

The following presentation was given at:

# SCAF Vendor & Service Provider Day

*Tuesday 14th November 2017*

*The BAWA Centre, Filton, Bristol, BS34 7RG*

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# Using Cost engineering to deliver sustainable improvements

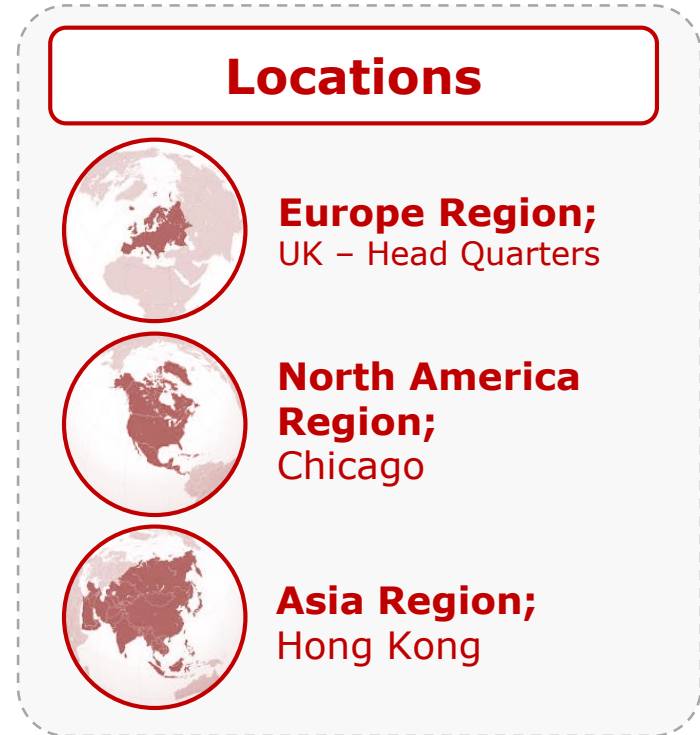
Paul Adams

Richard Gane

Alan March

# Who We Are

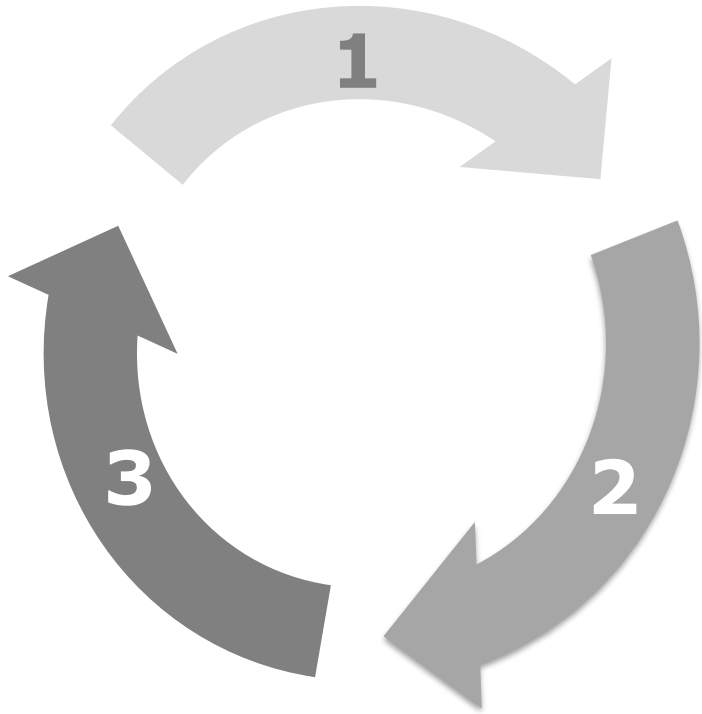
- ▶ Vendigital specialise in procurement & supply chain cost
- ▶ We deliver high-impact, fast and sustainable cost improvements for our clients



***"Delivering a New Business as Usual..."***

# Delivering a New Business as Usual

▶ Three key elements guide our work:



