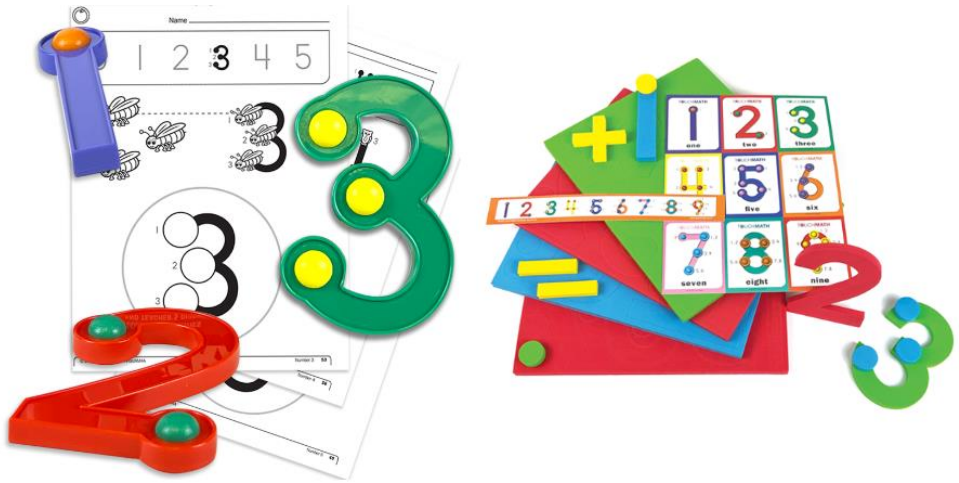
Education Products and Toys

Case Study



Forsyth retained by a Private Equity owned manufacturer of educational products that was struggling with their costing and sourcing strategy. The initial request focused on reducing direct material costs to improve cash flow. Upon review, Forsyth identified the Client's risk in being single-sourced through a network of Chinese distributors, which extended lead times, increased costs, and lacked quality management, Forsyth designed and executed a direct to manufacturer strategy with systemic Quality Assurance procedures and a path to transition to China+1 supply base. In addition, lead times were reduced by 50%, which improved cash while product costs were reduced by over 60% ($1M).

"One of our portfolio companies needed more control over its international supply chain. The team at Forsyth Advisors found reliable suppliers that enabled greater control over the supply chain, increased inventory turns, provided a roadmap to reducing China concentration and delivered aggressive cost savings."
– JT, Private Equity Partner

Outcome

20%
EBITDA Improvement

98% Production Yield
Improved Quality Assurance

$320,000
Cash Improvement

Risk Mitigation
Reduced China Reliance

Our Approach

Worldwide Search: Identified options in and outside of China to provide geographic diversity

Rigorous Benchmarking: Thorough piece-by-piece kit costing to establish confidence in new vendor capabilities and pricing

Negotiations: Worked with shortlisted vendors to establish favorable starting payment terms

Process Optimization: Helped client set up first manufacturer-direct relationship with robust supplier management, QC, and logistics processes

Challenges Resolved

Risk: Products were single-sourced from a trading company in China, with inadequate quality assurance protocols

Out of Touch with Market: The client had been unable to effectively model cost drivers and challenge cost increases. Commodities had been untested against the market

Cash Flow: Their supplier had refused to improve payment terms over time, severely constraining working capital

Prohibitive Costs: Client's existing supply chain involved multiple layers of non-value add distributors, resulting in higher than necessary costs