

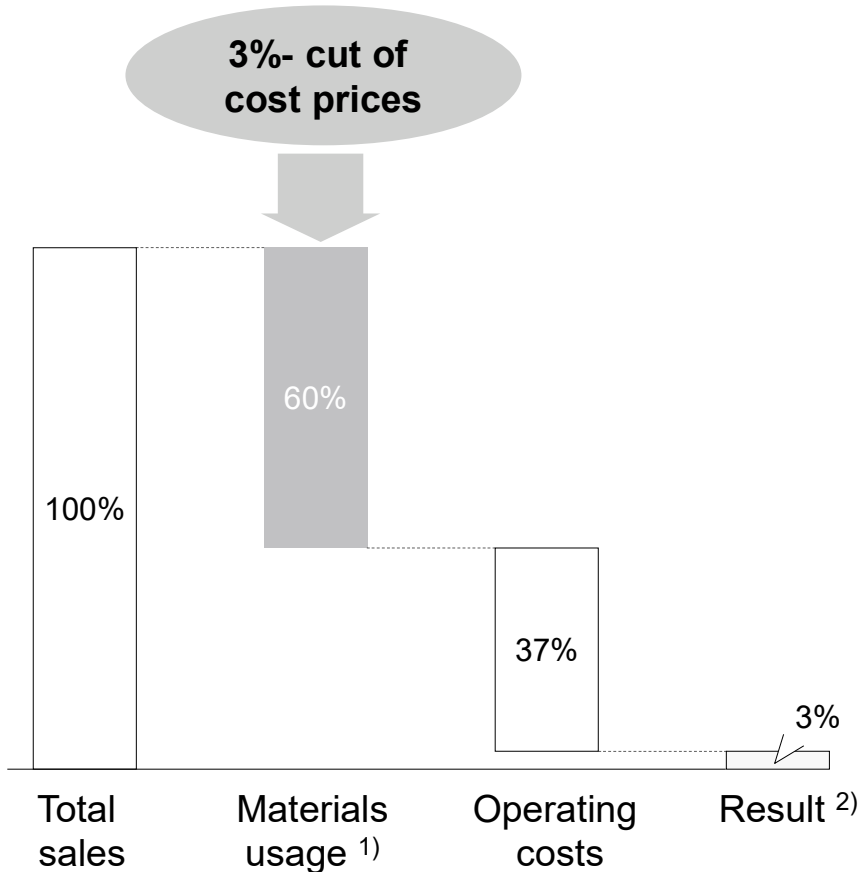


# VALUE-SOURCING

**Best practice solutions for implementation in Purchasing**

# Optimisation of purchasing with high lever earnings

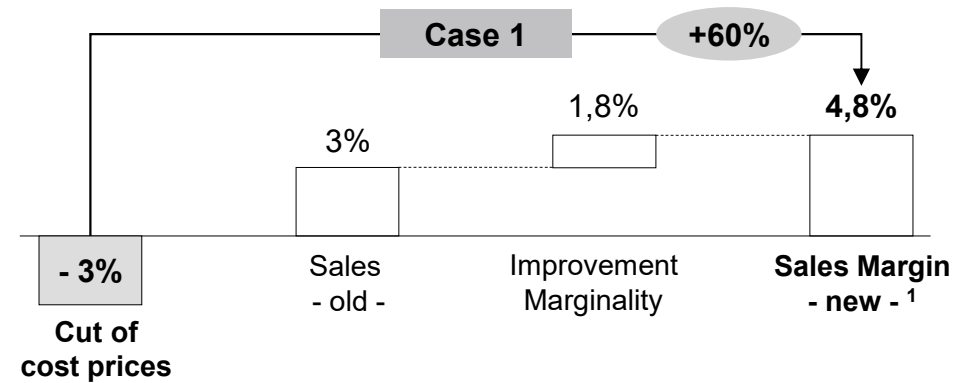
## Implementation of Purchasing leads ...



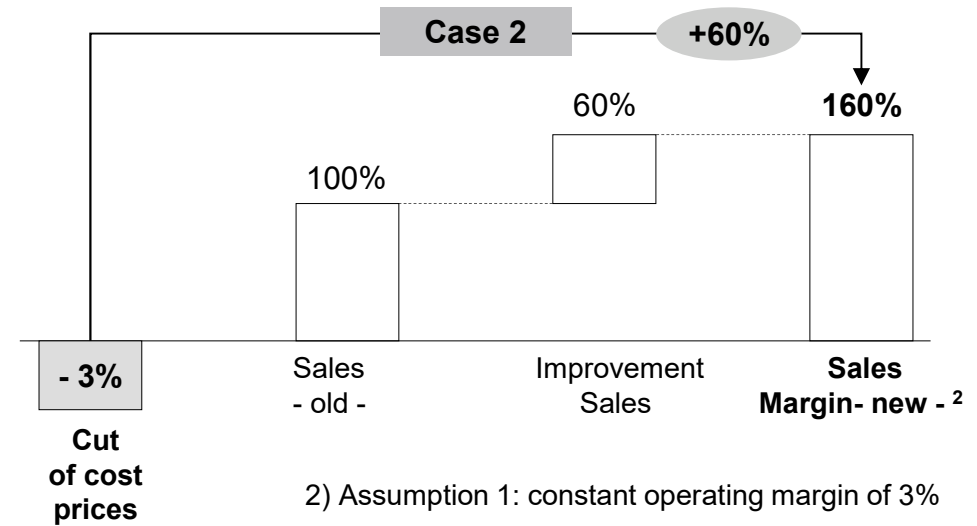
1) Assumption 1: Material usage ratio of 60%

