



## Restructuring Branch-Based Cross Border Enterprises

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# Agenda

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1. About Gehrke Econ

2. Challenges in Restructuring a Branch-Based Enterprise

3. Challenges in Restructuring a *Cross Border* Branch-Based Enterprise

4. Restructering Process

5. Case Study

# Gehrke Econ

A successful medium-sized German member of GGI



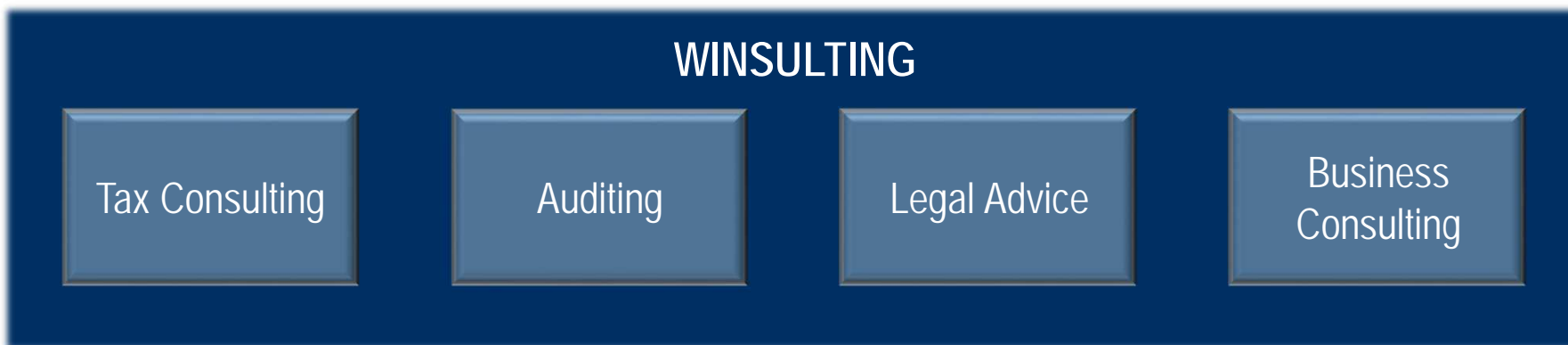
## About Gehrke Econ

### 4 Sectors / One Company

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Gehrke Econ forms a powerful medium-sized consulting network in the metropolitan region of Hanover. About 200 employees perform for a turnover of approximately 15 millions Euro.

Our strength lies in cross-linking the disciplines tax consulting, auditing, legal advice and business consulting. Gehrke Econ is owner-managed and thus forms an ideal point of contact for medium-sized entrepreneurs for consultation at eye level. In addition to general services in the areas of accounting and tax declaration, ambitious interdisciplinary consulting projects are provided.

