

How to increase net profit by 45%

Leading pharma distributor overhauls its marketing strategy and operations

Client

One of the leading Pharma distributors in Central Asia

- Annual revenue over \$350m
- 10 regional branches & warehouses
- Over 11,000 SKUs
- Over 7,000 active clients

Challenge

Following years of expansion and acquisitions, a shift in the market conjecture quickly translated into a number of troubling signs:

- Profit & margin decline
- Routine stock shortages
- High share of unmarketable stock
- Cash deficiency

The client requested our support in:

- Optimising the product matrix
- Introducing a more efficient procurement
- Introducing a system of budget planning & control
- Growing profit

Stage 1: Diagnostic

Following a macro environment audit, AVDO ran organisational and cross-functional diagnostic, engaging stakeholders across teams and layers. In addition to stated challenges, we found that:

- The sales team focused on selling whatever they happened to buy rather than analysing what the market required
- The product mix was overextended and, to a substantial extent, produced low return
- Procurement didn't take into account seasonality: the stock was low at peak times & high during periods of low demand
- There was no method to determine the necessary procurement volumes
- There was no planned approach to selling unpopular products
- And no expense planing or revenue/expense interrelation control

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Stage 1: Recommendations

Having discussed the findings with the client, we agreed to add a number of strategic and operational project goals:

- Refine business positioning
- Form a market intelligence unit
- Introduce market requirement analysis (by distribution channel)
- Increase procurement efficiency
- Establish a stock control system
- And find a solution to the unmarketable stock problem

Stage 2: Strategy sessions

Aligned on the situation, AVDO worked with a wide client team to establish a strong base for further works:

- We developed mission & vision – key strategic goals to progress towards
- Clarified company's positioning, to direct future investments
- Agreed core growth priorities for the next 2 years



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Stage 3: Strategy development

Once the overall strategic guidelines were set, the team proceeded to planning

- Developed a structure of responsibilities, authority and rewards
Empowering individual problem-solving, transforming a pool of demotivated workers into a team of entrepreneurs
- Developed corporate and functional strategies,
including detailed plans and budgets for each department



Stage 4: Change management & sustainable growth

With the strategies set, the team advanced to implementation:

- We've established market intelligence operations
- Developed procurement standards and processes
- Produced a sales plan & key distribution channel requirements
- Audited stock and cleared it of non-priority low margin products & suppliers
- Defined KPIs for sales & procurement teams
- Established a system of individual authority & responsibilities
- Produced methodology for dealing with unmarketable goods
- Produced zero-based budgets for all business units
- Established a system of regular audits & course-correction activities
- Organised talent development and mentorship pathways for all departments

Outcome

Five months after the the main program ended an audit has confirmed:

- 24% increase in sales
- 45% increase in net profit
- 60% increase in liquidity

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