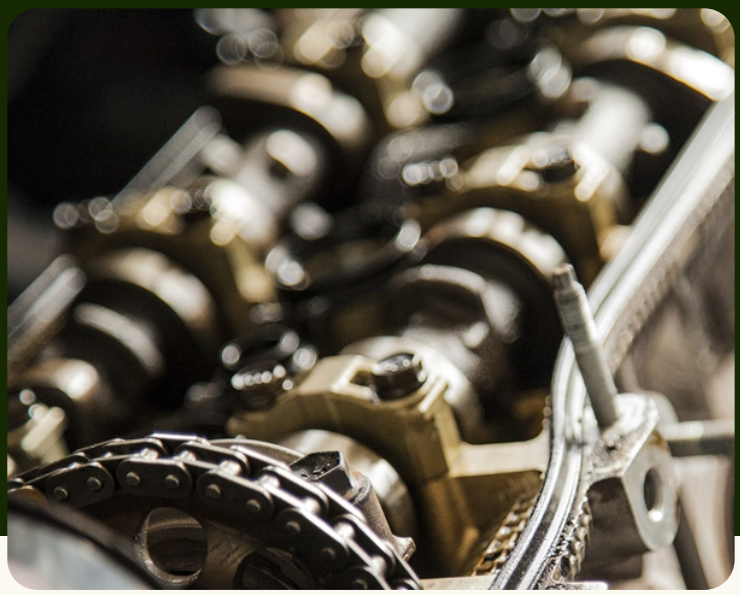
Reduction of 34% of price per piece leads to annual savings of 4,9 MEUR for client in manufacturing industry



Company profile
Manufacturer of recreational engines and propulsion systems, with a particular focus on engines for small aircraft, light sport aircraft, and unmanned aerial vehicles (UAVs).

Industry
Recreational engine and propulsion system industry.

Product Life-Cycle Phase
Product at time of project is in production. Project owned by clients purchasing department.

Revenue
440M EUR

EBIT Margin
20%

Supply-Chain Status
OEM / Tier-1

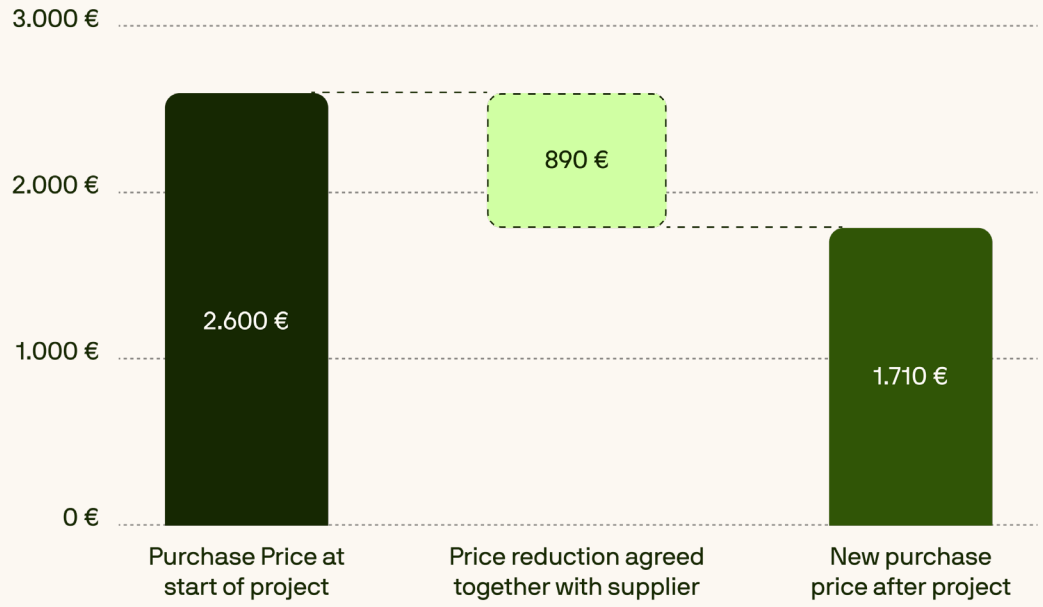
Challenge

Client contacted Tset regarding a specific supplier which provides Batteries, Inverters and E-Machines for a specific product line. These materials are the biggest cost drivers for the client in this segment of the purchasing portfolio. The original goal of the client was to reduce the purchasing price per piece for this package by 6% to improve the profitability of the product line.

Approach

1. Collection of technical and economic assumptions.
2. Creation of “Best Practice Greenfield” Product Cost Simulations under the assumptions of ideal conditions and delta analysis versus current client estimate.
3. Confrontation with supplier and detailed analysis between “ideal” simulation and existing cost structure.
4. Derivation of measures to reduce costs together with supplier.
5. Final negotiation of new purchasing contract.

Compared to the original target of 6%, the client reduced the price by 34% given a production volume of 5.500 pcs p.a.



Sources of Potential

Process Costs

Process costs also represent a significant proportion of the overall cost of a project. Therefore, minimizing process costs can be achieved by increasing efficiency and reducing waste in production, automation of certain tasks, and optimizing the workforce.

Overhead Costs

Overhead costs, including rent, utilities, and other administrative expenses, can also be reduced by optimizing the use of space, streamlining processes, and reducing energy consumption.

How did Tset support

- Set-up of Bill-of-Materials and economic premises in the platform.
- Fast creation of “ideal” simulations with different scenarios.
- Adjustments of simulation taking into account supplier restrictions.
- Cost analysis between ideal simulation and current supplier quote.
- Detailed and transparent cost difference views to support negotiation with supplier.