

# Cost transformation for a beauty products retailer

## Sally Beauty Holdings



### **SITUATION: REDUCE COSTS TO FUEL GROWTH**

Sally Beauty Holdings (SBH) sells beauty products for hair, skin and nails. The Sally Beauty Supply (SBS) unit is the world's largest distributor and retailer of hair color and care products with more than 3,700 stores. The Beauty Systems Group's (BSG) network of 1,300 stores and 800 direct-sales consultants sell professional brands to licensed beauty stylists and salons.

SBH wanted to free up \$25-\$50 million to help fund growth initiatives. To do this, executives sought to reduce costs and boost productivity. Specifically, they needed to improve distribution, streamline general and administrative (G&A), and reduce costs in sourcing and procurement for both private-label and branded products.

### **FTI CONSULTING'S ROLE: REDUCING COSTS AND IMPROVING PRODUCTIVITY**

A team of FTI Consulting Retail and Consumer Products professionals worked with SBH to identify and implement cost and productivity enhancements across the organization. The work started with an enterprise-wide assessment to identify short- and long-term initiatives that could concurrently reduce costs and improve effectiveness. The subsequent work included a complete "clean sheet" redesign of the organization's G&A functions, sourcing of private label and third-party brands and retail field management, as well as improvements in inventory and in-store labor productivity.



*We selected FTI for their style, approach, and expertise and we were not disappointed. They were deliberate, fast, collaborative, and unrelenting in challenging our mindset and our ways. They were a catalyst in our transformation journey and we could not have selected a more thoughtful and skillful partner to help us.*

— Chris Brickman,  
Chief Executive Officer



CORPORATE FINANCE & RESTRUCTURING

## CLIENT TESTIMONY



*I arrived well into the implementation of FTI's recommendations. I expected and was not disappointed with their "roll-up-their-sleeves and get-it-done" attitude and behavior. They challenge constructively and collaboratively, while staying true to the mission, and never losing sight of the savings objectives. They are experts at cost and productivity transformation.*

— Aaron Alt,  
Chief Financial Officer

# OUTCOME:

## REDESIGNED G&A PLATFORM, STREAMLINED PROCESSES, AND REDUCED COSTS

FTI Consulting identified opportunities in the first several weeks that met the client's initial savings goal of \$25-50 million. FTI Consulting continued to identify opportunities that significantly surpassed the SBH's initial goal. These included:

- Reduced G&A platform costs resulting in \$20 million in savings
- Private label sourcing generating over \$30 million in savings
- Indirect sourcing (goods not for resale) yielding \$20 million in savings
- Alignment of store labor with sales, and adjustment of full- vs. part-time mix of associates resulting in \$23 million in savings
- Redesigned field management structure producing \$4 million in gross savings
- Optimized assortments and velocity-driven presentation minimums improving turns and reducing inventory by over \$140 million

In addition to this immediate impact, FTI Consulting's longer-term initiatives yielded transformative process improvements and efficiencies which included:

- Improvements to sourcing and procurement through direct negotiations, competitive bidding for indirect spend, the application of industry benchmarks and the introduction of online auctions
- Merchandising processes optimized with tools and reporting that identify margin and inventory opportunities
- Branded products negotiations process on target to reduce cost of goods by at least \$40 million

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## About FTI Consulting

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