2) Assumption 2: Operating margin of 3%

## ...to a significant result improvement



1) Assumption 1: constant sales margin



2) Assumption 1: constant operating margin of 3%

The result of a 3% cut of cost corresponds to a result improvement of 60 % (Case 1), respectively an increase of sales (Case 2) of ~ 60% (in case of a material share of 60 %)

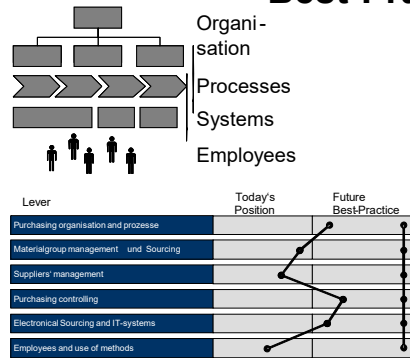
# Dual project approach to enhance purchasing

## Target

Identification and evaluation of performance gaps

## Project approach

### Best-Practice-Check in Purchasing



Benchmarking per analyse field:

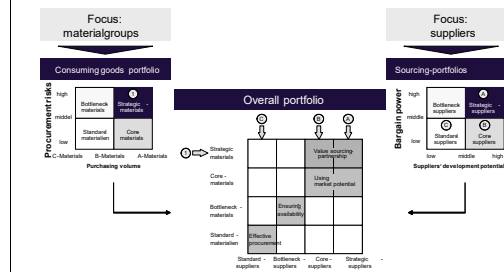
- Organisation and processes
- Material groups and sourcing strategies
- Supplier's management
- ...

## Results

Evaluation and positioning of purchasing performance

Evaluated options for action to realise potentials

### Purchasing Potential Analysis (PPA)



Analysis and evaluation:

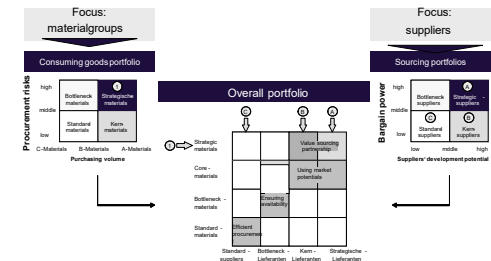
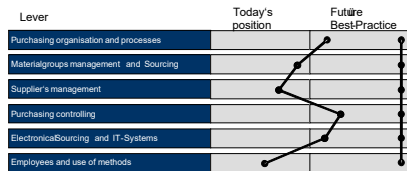
- Suppliers
- Material groups
- Supplier-material-mix
- Sourcing-strategies

Different and potential-delivering sourcing strategies

Time

# Contents and targets of dual project approach in Purchasing

	Best-Practice-Check	Purchasing Potential Analysis
<b>Target</b>	Identification and evaluation of performance gaps	Derivation and evaluation of action options to realise potential
<b>Content/ Module</b>	<ul style="list-style-type: none"> <li>• Classification of preliminary works</li> <li>• Analysis of Purchasing fields</li> <li>• Audit of purchasing performance</li> <li>• Benchmarking with reference companies</li> <li>• Evaluation of purchasing efficiency and effectiveness</li> <li>• Identification performance gaps</li> <li>• Identification of fields of action</li> <li>• Strength/ weakness analysis in purchasing</li> </ul>	<ul style="list-style-type: none"> <li>• Structuring purchasing volume and material groups</li> <li>• Evaluation of material group's influence</li> <li>• Identification of material group specific purchasing risk</li> <li>• Evaluation bargain power and supplier's development</li> <li>• Structured representation of purchasing situation</li> <li>• Visualisation in overall portfolio</li> </ul>
<b>Result</b>	<ul style="list-style-type: none"> <li>• Positioning of purchasing performance in industry comparison</li> <li>• Deduction and evaluation of organisational alternatives</li> <li>• Evaluation of methods and processes</li> <li>• Implementation status available strategies</li> </ul>	<ul style="list-style-type: none"> <li>• Evidences of the combination purchaser-supplier</li> <li>• Representation of purchaser-supplier relationship</li> <li>• Prioritisation of action fields</li> <li>• Different Sourcing Strategies</li> </ul>



