

Facility Consolidation & Footprint Optimization

Background

This global manufacturer of electronics components doubled the size of their Industrial Products division through the acquisition of a company that manufactures cable assemblies and industrial safety items.



As a result, the combined company ended up with a sub-optimal collection of manufacturing, distribution and office facilities. This was characterized by redundant capabilities, resulting in high fixed costs and low utilization.

N. American Facility Footprint



European Facility Footprint



- Acquirer Facility
- Target Facility

Keystone Value Add

As part of overall integration planning, Keystone and the company developed a plan to shrink the footprint – resulting in annual savings to operating costs. The plan included:

- Transition of manufacturing sites into a limited number of regional centers of excellence, concentrated in low cost countries
- Transition of distribution centers to low cost countries, where appropriate
- Consolidation of office sites

Within 6 months of close, Keystone and the client implemented the footprint restructuring plan in both North America and Europe.

North America

Keystone led the effort to reconfigure the company's 200k sq ft facility in Juarez. The reconfigured facility retained all original functions as well as:

- A 40k sq ft warehouse
- Transfer of three production lines from the Nogales facility
- Assembly operations transferred from Chicago

Keystone also led the efforts to reconfigure the El Paso facility:

- All U.S. outbound shipments were moved from El Paso to the Juarez warehouse
- Tucson warehouse activity was transitioned to El Paso
- Non-NAFTA import receiving and shipping was moved from Chicago to El Paso
- Skilled machining operations were transitioned from the Chicago operation to El Paso

Keystone assisted the company with the development and implementation of a shipping

program that alleviated many of the cross-border delays incurred shipping from Mexico into the U.S.

As a result, one Chicago facility was sold and the Nogales facility was freed up to support expansion by another division of the acquirer.

Europe

Keystone helped the client navigate the complex European labor laws and regulations to implement necessary changes.

The bulk of manufacturing was transitioned from Wales, Germany and Italy into an underutilized Polish facility.

The German facility was transitioned into the central European engineering center.

The acquirer's Irish site absorbed the management and sales functions from the site in Wales. The site in Wales was sold.

Results

The deal results exceeded plan within the first six months:

- **Annual operating income improvement**
- **No disruption** in customer service or operations
- Support improvement resulted in **new customer wins**
- **Cash from sales of two facilities** at appraised value
- Facility **utilization increased by 25%**

"Keystone was integral in both developing the plans and driving results. We would have never been able to accomplish the transition as quickly and smoothly without them."

EVP Operations