**1. We deliver tangible results, fast**

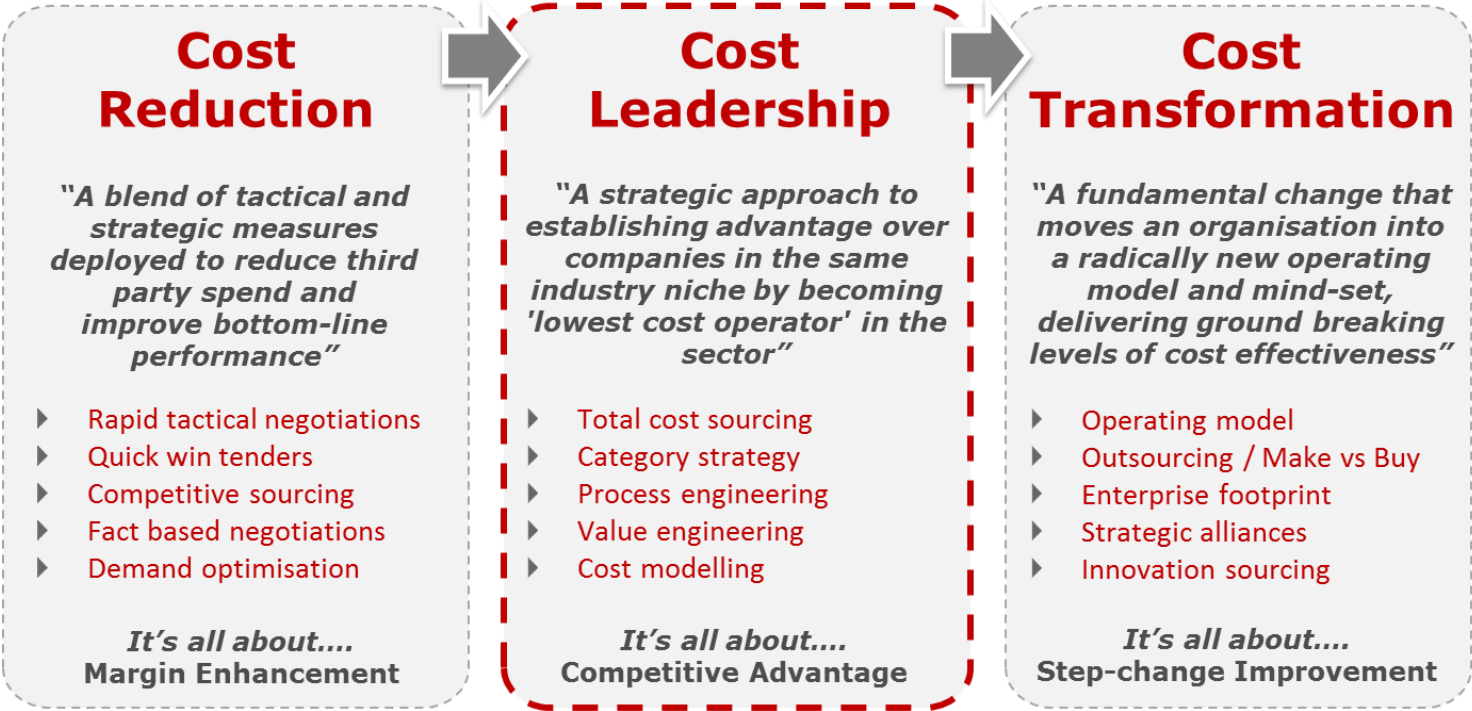
**2. We understand the Aerospace & Defence supply chain**

**3. We are an agile SME with cross-industry expertise**



# What we do – How does cost engineering fit?

▶ We make the way you engage your cost base increasingly strategic



▶ Cost engineering is core to delivering cost leadership in any given market



# The Vendigital approach to Cost engineering

- ▶ Vendigital's combined procurement and engineering expertise ensure savings are both identified and secured



- ▶ We use proprietary methods and an in depth knowledge of supply chains in a variety of markets to find savings others may miss

