

CLIENT USE CASE Machined Castings

BACKGROUND

Our client is a global leader in the agricultural and construction industry, with select in-house machining capabilities across the global manufacturing network. The company's supply base included more than 300 suppliers with an annual spend of \$300 million for machined castings.

CHALLENGE

Due to lack of detailed part classification, historical sourcing activities on this category had been limited to a few parts per year. The company had established long-standing relationships that were not frequently tested or confirmed for capability and competitiveness also impacting part quality. Given the 300 machine shops across 5 continents, the purchasing organization was primarily focused on problem resolution versus proactive supply management.



IMPACT METRICS

OVER
12%
annual savings

OVER
60%
supplier rationalization

"This was a process that has long been overlooked at the organization. We have been focused on price for the last 50 years when there is more to sourcing than just price when it comes to selecting the right supply base"

– Client Team Lead

APPROACH

Utilizing Tenet's 7-step process and guidance, the cross-functional client team created a market basket of parts that included relevant part attributes critical for proper part classification based on established and market-aligned rules. During the Supplier Research step, identified more than 3 new suppliers for every current supplier to engage in the process to drive competition. Focused on critical quality considerations during the Site Visit step to drive confidence in supply improvement and contract commitments.

RESULTS

At the conclusion of the Tenet 7-step Strategic Sourcing process, the client team implemented a four-tier part classification hierarchy that supported the near-term sourcing, but also long-term sourcing through enhanced data integrity. After the Site Visit step, the suppliers were grouped by key capabilities and geographic location to facilitate the upcoming business award. During the Supplier Selection step, the client team established a category strategy and recommended part transitions that drove annualized savings of over 12%, supply base reduction of 60% while the supplier and part classification enables long-term tail-spend management and reduction which will increase competitiveness and purchasing organization efficiency.



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.