

## CASE STUDY

# Warehouse Consolidation Offsets \$1M Cost Increase — With Long Term Operational Upside

## Client

Leading contract manufacturer developing and producing personal care, health care, and fragrance products for brand owners.

## Challenge

Facing lease renewals across dispersed sites, the company risked an extra \$1 million per year to maintain its footprint. It chose to close two satellite facilities and consolidate into a single campus, demanding a ground-up operating model redesign that could absorb added complexity, deliver offsetting efficiencies, and succeed without any chance for a do-over.

## Solution

The work began as a value-stream mapping exercise, but the looming lease costs quickly shifted the focus to optimising the entire operation before the move, driving a multi-month redesign using our 2P (Production Preparation Process) approach.

## Results

- Consolidated three facilities into one unified campus.
- Designed optimised plant layout and process improvements.
- Generated savings that offset a \$1M lease increase.
- \$1M+ additional savings projected as operations mature.

## Reimagining a Multi-Site Operation for Speed, Flow, and Cost Control

A mid-sized manufacturer of personal care and healthcare products found itself at a pivotal moment. The company operated an intensive production environment supported by a network of warehouse and inventory facilities spread across several locations within a large U.S. city. While this multi-site footprint had supported growth over time, it also created operational friction—fragmented material flow, duplicated oversight, and frequent transportation between sites.

When lease renewals approached in the post-COVID real estate market, the company faced a new and urgent reality: significantly higher per-square-foot costs across the region. Maintaining the existing footprint would increase operating expenses by approximately \$1 million per year.

Rather than accept the cost increase, leadership saw an opportunity to rethink how the operation should work. Could the company consolidate its footprint, simplify material flow, and redesign the operation in a way that not only absorbed the lease increase—but improved performance in the process?

To answer that question, the company partnered with TBM Consulting Group to evaluate the operation and design a future-state model capable of delivering both operational and financial gains.

What followed was not simply a facility consolidation, but a comprehensive redesign of the company's operating model—one that transformed a looming cost increase into a catalyst for operational improvement.

## The 2P Process

The 2P methodology is essentially all about alignment – arranging people, materials, equipment, and methods to optimise how work gets done in a defined physical space. When applied to a campus consolidation like this, 2P is invaluable in helping to design and envision the future state before a single pallet gets moved.

Our team facilitated the 2P process over several months, working closely with the client's in-house facilities engineer — who proved to be a strong partner — to walk through eight distinct layout scenarios. Each was evaluated through the lens of lean principles: minimising transportation, reducing material touches, and supporting production flow. Visual mapping tools helped the team see, in concrete terms, where inventory was sitting, how far it was travelling, and what the ideal flow state could look like once everything was under one roof.

**When operations are spread across facilities miles apart, costs accumulate in ways that can be very easy to overlook — truck runs between sites, supervisors managing split teams, forklifts that can't cross a street. Consolidation doesn't just reduce rent. It removes a whole class of friction from the system.**

Out of the eight scenarios evaluated, one emerged as clearly optimal and became the blueprint for the entire consolidation.

## Pre-Move Planning Was Key

One of the most critical elements of the project was the commitment everyone made to thorough upfront planning. Unlike a standard kaizen event – which can be scoped, executed, and handed off in a week – a facility consolidation of this scale required a fundamentally different approach. The 2P process took approximately two months, with 30-day kaizen homework exercises woven into weekly working sessions to keep momentum and ensure the plan remained actionable for all.

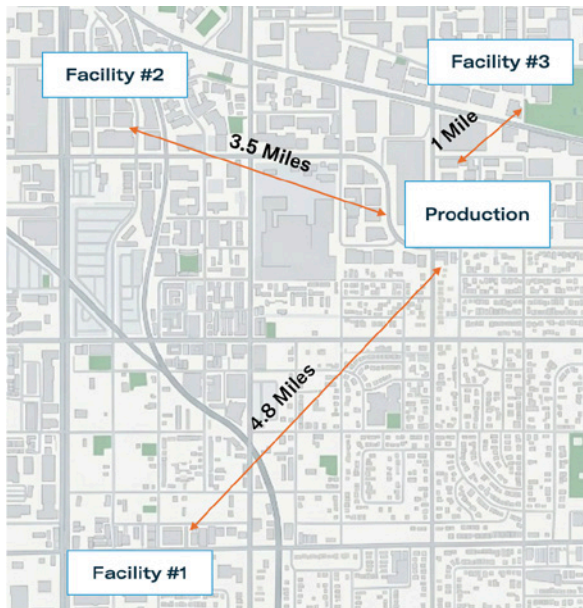
Timing was important as well. The team completed its planning work in August based on a target implementation window in November/December. This provided adequate lead time to sequence facility upgrades, coordinate utility infrastructure, and align the workforce transitions that would need to occur.