Evaluated action options and measures to realise potential

# Synchronising project procedure and alignment to result

1

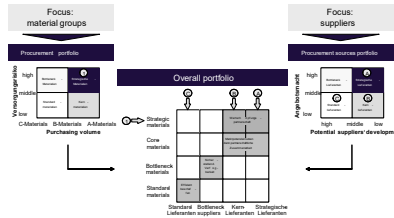
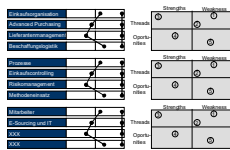
2

3

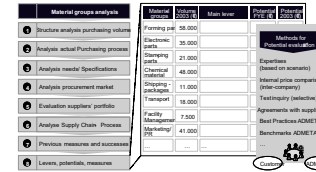
4

## Procedure

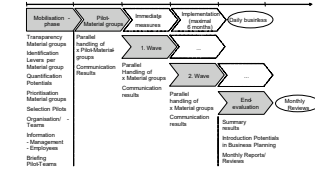
### Purchasing audit and Best-Practice-Check Purchasing potential analysis



### Derivation of supplier's- and material group strategies



### Implementation and Coaching



## Contents

- Sighting of existing preliminary works
- Analysis purchasing fields
- Audit purchasing performance
- Performance gap analysis
- Benchmarking
- SWOT-analysis in purchasing
- Evaluation of material groups and suppliers
- Portfolio analysis
- Review of existing sourcing-strategies
- Risk evaluation
- Analysis Material groups-supplier-combinations
- Analysis of material groups and suppliers
- Contract management
- Improvement bundling-potentials
- Improvement suppliers' portfolio
- Global-Sourcing
- Development of planned concepts
- Selection pilot-material groups
- Suppliers workshops
- Coaching Project manager, Team members and involved departments
- Monitoring meetings
- Implementation controlling

## Results

- Positioning of purchasing performance in industry comparison
- Evaluation of purchasing organisation and processes
- Proven performance gaps and deficits
- First optimisation approaches and immediate measures
- Structured representation of procurement situation
- Peculiarities in purchaser-suppliers-relationship
- Review of action fields
- First Potential evaluation
- Potential verification
- Improvement of potentials with concrete measures
- Suppliers and material-group-specific sourcing-strategies
- Implementation planning
- Potential realisation
- Implementation target concept ensured
- Know-How transfer ensured
- Feedback culture created
- Target concept released

Phase of analysis

Detailing based results of analysis phase and project manual

# Success factor: Realising potential using all levers

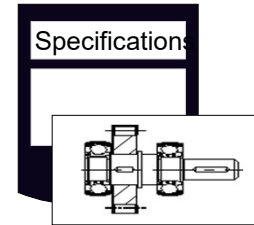
## Organisation and processes

Countries/ Locations	Circuits	Meas-systems	Components	Packages	...
D	○	●	○	○	
E				●	
F	○	○	○	○	
UK	○	○	○	○	
USA	○		●	○	
HK	●	○	○	○	
...					

● Lead Buyer  
○ Consumer

- Lead-Buying/ Project purchasing
- Procurement logistics
- E-Sourcing
- Operator model
- Advanced Purchasing
- E-Sourcing
- Online-Auction
- ...

## Product development and -design

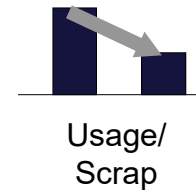


- Technological refinement
- Specifications/ Standardisation
- Change management
- Design-to-Cost/ Techn. refinement
- Target-costing/ -pricing
- Value analysis/ Products
- Performance gaps analysis
- ...

To be specified  
per material group

- Optimisation Sourcing (global vs. local, single vs. multiple, long-term vs. spot)
- International bidding
- Suppliers' change
- Bundling
- Supplier-/ Contract management
- ...

- Optimisation procurement- and order quantities
- Reduction of procurement differences
- Reduction of missing parts and quality costs
- Minimisation of scraps and post-processing costs
- Warehousing optimisation
- ...



## Suppliers and prices

## Reduction of scraps

## ADMETAM-Publications

- We would like to have a formal presentation of the subject „Value-sourcing“

We are interested in other ADMETAM topics:

- Market-oriented restructuring
- Effective project management

**Fax reply to: + 49 (0) 69 95932 5200**

### Address:

Company: \_\_\_\_\_

Name, first name: \_\_\_\_\_

Job title: \_\_\_\_\_

Postal code, city: \_\_\_\_\_

Phone: \_\_\_\_\_

Fax: \_\_\_\_\_

E-Mail: \_\_\_\_\_

## ADMETAM Business Consultants GmbH

The Squire 12  
Am Flughafen  
D - 60549 Frankfurt/ Main

Phone: +49 (0) 69 95932 5028

Fax: +49 (0) 69 95932 5200

Mail: [contact@admetam.com](mailto:contact@admetam.com)

## Contact

Dr. Armin Mueller  
Managing Partner  
[a.mueller@admetam.com](mailto:a.mueller@admetam.com)

Dr. Manfred Puhlmann  
Partner  
[m.puhlmann@admetam.com](mailto:m.puhlmann@admetam.com)

**Website:** [www.admetam.com](http://www.admetam.com)