

Case 10: Gardening Retailer (1 of III)

Booz Allen – Home Team, Round 1

Problem statement narrative

You have been approached by the COO of a \$2B Midwest Industrial Company who makes fertilizers, pesticides etc. for lawn and garden.

They have recently acquired a \$100M retail chain selling patio furniture, garden tools, clothing, décor, ornaments etc. The retail chain have both retail stores and direct order business. The retail chain has a gross margin of 50%, but is still losing money.

1. Why are they losing money?

2. What should they do?


Guidance for interviewer and information provided upon request⁽¹⁾

- 50 retail stores in the US
- Most of the customers are in warm locations (CA, AZ, FL)
- 40% Customers in California
- Stores are upscale

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Income Statement

Revenue	\$100M	
COGS	\$50M	
Transportation	\$10M	
Marketing	\$15M	 <div><u>Direct Order Costs</u> Designing Printing Distribution/Shipping</div>
Fulfilment	\$10M	
Labor + Store Rent	\$15M	
SG&A	\$5M	

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	Procurement	Transportation	Warehousing	Transportation	Retail Stores
Interviewer guidance for each area, but don't read verbatim	Purchased from China	Shipped in large containers to Long Beach, CA. Shipping costs included in COGS (50%)	Transported by Trucks to the Warehouse in Kentucky. Stored in Warehouse and redistributed according to demand	Transported by trucks to different retail stores	Sold by salaried sales people
Recommendation	40% Customers are in California and the containers are shipped from China to California to Kentucky and back to California. Unnecessary costs involved in shipping to Kentucky and back to California. So move the warehouse to California				
Growth Strategy	<p>A solid interview will list out options (the 2X2 matrix) for revenue growth, and expanding existing products to new locations would be a good option:</p> <ul style="list-style-type: none"> • Can expand the number of stores to other warm weather states • Can market a lower end brand in mass market stores like K-Mart, Costco etc. 				
Additional question for candidate	<p>What are the key profitability drivers in retailing?</p> <ul style="list-style-type: none"> • Possible answers: Inventory Turnover; Location; Store Layout; Cash Management; etc. 				