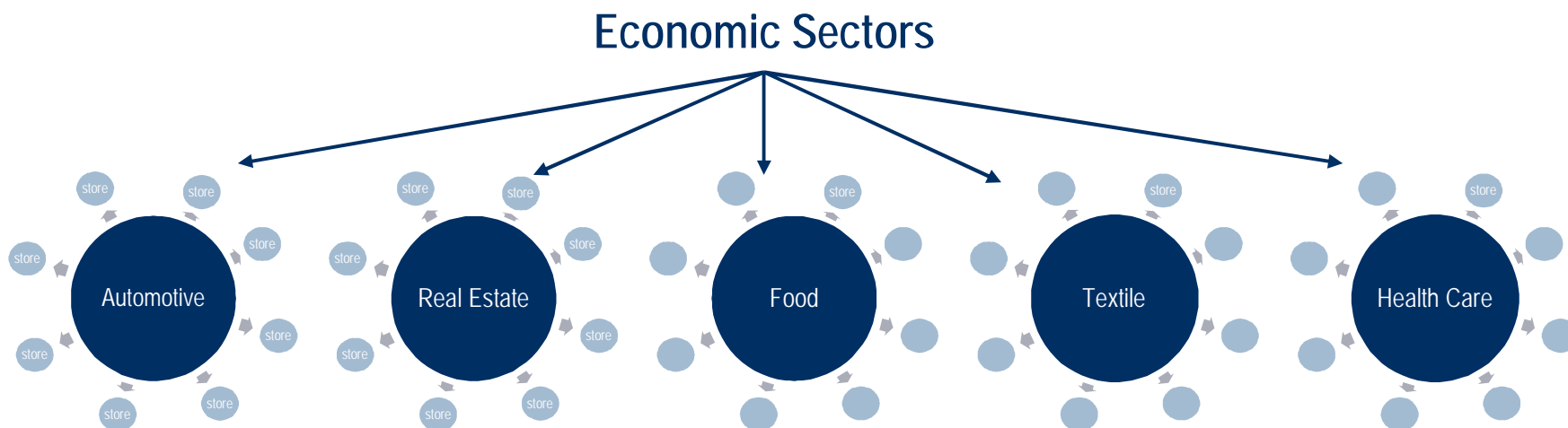




# About Gehrke Econ

We are strongly involved in branch based Enterprises!

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We specialize in five different areas and most of our supervised enterprises are branch-based. Including mono and multibrands with local and/or cross border branches. In total we consult about 2.000 different clients, among them small enterprises as well as multi-national companies with a turnover of 800 million Euro.

Our project team can draw on the expertise of 60 tax consultants, auditors, lawyers, business consultants and additional 140 qualified employees.

# CHALLENGES IN RESTRUCTURING A BRANCH-BASED ENTERPRISE

# Challenges in Restructuring a Branch-Based Enterprise

## Causes and Importance

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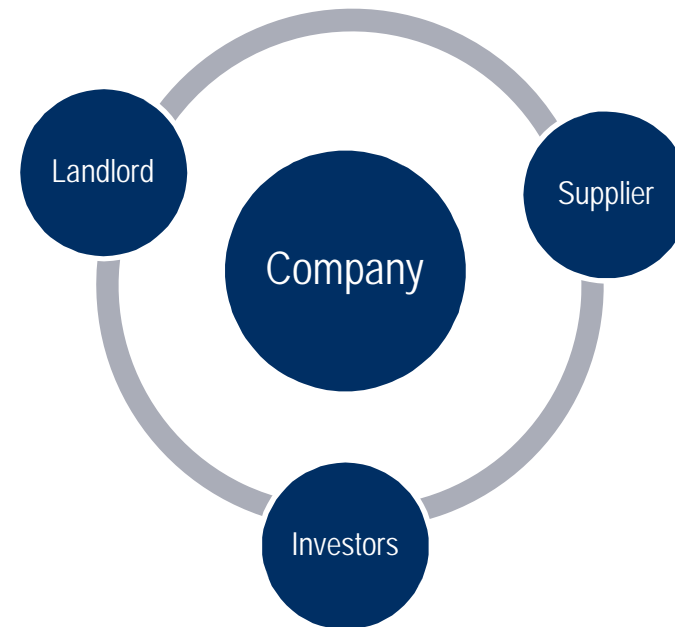
- Researches from German institutes on retail issues predicted a significant sales decrease for over-the-counter retail.
- The results of increasing e-commerce and demographic changes have an impact as current reports of distributors show. Precisely these changes have led to a decline in visitor numbers in more than half of the stores.
- Negative financial influences caused by single and non-profitable stores have to be perceived due to periodically local audits and decentral comparison between all stores.
- On many occasions a total restructure and revise of strategic orientation is unavoidable to ensure a company's sustainable profitability and liquidity.

# Challenges in Restructuring a Branch-Based Enterprise

## Key Factors

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- Every branch has its own landlord, whom you need to contact in case of rent and contractual negotiations. Therefore the branch location is a big influential factor on price negotiations.
- Financial contracts due to investors are mostly general for the company, not specialized for single local branches. The stipulation of payment has to be adjust to new arrangements.
- Law regulations affect every negotiation process, which emphasizes the necessity of a legal expert during the overall project.



Communication is key in order to reach agreement among various stakeholders concerning the restructuring plan. We recommend that the restructuring process is supported by an external mediator. A mediator can help to create a willingness to negotiate on all sides.



CHALLENGES IN RESTRUCTURING A *CROSS*  
*BORDER*BRANCH-BASED ENTERPRISE

# Challenges in Restructuring a *Cross Border* Branch-Based Enterprise

## General Points of Reference in Different Cultures and Legal Regulations

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### Legal Regulations

- Differences in industrial law due to working conditions and employment contracts.
- Fulfilment of correct taxation and contract law guaranteed by local experts.

