

—**Fernando Palacios**

EVP, Chief Integrated Supply Chain Officer  
MillerCoors LLC

# Complexity Value Stream Mapping identifies process, organization, and technology cost opportunities

*Complexity and waste is often best exposed when looking end-to-end on key value streams*



- The CVSM yields a detailed visual representation of interconnections hidden in a typical value stream map:
  - How functions and product families interact
  - Where capital is tied up in non-value-add activities
  - Dysfunctional information flows and handoffs
- We map the interaction between products, processes, organizational structure, and asset base to build up costs and identify redesign opportunities
- We involve stakeholders and front-line subject matter experts to enrich the understanding of connections
  - “Brown Paper” and sticky-note maps on the shop floor
  - Detailed digital versions for advanced analytics
- We segment opportunities by value and accessibility
  - We co-op your organic continuous improvement teams
  - Create A3s and action plans for sustainable gains
  - Launch quick wins to rapidly capture cost benefits
- WPC’s unique perspective on complexity unlocks hidden cost savings for your business immediately

**Quick Wins will reduce Process Lead Time by 18 days**

Improvements Underway:	Savings
A1. Mechanics press bearing instead of machine shop	- 7 Days
A2. Measure bushings/bearings during removal	- 7 Days
A3. Order hardware at early corrosion check	- 7 Days
A4. Eliminate early composite route for Part-X	- 10 Days
A6. Confirm Part-X weight after paint	- 4 Hours
A8. Eliminate PC step after kitting validation	- 10 Hours
D3. Modify CAPP plans in SAP to reduce skips	(next slide)

**Aerospace Part-X Improvements Impact:**

RTAT Reduction/Unit	- 18.75 days
NVA Man-Hr Reduction/Unit	- 150 hours
Annual Type II Savings <sup>1</sup>	- \$1.56 Million

**A systematic value stream analysis effort across each major end item's critical path will yield substantial benefits**

Wilson Perumal & Company, Inc. 26

# Our cost-structure analysis frequently unlocks bigger opportunities

## UPDATE OPERATING MODEL

- Make changes necessary to sustain complexity and cost reductions
- Consider broader front-office, back-office, and operations organization alignment and restructuring
- Evaluate potential new technology enablers
- Align vendors and partners (or find new)
- Re-position assets and resources

## REFINE GROWTH STRATEGY

- Retrench around the islands of profitability
- Leave “bad revenue” behind, reignite core brands and market segments
- Revise value propositions
- Anchor on customers, not assets
- Map new understanding of “economies of density” against future market opportunity
- Validate M&A’s contribution to growth

## OPTIMIZE PORTFOLIO

- Reconsider portfolio range and depth given new understanding of profitability
- Leverage substitutability to grow profit and reduce NPD and operational complexity
- Rethink “easy innovation” practices (color variety, packaging options, etc.)
- Implement a more formal and disciplined SKU management (i.e., PLM) program

## EXECUTE WITH EXCELLENCE

- Instill a high-reliability organizational culture
- Push decision making as close to the point of work as possible
- Elevate the role and impact of front-line supervisors
- Implement operating systems and procedures that emphasize desired operational outcomes versus busy-work

# By achieving next-level cost reductions, our clients regularly see 8-30%+ EBITDA improvements

CLIENT	APPROACH	IMPACT
<b>\$1.1B Oil &amp; Gas Equipment and Services Provider</b>	<ul style="list-style-type: none"> <li>Defined profitability by product segment</li> <li>Rationalized dilutive products</li> <li>Established new operational capabilities</li> <li>Conducted spend analysis and sourcing</li> </ul>	<ul style="list-style-type: none"> <li>✓ &gt;100% Uplift in EBITDA</li> <li>✓ \$15M reduction of working capital</li> <li>✓ \$5M identified in procurement savings</li> </ul>
<b>\$18.4B Packaging and Container Manufacturer</b>	<ul style="list-style-type: none"> <li>Scenario Analysis for 10-year CAPEX strategy</li> <li>Realigned production on appropriate assets</li> <li>Zero-Based-Network footprint optimization</li> </ul>	<ul style="list-style-type: none"> <li>✓ Reallocated \$60M CAPEX order</li> <li>✓ \$7-13M operational cost savings</li> <li>✓ 3-year plan for \$50M annual EBITDA lift</li> </ul>
<b>\$1.2B US Military Logistics Org.</b>	<ul style="list-style-type: none"> <li>Re-baselined cycle time targets</li> <li>Dramatically improved active supervision</li> <li>Designed and deployed logistics strategy</li> </ul>	<ul style="list-style-type: none"> <li>✓ \$35M in direct labor savings</li> <li>✓ \$53M in annual overtime savings</li> <li>✓ \$100M in annual savings</li> </ul>
<b>\$14.9B Food Manufacturer</b>	<ul style="list-style-type: none"> <li>Complexity costing using SRC</li> <li>Customer profitability analysis</li> <li>Retrenching strategy</li> </ul>	<ul style="list-style-type: none"> <li>✓ 12% Increase in plant profitability</li> <li>✓ \$3.2M in immediate operational savings</li> </ul>
<b>\$600M Construction Materials Manufacturer</b>	<ul style="list-style-type: none"> <li>Reassessed cost and profit by product</li> <li>Reorganized front office (sales &amp; support)</li> <li>Established distribution and inside sales</li> </ul>	<ul style="list-style-type: none"> <li>✓ \$20M+ (25%+) EBIT improvement</li> <li>✓ Transformed go-to-market</li> <li>✓ Highly successful PE owner exit in &lt;12 months</li> </ul>

Structural improvements also frequently yield benefits in Working Capital and Service Levels

# We can help you achieve next-level cost reductions



WP&C has a long track record of quickly delivering value of 20–100X fees



Leverage our unique expertise to help build a strong foundation for the future of your business



We craft an approach specifically tailored to your unique business needs

Is your company ready for transformation?



[START THE CONVERSATION >](#)



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INTRODUCTION

## CASE STUDIES

[Cost reduction for a consumer durables co.](#)  
[Cost reduction at a government organization](#)  
[Portfolio reshaping at a drilling equipment co.](#)

## RESOURCES

[Vantage Point: Square Root Costing](#)  
[Spotlight: Complexity Costs](#)  
[Spotlight: Complexity Cube](#)  
[Book: Waging War on Complexity Costs](#)

## CONTACT US

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