Adjustment of quote leads to annual savings of >700 MEUR for client in manufacturing industry

Company profile
Multinational engineering company that specializes in designing, manufacturing, and supplying advanced systems and components for the aerospace, automotive, and other industries.

Industry
Diversified engineering company that operates across multiple industries, with focus on advanced manufacturing technologies and innovative solutions for its customers.

Product Life-Cycle Phase
Product at time of project is in business case creation quotation phase. Project is driven by the client's sales department.

Revenue
8bn EUR

EBIT Margin
4%

Supply-Chain Status
Tier-1

Challenge

Client contacted Tset at the beginning of a RFQ Process with an OEM. The internal estimate of Client for the given Product was 30% above the OEM target.

Primary goal of the client was to create a profitable competitive quote in order to win RFQ. Project volume of roughly 2bn EUR over life-time.

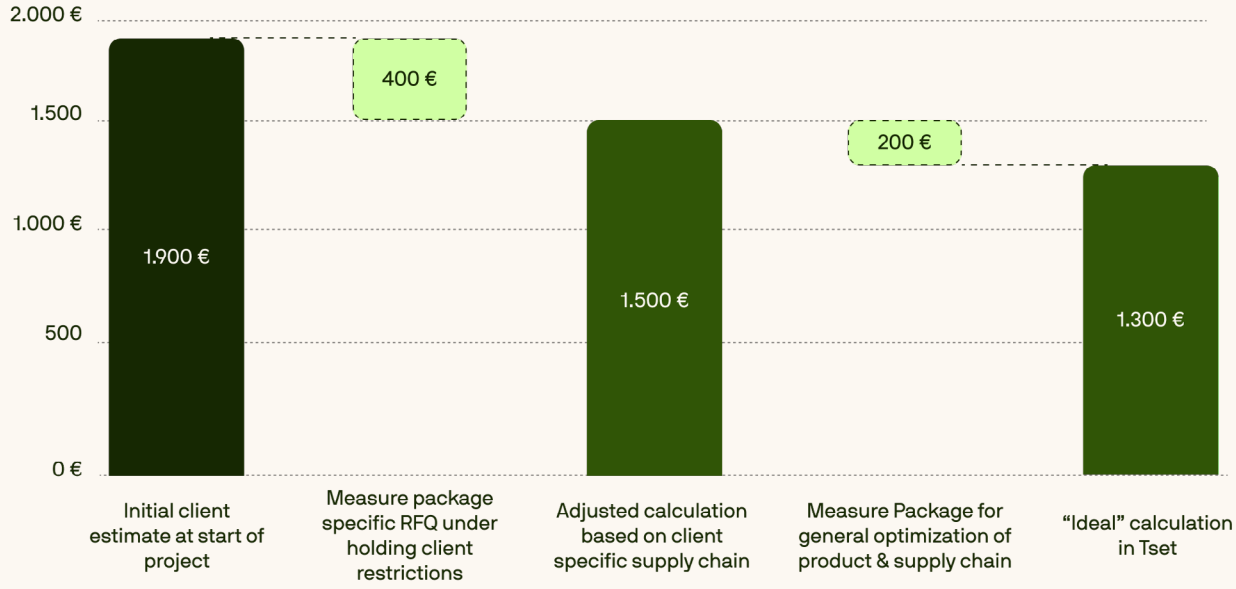
Secondary goal was to take findings from project and apply it to similar products in the portfolio to overall improve the profitability of product portfolio.

Approach

1. Collection of technical and economic assumptions.
2. Creation of “BPG*” Product Cost Simulations under the assumptions of ideal conditions and delta analysis versus current client estimate.
3. Adjustment of “BPG” Simulations into “BPB**” Simulation through application of clients internal & external supply chain restrictions.
4. Derivation of specific measures for the given RFQ through delta analysis between “BPB” and current client estimate.
5. Derivation of general measures for client organization through delta analysis between “BPB” and “BPG” -> “Why are we not in an ideal world”.

* Best Practice Greenfield ** Best Practice Brownfield

Given a project volume of 1,8 M pcs over life-time, the savings from the reduction of 18,75% of the price per piece amount to 732 MEUR for the client.



Sources of Potential

Design Optimization

Design optimization involves re-evaluating the design of a product to ensure it meets the required performance and quality standards while minimizing production costs.

Material Costs

Material costs are one of the most significant cost factors in any project. Reducing material costs can be achieved through different methods such as value engineering, using less expensive materials, redesigning the product or parts, and negotiating prices with suppliers.

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.