Once the plan was locked in, our role shifted. The client's engineer led the execution, while we facilitated the process, built the blueprint and transferred our knowledge. From there, the client took the baton and drove the project to completion – with no major surprises.

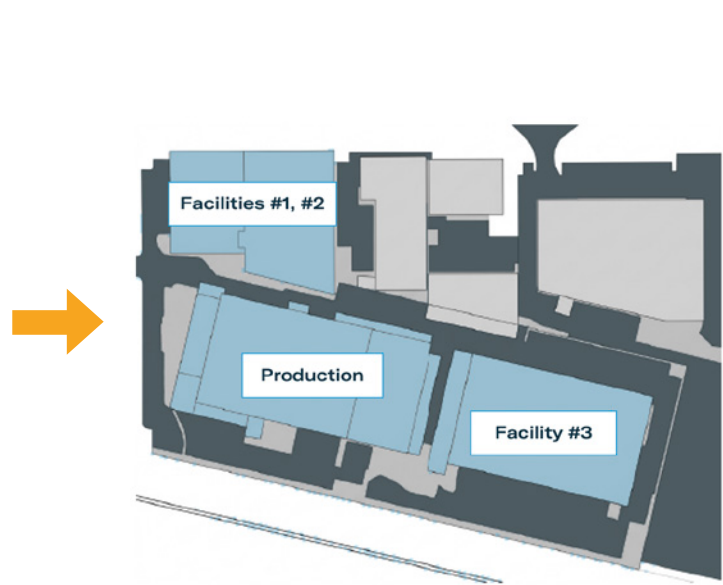
## Operational Improvements That Offset the Cost Increase

The consolidation moved the company from three dispersed facilities to a single unified campus. What had been a projected \$1M cost increase became, in essence, a cost-neutral outcome, with projections suggesting the ultimate savings may exceed even the initial estimates as the new operating model matures.

### BEFORE



### AFTER



## The Categories of Savings Tell The Storey

<b>Material Handling Equipment</b>	<ul style="list-style-type: none"> <li>• Fewer forklifts and handling of assets.</li> <li>• When everything operates on one campus, inter-facility trucking disappears and equipment is shared more efficiently across functions.</li> </ul>
<b>Transportation</b>	<ul style="list-style-type: none"> <li>• The changes eliminated the ongoing cost of running trucks between sites located 3 to 5 miles apart.</li> </ul>
<b>Labour</b>	<ul style="list-style-type: none"> <li>• Realised meaningful synergies across both hourly and supervisory roles.</li> <li>• Material handlers were given the opportunity to transition into production plant roles.</li> <li>• Supervisory positions were evaluated on role necessity rather than headcount, with options to shift to hourly roles where appropriate.</li> </ul>
<b>Warehousing &amp; Inventory</b>	<ul style="list-style-type: none"> <li>• Reduced warehouse footprint in a premium real estate market and streamlined inventory positioning to directly support production flow – improving both operational efficiency and cash flow.</li> </ul>

The company was facing \$2M in cumulative excess expense — \$1M from higher leases and \$1M in ongoing operational inefficiency from a fragmented multi-site model. The consolidation addressed both, converting what looked like an unavoidable cost increase into a platform for long-term savings.

## The Broader Lesson

Warehouse campus consolidations are rarely just real estate decisions. They are, at their core, operational redesign opportunities — chances to build the system you wish you had from the start. As they say in golf, a mulligan.

Expiring leases put pressure on companies to act, and they often do so quickly and worry about the ramifications later. This fragmented, reactive approach — in other words, “when we get the floor space, we’ll figure it out” — is precisely how consolidations go wrong.

This client demonstrated a better, more efficient path: invest heavily in the planning upfront, apply a disciplined process, engage the right internal champions, and build a plan you can hand off with confidence.

**The result is not just a successful move — it’s a more competitive operation on the other side.**

## Facing cost pressure or operational complexity?

Partner with TBM to redesign operations for speed, flow, and financial impact.



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### UK

44 Nottingham Road NG18 1BL,  
Nottinghamshire  
+441270487574

### Switzerland

Lindenstrasse 16, Baar 6340

### Netherlands

Utrecht  
+31625119301

### Germany

Theresienhöhe 28, Munich 80339