# Airbus case study

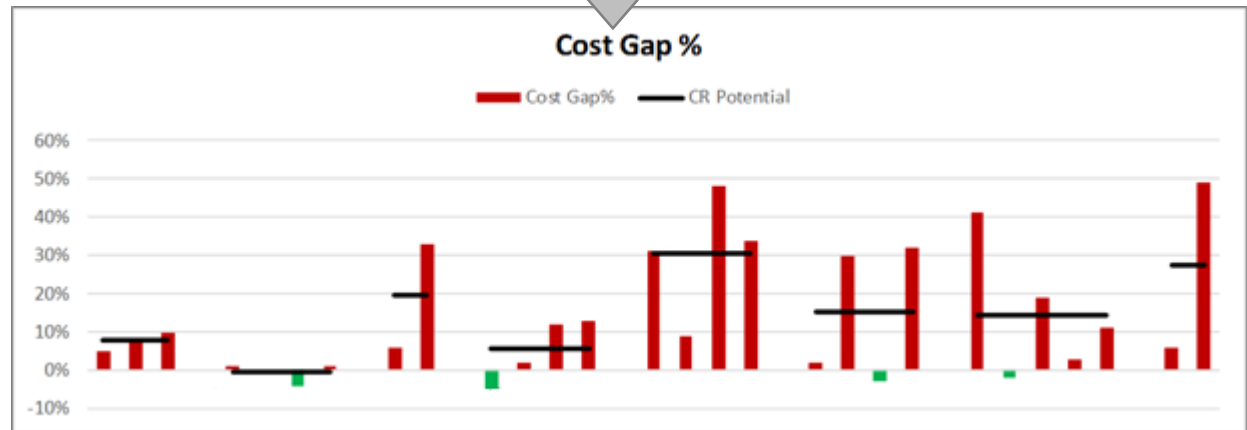
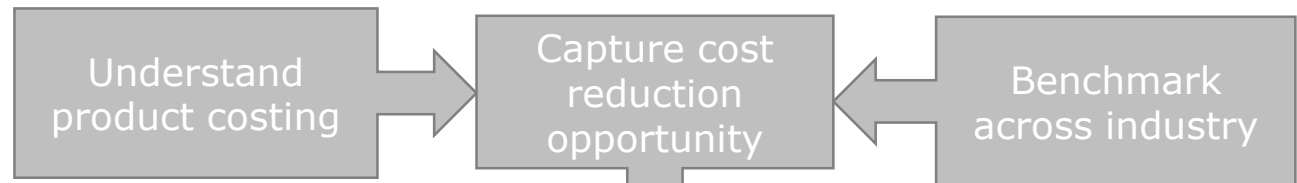
## The Project Objective

The task was to deliver significant improvements in cost performance on key commercial telecommunication satellite components including:

- ▶ No degradation of product performance
- ▶ Protection of key strategic supplier relationship
- ▶ Deliver sustainable not one-off improvements to bill of material cost

## The Vendigital approach

Vendigital led a joint collaborative programme of workshops between the client & a key supplier, using both bottom-up costing and fact-based negotiation



# Some of the tools we used...

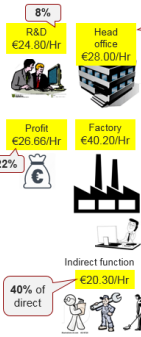
## Client data analysis

### Assembly – Hourly rate

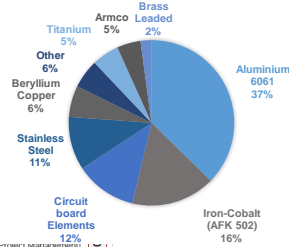
Total: €220.06 / Hour Estimate

- Clean room • €2.2m investment • 2200 switches p.a. • €12.72/Hr
- Operator • €24.72/Hr
- Skilled • Shift allowance • Training
- Workstation • €9.70/Hr

- Manning example:
- 20 direct operators
  - 8 indirect shop floor based
  - 20.2 FTE office based
  - R&D
  - Head office heads



