Regenius

Design-to-Cost & Purchasing Optimization

CLIENT: MAJOR ELECTRONIC COMPONENT MANUFACTURER

PROJECT OVERVIEW

CHALLENGES:

- Technical and financial constraints
- 20% CAPEX reduction target without compromises to yield or throughput
- Target of 25% increase in program EBIT disclosed to the market
- Technically-driven selection process
- Traditionally little to no regard to cost
- Belief that any cost reduction will result in unacceptable technology risks
- Weakly integrated procurement organization
- Tool decisions made by Operations in isolation without Procurement or Finance
- Weak fact-based approach – little transparency on pricing, economics, negotiation levers
- Loosely structured processes
- Interactions with suppliers at all levels of the organization, resulting in multiple parallel negotiations on CAPEX, OPEX, payment terms, penalties, etc.
- Inconsistent processes, e.g. different service/warranty contracts across modules for the same supplier
- Ineffective leverage of cross-module dependencies (e.g., bundling across suppliers)

OBJECTIVES:

- Focus on EBIT increase of 25%
- Better integration of key vendors into product design

OUR SOLUTION

ASSIGNMENT STRUCTURE:

- 10 months
- Focused on directs and components

ANALYSES APPLIED:

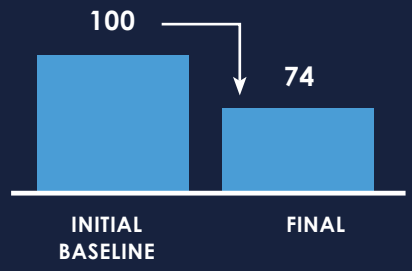
- Value Engineering / Value Analysis
- Reverse Engineering
- Product Benchmarking
- Functional benchmarking

APPROACH / TOOLS:

- Design-To-Cost optimization (DTC) for each product
  - -Functional analysis
  - -Value analysis

RESULTS

REDUCED COST BASE BY 26%.



ADDITIONAL BENEFITS:

- Dramatic shift in cost mind-set enabled via peer pressure / competition between modules and focused analytical approach
- Biases towards single-source supplier strategy for some applications removed Dual supplier approach approved for highly critical applications
- Targets exceeded with minimal risk to technology through a combination of both procurement and operation levers
- New analytical tools adopted as part of ongoing procurement process
- Better integration of key vendors in product design