

A close-up photograph of a guitar headstock, showing the tuning pegs and the bridge. The wood is light-colored, and the strings are white. The image is partially obscured by a large orange graphic element on the right side.

CASE STUDY

Fender Partners With
Armanino to Develop a
Strategy for Sustainable
Growth

Customer Profile

Since 1946, Fender has revolutionized music and culture as one of the world's leading musical instrument manufacturers, marketers and distributors. Fender Musical Instruments Corporation (FMIC), whose portfolio of owned and licensed brands includes Fender, Squier, Gretsch, Jackson, EVH, Charvel and Bigsby, follows a player-centric approach to crafting the highest quality instruments and digital experiences across genres. The manufacturer turned to Armanino for help creating a sustainability strategy for continued growth in a world of increasingly scarce natural resources like the tonewood Fender relies on for its iconic sound.

Benefits

- Established sustainability programs focused on reducing scrap, aligning vendors with Fender's goals and developing new, higher-margin sustainable products
- Projected savings of \$700,000 through wood re-use and other programs
- Built an executive blueprint and methodology for developing new strategies and initiatives

Services



Strategy and Transformation
Consulting Services

Challenge

Fender Musical Instruments Corporation is the world's leading guitar manufacturer. Everyone from beginners to internationally acclaimed artists have used Fender instruments, amplifiers and gear, making the company not only a revered industry leader but a cultural symbol that resonates globally.

As the market leader in the \$8 billion stringed-instruments market, Fender has seen impressive, double-digit growth since 2015. But manufacturing more instruments requires more raw materials, specifically wood such as ash, alder and maple. Increasing scarcity due to widespread insect infestations, disease, greater demand and other issues, as well as the introduction of new regulations such as CITES (the Convention on International Trade in Endangered Species of Wild Fauna and Flora) pushed Fender's green manufacturing efforts to their limits.

Encouraged by Fender's board members, the executive vice president of operations at Fender, Ed Magee, decided that his team needed to lead the charge on launching a new sustainability strategy for the manufacturer. "Our operations team excelled at tactics, execution and accountability, but we lacked the experience and framework for developing great strategies," says Magee. "Working with a partner with deep expertise in business strategy was a way for us to achieve our goal of creating a smart sustainability initiative while also learning how to apply the process to creating other strategies on our own."

Solution

Fender engaged the Strategy and Transformation consulting team at Armanino LLP, one of the 25 largest accounting and business consulting firms in the U.S. "It's critical to work with someone you trust, and Armanino gained our trust by listening to our problems before making any proposals about working together," says Magee. "Armanino's outside perspective and expertise perfectly complemented our internally focused skillsets and knowledge of our business, suppliers and forest husbandry."

WHAT THEY'RE SAYING

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Ed Magee

Using Armanino's uniquely client-focused methodology, the Strategy and Transformation team collected and analyzed data over a three-month period to build a return on investment (ROI) model, a business case for investing in sustainability initiatives and a strategic plan for adopting and meeting sustainability goals across the company.

As part of the engagement, the Armanino team performed extensive market research and benchmarking analyses, focused on how to introduce or extend green initiatives in three core areas within Fender:

- Supply chain: Reduce material scrap and waste as well as improve supplier performance and tree utilization
- Human resources: Increase employee engagement in meeting environmental goals and improve employee satisfaction and retention
- Sales and marketing: Increase margins and product innovation using sustainable materials while enhancing brand reputation as a green manufacturer

Results

With Armanino's plan and recommendations, Fender enabled its sustainability objectives with an expected positive return within 12 months and projected net savings of approximately \$700,000. Using the strategy they created with Armanino, the company is driving initiatives to:

- Reduce scrap material with the introduction of a wood re-use program
- Develop a vendor code of conduct that aligns lumber providers with Fender's sustainability goals
- Involve all levels of the organization in the environmental initiative through a People Success Platform that increases employee engagement, development and success
- Establish new sustainable products that will improve margins and top-line revenue
- Design sustainability-focused sales and marketing campaigns to share Fender's green commitment with consumers

WHAT THEY'RE SAYING

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Ed Magee

“This initiative showed us how to think further out into the future, from a supply chain perspective as well as product development,” says Magee. “Everyone at Fender is passionate about sustainability and our mission of being good environmental stewards. The sustainability strategy Armanino helped us create gives our operations employees the framework for fulfilling that mission.”

Just as important, the engagement met Magee’s other goal: elevate the strategic thinking of the operations team and learn how to replicate the Armanino methodology to create strategies for addressing other company objectives.

“Using the process and techniques we learned from working hand-in-hand with Armanino on sustainability, our team researched, developed and implemented a supplier diversity initiative,” he says. “Like the proverb, Armanino didn’t just ‘give us a fish,’ but taught us ‘how to fish’ for ourselves. For Fender, investing in growing our people was just as valuable as the outcomes of the sustainability engagement.”

Next Steps

Fender’s research shows that for every 10 people who pick up the guitar to learn to play, nine put it back down. “If we can go from one person to two people continuing to play, that doubles the size of our market,” says Magee. “At the same time, we are committed to sustainable growth and being great stewards of the environment.”

As the company continues to execute on its growth plans and sustainability strategy, it can rely on the methodology learned from Armanino on how to benchmark its efforts against other companies, model business cases and conduct research that spurs creative thinking about potential solutions.

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