

METAL DISTRIBUTOR AND PROCESSOR

MANUFACTURING OPTIMIZATION STUDY

CLIENT BACKGROUND

North America's leading distributor and processor of metals, with annual sales of \$2.2B. With 50 service centers across the US, Canada, and Mexico with joint ventures in Asia, the company provides its customers the ability to order a variety of high-quality metal in economic quantities by consolidating their purchases through a single supplier.

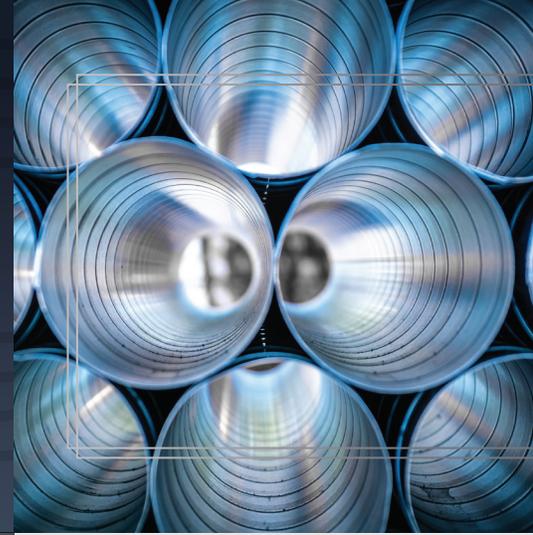
CHALLENGE

Operating as both a local service center and as the main depot for distributing slow-moving items nationwide, our client's Chicago division was not attaining profitability goals.

EVALUATION

Once the scale of operations was established, Gibson worked to "right-size" the processing and warehousing equipment to reduce the overall cost structure while maintaining deliveries and improving customer service.

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RESULTS AT A GLANCE

\$10MM
IN ONGOING ANNUAL
MANUFACTURING, STAFFING
AND LEASE SAVINGS

REALIZED TARGETED
COST SAVINGS

ONE-TIME GAIN FOR THE SALE
OF EXCESS ASSETS MORE
THAN OFFSET THE COST
OF RESTRUCTURING

NEW ANALYSIS TOOLS
AND STAFF TRAINING THAT
CAN BE LEVERAGED FOR
FUTURE ASSESSMENTS

APPROACH

We determined the variety and quantity of necessary processing and warehousing equipment, developed improved material flow plans and relocated equipment to reduce workflows and redundancies. We developed financial and virtual warehouse models to guide equipment relocation and material handling changes. We also presented twelve options for division restructuring based on model evaluations and worked with the client to implement the selected solutions. Lastly, we advised the client of potential asset sale gain or loss.

RESULTS

Gibson was able to guide the client through the restructuring necessary to realize its targeted cost savings. We generated \$10M in ongoing annual manufacturing, staffing and lease savings and helped the client realize a one-time gain from the sale of excess assets that more than offset the entire cost of restructuring. We developed analysis tools for determining appropriate levels of inventory, processing capability, and staffing for changes in business, and we trained a client in analysis tools and processes to facilitate future assessments. The analysis tools developed and the staff trained for this project can be leveraged to carry out similar assessments at other large service centers.