### Language

- Interpreter enable a direct negotiation between the parties, nevertheless mostly difficult/not a fluent conversation.
- Emotional and individual characteristic negotiating skills lose their strength.

### Culture

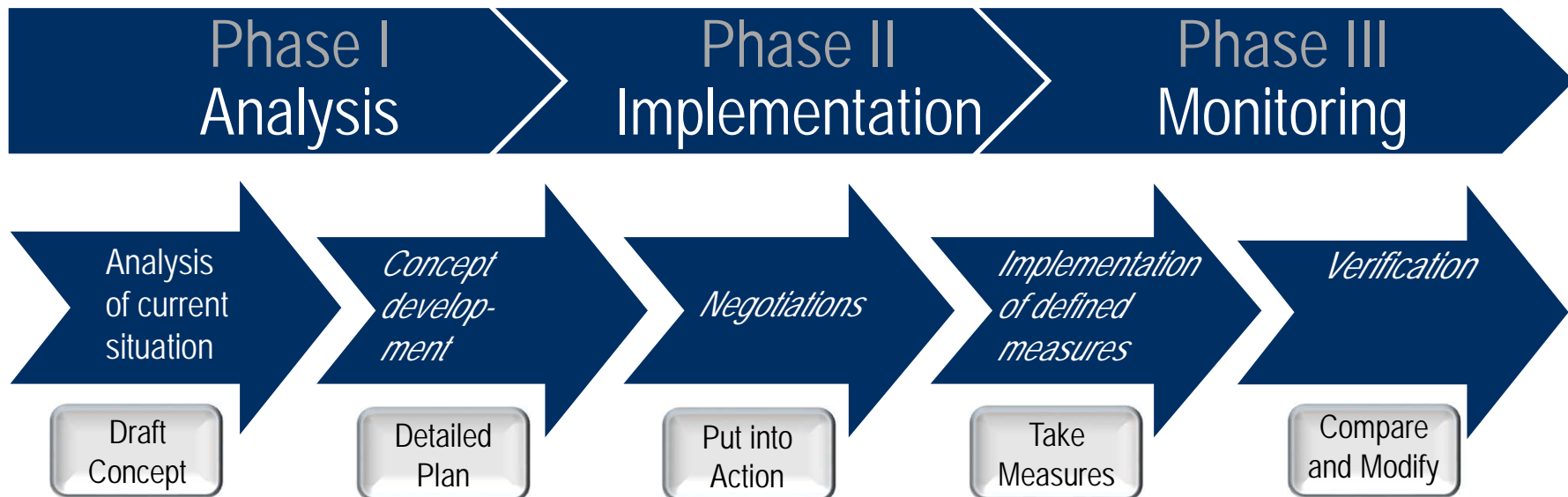
- Different working process, priorities, daily routines and individual opinions.
- Cultural characteristics like behaviour in communication, different view of politeness and further more details.

# RESTRUCTURING PROCESS

# Restructuring Process

## Illustration of Project Phases

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**THE RESTRUCTURING PROCEDURE OF A  
BRANCHED-BASED CROSS BORDER ENTERPRISE  
EXEMPLIFIED BY A CASE STUDY**

