

# REAL ESTATE SOLUTIONS ENABLING GROWTH THROUGH ACQUISITIONS



## A CREATIVE APPROACH POWERS TOP BATTERY BRAND'S ACQUISITION STRATEGY

Major consumer brand manufacturers face multiple challenges as they grow through acquisition. Can the combined companies cross-sell to their respective customer bases? Should distribution channels be shared? How does the new company expand geographically while providing the same service levels to their customers? Most important, the acquiring company must ensure it can integrate operations to improve efficiency and reduce costs. And, existing leases are often a significant challenge to accomplishing this. A company well-known for its consumer battery products was charged up about its acquisition of a prominent personal care products brand. However, the battery maker needed answers on the best strategies for consolidating the two companies' supply chains while sustaining excellent customer service.

### CUSTOMER CHALLENGE

To analyze the alternatives for maximizing supply chain efficiencies, the battery maker called on Exel, part of DHL Supply Chain operating in the United States and Canada, and its integrated logistics design expertise to evaluate all options. Exel determined that consolidating the brands and facilitating warehouse operations out of a single facility in Southern California would generate the best return on investment. However, this approach would require doubling the size of the customer's current operation.

The company's existing 150,000-square-foot facility in the area could not be expanded, so a new facility was needed. To relocate, though, the company had to overcome a major obstacle: four years remained on its current lease at a facility too small to support its future needs.

Deutsche Post DHL – The Mail & Logistics Group

#### Customer Challenge

- Integrate distribution centers for two major brands
- Mitigate existing lease obligations
- Locate facility that meets client's new needs for location, size and cost
- Ensure smooth, cost-effective transition to new facility with no service disruptions

#### DHL Supply Chain Solution

- Identify creative solutions through collaborative effort by Exel's team of experts in real estate, contracts, operations and other areas
- Leverage relationships with facility owners and industry partners to negotiate lease, identify subtenant
- Orchestrate cost-effective facility transition in one weekend to ensure zero service disruptions

#### Customer Benefits

- Lease concessions on new facility
- Liability on existing lease
- Disruption-free, cost-effective transition

## DHL SUPPLY CHAIN SOLUTION

Working as an integrated team, Exel's experts in operations, project management, real estate, contracts and other areas jump-started the project with a detailed assessment of the customer's needs. Working with the customer, the team identified four key objectives: mitigate the existing lease; secure a new facility offering the right combination of location, size and cost; minimize transition costs; and ensure a smooth relocation to the new facility, with no disruption in customer service.

Drawing upon its vast experience negotiating real estate contracts, the Exel team implemented a three-part strategy that included seeking proposals from real estate firms for a 300,000-square-foot distribution center; approaching facility owners to discuss creative solutions for mitigating the existing lease; and working aggressively to locate a subtenant to assume the existing lease.

The strategy began to pay off when Exel identified a real estate firm interested in assuming the client's existing lease, as long as the battery maker relocated to another distribution center owned by the same firm. While this offer looked promising in terms of mitigating the lease, Exel continued negotiating with other facility owners to ensure its customer would receive the best possible deal.

Exel continued its three-part strategy by identifying a specific company interested in subleasing the battery maker's existing facility from the real estate firm. Exel's efforts clinched the deal – the real estate firm assumed the lease, which it subleased to the tenant recruited by Exel. The battery maker was free to move forward with its plans.

"By creating a win-win-win for our customer, the facility owner and the new subtenant, we were able to negotiate additional concessions on the lease for the battery company's new facility," said Tony Femia, Senior Director of Leasing and Sales for Exel. "In total, we negotiated \$1.3 million in savings through lease mitigation and new lease concessions."

For instance, the client did not need to use the full 300,000-square-foot facility while operations ramped up. So Exel negotiated terms requiring the customer to pay for only the warehouse space it used for the first 30 days, which helped minimize transition costs.

Once the real estate terms were set, more challenges remained. To meet the subtenant's time constraints, the battery company needed to relocate earlier than planned. Exel orchestrated the movement of about 250 truckloads of inventory in one weekend, while meeting cost constraints. The customer also needed a new IT system capable of supporting the expanded inventory. Exel integrated a new warehouse management system offering scope and functionality essential to efficient, cost-effective operations.

## CUSTOMER BENEFITS

Addressing a complicated set of business issues and requirements with creativity enabled Exel to:

- Eliminate 100 percent of existing lease liability – a savings of more than \$700,000
- Secure about \$600,000 in new lease concessions by negotiating a phase-in period to the lease while the client ramped up operations
- Ensure a cost-effective move with no disruption of service to customers

"Our customer knew they could come to us for a complete solution. Through collaboration among subject matter experts, we identified and implemented creative approaches to ensure the customer could integrate its acquired company and achieve supply chain efficiencies."

Steve Odom,  
Exel's Director of Operations

### For further information

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