

# Everyone Accounted for and Morale Soars

How an electronics manufacturer recovered from a devastating flood that cost millions in damaged inventory, building repairs, lost sales and then, to add insult to injury, was hit by the economic downturn, all without deep layoffs in personnel.

## SITUATION

A southern Minnesota electronics manufacturer was hard hit when the plant was flooded with nearly five feet of water after a freak storm soaked the region for three days.

After spending \$1.5 million to repair the damage, the plant was up and running again, but the manufacturer's profits were wiped out. The company began to recover but then the economic downturn of 2009 hit and profits dropped another 28 percent. Few companies were making any capital purchases, including electronic equipment.

The CEO expected downsizing would be necessary, but wanted to know what choices he had other than cutting employees. "Although I was receiving that advice from my accountants, I knew we would turn things around. But if everyone was concerned about their job security, recovery would be slow and painful. I wasn't willing to go that route before searching all other options first."

## VITAL QUESTIONS

Using RAI Stone Analytics® helped the management team quantify the effect of these potential steps, on their own and in combination:

- What impact would downsizing have on profits? What would the breakeven point be—how far did the cuts need to go? What other costs could be reduced first?
- The electronics business is very competitive and customers expect cost reductions every year. However, when purchasing resumes after a downturn, there might opportunity to raise prices. How would raising prices 1 percent affect profits?

- What sales targets would the company need to hit in order to start giving discretionary bonuses again?

## KEY INSIGHTS FOR ACTION

RAI Stone Analytics® financial modeling and “What If” features provided these actionable insights:

- Quantified the effects of various strategic decisions, including the plan to downsize at the southern Minnesota plant and reallocate resources to other plants.
- After modeling the impact of potential price increases for 2009, the manufacturer was able to increase prices on select products and achieve quick improvement in the bottom line.
- What If scenarios enabled the management team to put numbers with sales goals and reinstate discretionary bonuses.
- In addition to providing clear-cut financial support for the proposed strategic decisions, RAI Stone Analytics® also quantified other areas the management team might want to consider.

*“RAI Stone Analytics® provides the best value I’ve seen so far. It can help you verify the direction you’re going or make clear if you need to think about another direction. It replaces a boutique CPA analysis—at a tenth of the cost or less.”*

CEO, electronics manufacturing firm

RAI Stone Analytics® is a turnkey service that combines a proven methodology with our next-generation predictive technology to analyze how a company generates and uses its cash and other financial resources. The results give you powerful and instant insights into your client companies’ financial picture and how they can save and generate money to achieve their goals.