

CLIENT USE CASE

Gearboxes

BACKGROUND

A large global Agriculture and Construction OEM was looking to transform their supply base for highly engineered application and planetary gearboxes. Over the past two decades, approximately 70% of the annual purchase value for this category had been concentrated with one large dominant supplier, and 50% of purchase value was in one country of origin. The client was looking for opportunities to diversify the supply base, identify savings, and strengthen contract terms with existing and new suppliers for non-price items (quality, warranty, etc.) through a robust strategic sourcing process.

CHALLENGES

Numerous challenges existed when sourcing this category, including:

1. Internal stakeholders were spread across 4 diverse business regions and multiple platforms with each having disparate goals and strong preconceived biases regarding the current supply base, and potential new suppliers.
2. The client did not own the majority of the intellectual property or drawings for these parts.
3. The marketplace was consolidating during the sourcing process thereby reducing the global supply base.



IMPACT METRICS

OVER
15%
annual savings

OVER
50%
reduction in single-sourced parts



"I thought we were already working with every gearbox supplier. I didn't know this many good gearbox suppliers were out there in the market."

– Client Regional Purchasing
VP

APPROACH

When working through the Supplier Research step, the team worked diligently to identify suppliers located outside of one major manufacturing region for these parts, identifying numerous qualified potential suppliers that would help expand the global supply footprint and give the team options outside of the dominant industry leaders who had previously consolidated part of the supply base through acquisition. Due to the sensitivity around intellectual property, during the Develop RFP step the team worked with the Driveline Design Engineering, Test Engineering, Quality Engineering and Platform Engineering teams to create comprehensive product cards (including information about performance, fit, materials, testing requirements, etc) to enable the receipt of accurate quotes from the identified supply base. During the Negotiations step, the team successfully negotiated stronger terms related to Drawing and 3D Model access for supplier designed Gearboxes. This was an important item for Engineering stakeholders as the Client Engineering and Quality teams would often be delayed by suppliers due to disagreements regarding who can access drawings/models pertaining to supplier designed Gearboxes

During the Supplier Selection step, the team worked closely with internal stakeholders from Global and Regional Purchasing, Quality, Engineering and Executive stakeholders to assess the risk of re-balancing Gearbox spend away from one dominant supplier. The team eventually agreed upon a business split that would ensure continued service from the dominant supplier while also introducing strong alternate suppliers and exiting suppliers who were no longer a fit.

RESULTS

- Identified \$28M annualized savings
- Consolidated supply base by 38% and introduced one new alternate supplier
- Achieved full transparent pricing with **all** selected suppliers

ABOUT TENET

Over the last three decades, our team has delivered more than \$1B in documented client savings across industries, driving measurable value at an ROI of 6-15X.

Contact us today to start a conversation around how we can help you.