# Case Study

## Basic Information

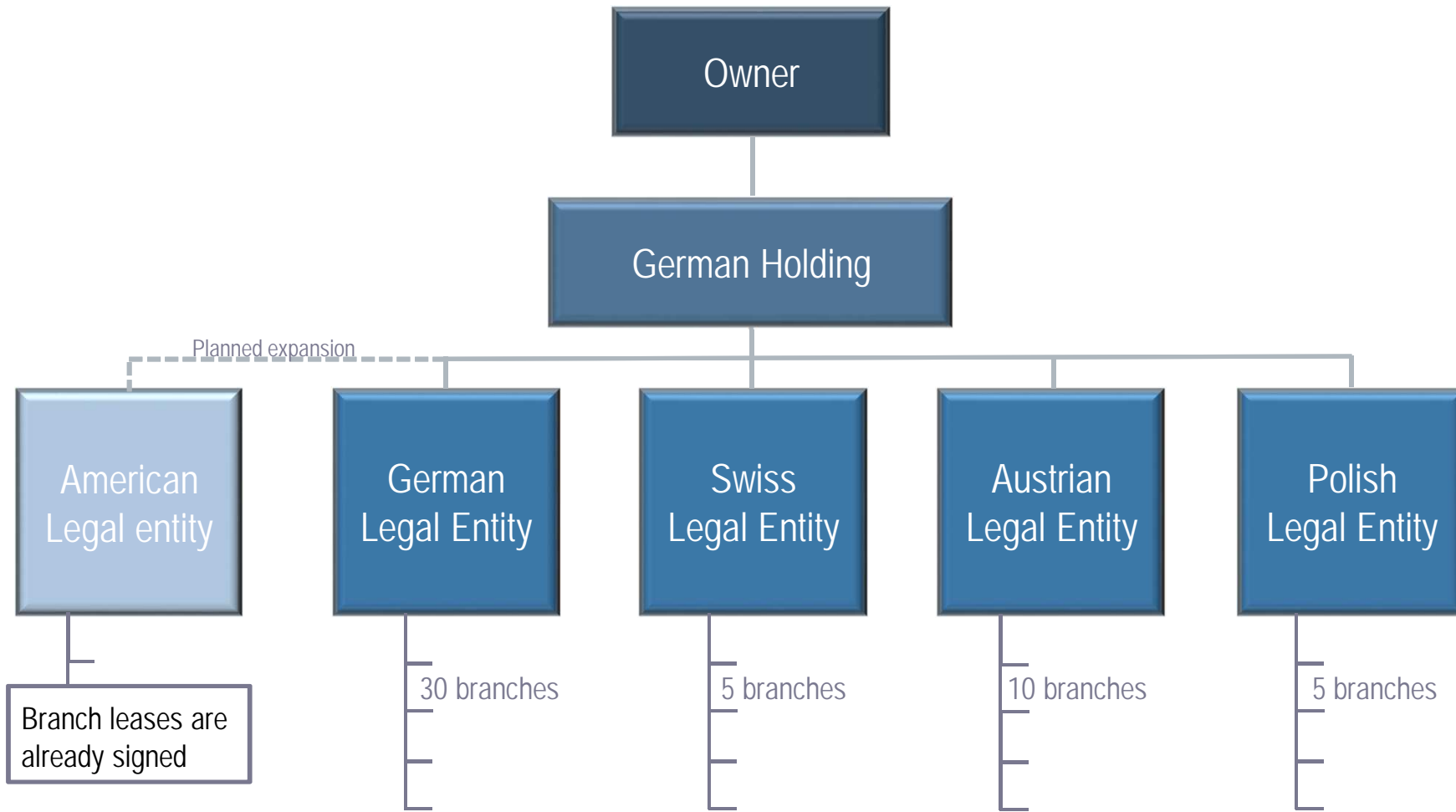
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### Actual business situation:

- textile retail
  - monolabel / multilabel
  - 45 millions sales net
  - 50 branches
  - 350 employees
  - 3 years of showing a loss/ loss-making
- single brands/suppliers weakness is responsible for enterprise financial crisis

# Case Study

## Organization Chart



# Case Study

## Scoreboard Analysis

Ranking	Country	Brand	EBIT quote [%]
50	POL	Label A	- 18
49	AUT	Multilabel	- 16
48	GER	Label A	- 14
47	AUT	Label B	- 7
46	POL	Label B	- 4
45	AUT	Label A	-/+ 0
...	...	...	...
2	GER	Label B	+ 14
1	GER	Multilabel	+ 16

### Work tasks in process:

- Neogotiations with:
  - Landlords
  - Suppliers
  - Investors
- Reduction in staff/employees



Discussions and negotiations need to be supported by local experts.



# Case Study

## Results and Necessary Preconditions

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### Results

- 3 branches abroad were completely/successfully shut down
- In two stores better conditions could be negotiated
- Contribution fees of suppliers on country level

### Team Members

- Polish lawyer
- Polish local retail expert
- Austrian tax consultant
- Austrian lawyer
- Central controlling of the overall process from Germany

