

CLIENT USE CASE

Hydraulic Cylinders

BACKGROUND

Our client, a global manufacturer of agricultural and construction equipment, engaged the team for sourcing support for \$150M annual spend in hydraulic cylinders—a critical component for their equipment across the product range. Historically, due to the perceived complexity of the product, spend was concentrated among several large regional suppliers.

Over time, the client faces rising year-over-year costs coupled with recurring quality and delivery performance issues.

CHALLENGE

Over the course of the sourcing project, several themes were identified leading to systemic challenges

1. Our client did not own the intellectual property (IP) for the hydraulic cylinders; instead, it resided with the suppliers. The lack of IP ownership had limited the manufacturer's ability to run competitive sourcing events, thereby leading to steadily increasing costs over time.
2. Part numbers were historically awarded based on short-term supplier capacity rather than strategic alignment with suppliers' core competencies or product strengths.
3. The RFQ showed that incumbent suppliers were significantly overpriced; often 30–50% higher than peer suppliers within the same region.



IMPACT METRICS

OVER

25%

annual savings

OVER

33%

supplier rationalization

"The initiative for cylinders was a textbook example of precision and impact—driving cost efficiency and supply reliability. Through Tenet's process, our team was able to develop a sustainable long-term sourcing strategy that blended our company's internal requirements with external marketplace conditions."

Client Team Member

APPROACH

Throughout the execution of the 7-step process, several key considerations emerged and the team incorporated them into their category strategy and recommended business award.

Most importantly, the team developed four unique **part families** determined by the requirement for friction vs arc welding on the cylinder rod end and material dimensions between SAE and metric. This categorization was **breakthrough** for the client as it was an integration of not only internal requirements but also the external marketplace mechanics and expertise.

Additionally, the team prioritized the **Transparent Pricing Model** throughout the Negotiations step in order to control future hydraulic cylinder development costs.

RESULTS

At the conclusion of the Tenet **7-step Strategic Sourcing process**, the client team:

1. Developed a category strategy that segmented hydraulic cylinders by manufacturing process and key specifications, aligning each product family with suppliers best suited to their capabilities and core competencies
2. Recommended a dual-sourcing approach that balanced best-cost country and in-region suppliers, delivering **28% annualized cost savings**.
3. Introduced development suppliers with low-volume, low-risk business awards to enhance supply chain resilience and build future sourcing optionality
4. **Secured shared IP ownership** for future product development, enabling competitive bidding and reducing dependency on incumbent 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.