### COST OF MATERIAL BREAKDOWN



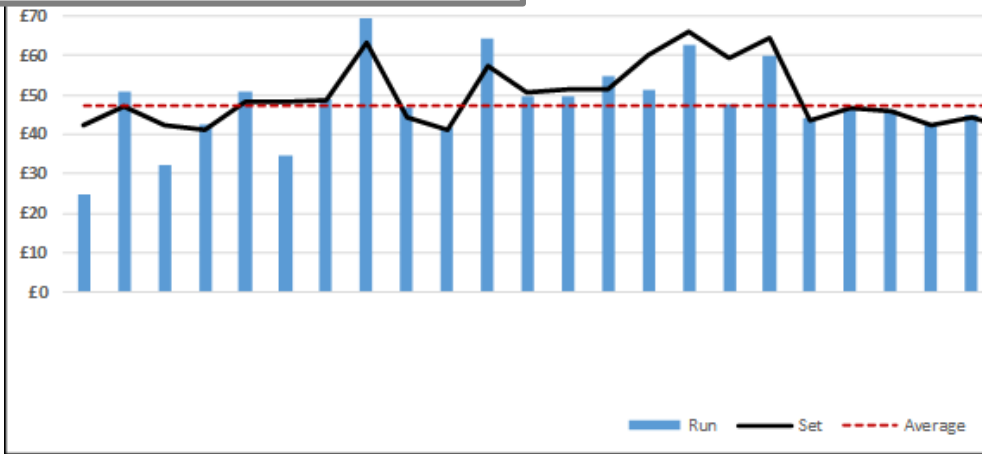
- Circuit board Elements
- Project management
  - Engineering
  - Quality
  - Finance
  - Admin
  - Supply chain
  - Factory expenses
  - Building cost

- 1.2 FTEs
- Supervision
  - Material handlers
  - Cleaners
  - Logistics
  - Inspection

VENDIGITAL®

## In depth industry knowledge

### ABC Hourly Rates



## Vendigital tool kit

Spend Analytics



Procurement Optimiser



QuickQuote



Risk Intelligence in Supply Chain



Vendor Performance





# Airbus case study – summary of the results

## ► Savings delivered:

- 18% savings delivered and contracted on low volume, 8% on high volume product
- Additional savings identified pending changes to specification

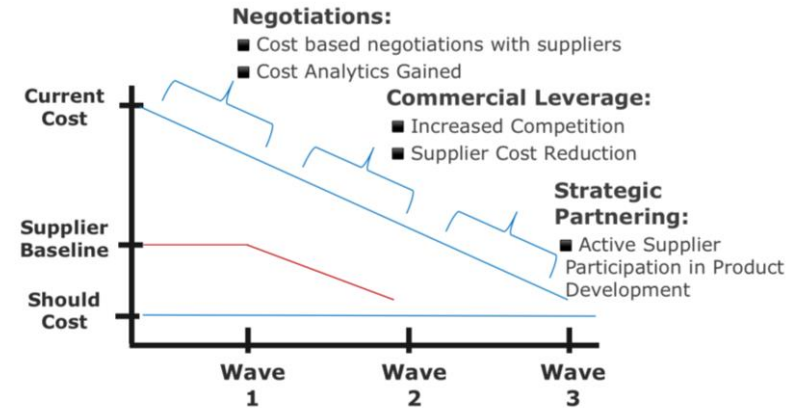
## ► Buyer/Supplier relationships

- Data centric approach ensured supplier understood aim of project is to deliver sustainable savings, not erode margin

## ► Outstanding RoI

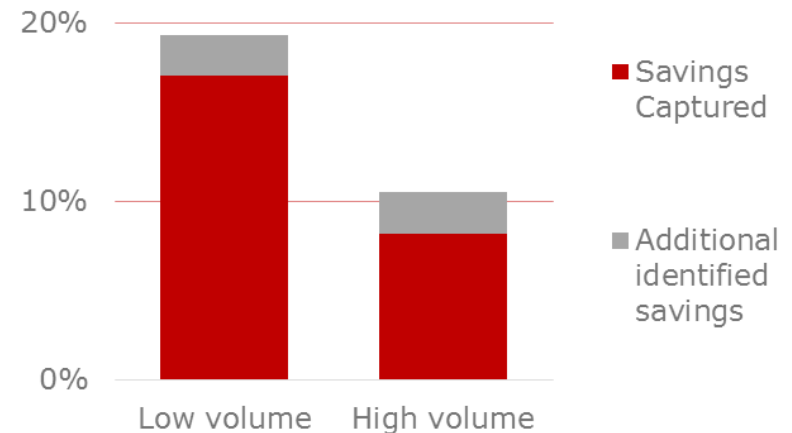
- Vendigital delivered over 400% Return on Investment for the project

## Vendigital should cost strategy



Understanding cost drivers leads to long term, sustainable, attainment of should cost levels in all industries

## Savings summary





**V**ENDIGITAL<sup>®</sup>