



## mehrWERT

- better purchasing
- tailor-made assortments
- higher margins

## Case Study

## Product Range

Profitable growth and higher margins through bundling suppliers and brands

**WERTIFY**  
CONSULTING

# Parts dealer loses market share in a strategically important product group.

## The initial situation

A medium-sized parts dealer has continuously expanded its range of brands in a high-turnover but very price-sensitive product group. Partly through acquisitions, partly through the addition of new suppliers. Initially, additional sales and even market share gains were achieved by expanding the brand portfolio.

However, important side effects such as inventory issues, logistics costs or purchasing effects were excluded or at least not sufficiently taken into account in this approach.

Over time - and there are always side effects - the problems could no longer be ignored and even became a real test for the company due to the importance of the product group.

The top 5 problems of brand diversity at a glance:

1. High inventories increasingly blocked other product groups
2. Increasing customer dissatisfaction because even fast movers of individual brands were not available (inventory problem)
3. Low purchasing power due to lack of bundling effects
4. Low level of sales and technical support from suppliers, especially in the key account business
5. Increasing pressure on margins due to discount campaigns (excess stock) and poor purchase prices

Conclusion: The company had fallen into a vicious spiral in one of its most important product groups.

# Drastic product range rationalisation is the only way to recover.

## Our measures

### What does the customer really want?

We confronted purchasing, sales and management with this question. We had to find out whether customers buy by brand or by problem solution. Correct answers to this banal question are not so easy and require a very good knowledge of customer motives. And that's why we spoke directly with a wide variety of customers in a completely neutral way.

**In a nutshell: Despite all the brand history, the decisive purchasing criteria in the product group are technical application, reliable quality and price.**

This was the basis for the blue print of our new range:

1. A lead brand with a wide range of products and the best purchase prices
2. Expansion of own brand for price-sensitive customers for standard applications
3. A niche brand for special technical applications

We then negotiated the lead brand positioning with three suppliers active throughout Europe and decided in favour of a strategic partner. A 3-year agreement was concluded with this supplier for joint marketing in Europe.

# The best purchase prices, maximum availability and maximum sales support lead to a successful turnaround.

The results

**The 2+1 brand strategy (lead brand and own brand + niche brand) was undoubtedly not risk-free and also required considerable persuasion from our sales colleagues. But the courage and the very consistent implementation were rewarded with great success.**

**The results in brief:**

1. Thanks to the new brand bundling on a lead brand, purchasing prices have been drastically improved.
2. Stocks were reduced by around 30%.
3. Best availability of lead brand and own brand fast movers at the same time.
4. Significant margin improvement thanks to new purchase prices for the lead brand and expansion of the own brand. The niche brand was also successfully marketed with high margins thanks to its extremely good positioning.
5. Double-digit sales growth thanks to maximum sales support from the supplier, aggressive pricing for fast movers (thanks to new purchase prices) and significantly improved availability of goods.
6. Approx. 15% lower logistics costs thanks to volume bundling and direct ex-works delivery.

The lead supplier was also able to grow profitably and further expand its market share despite the new pricing.

# CONTACT



ralf.maurer@wertify.de



+ 49 228 7481 9409



Ralf Maurer

Managing Partner

Get a non-binding & free initial consultation now