



Multi Million Pound Investment Appraisal

Multi-national Logistics Company

Business Issue A leading UK logistics provider had recognised that the market in which they operated was changing with the development of more advanced information technology capability. They intended to use this opportunity to expand into 3rd party management of client's supply chain and needed to understand the potential benefits and risks of creating a new division to achieve this.

Solution The client knew that they needed to make a considerable investment to have any possibility of success. A Business Model was designed to bring a shared view of the whole business across the team and evaluate the revenues and costs associated. It was designed to enable calculation of the sensitivity of the business to variations in forecasts around the base line.

- Is the base case a reasonable proposition financially?
- If the sales are smaller than anticipated, is profitability sufficient?
- If sales are better than hoped, will there be sufficient resource available?

Approach

A large team of in-house experts and consultants was formed to analyse the proposal.

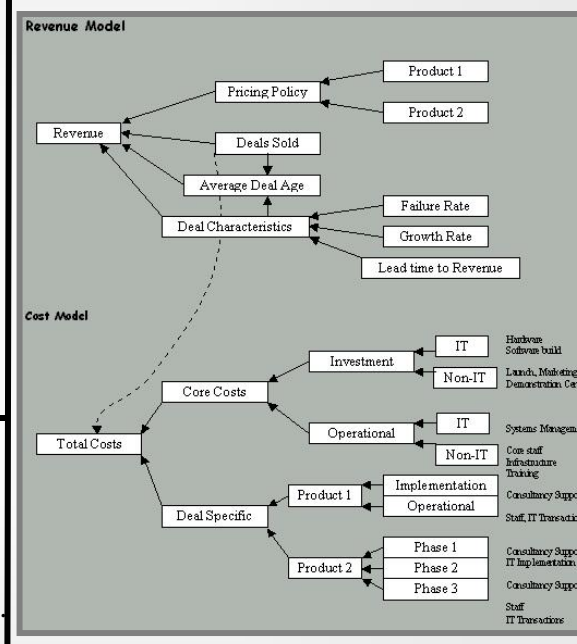
Marketing developed the specific propositions.

Operations designed the organisation necessary to support this.

IT was required to design the necessary infrastructure.

Benefits

- The model gave a concise understanding of the cashflow and profitability of the new division and its impact on the overall business.
- There was clear view of the financial sensitivity to deviations in forecast from the base case predictions in the key drivers of cashflow such as volume of sales and price.
- The business was proposing a complex risk share with a consulting partner and the model enabled detailed analysis for both parties to ensure that the reward was related to investment in the proposition.



The company knew the potential benefits and the areas of greatest risk...

...and is now operating the new division successfully