

CASE STUDY: INDUSTRIAL MANUFACTURING

Reducing supplier costs

SUMMARY

Client: Fortune 1000, industrial automation and industrial control products

Geography: North America

Challenge: Reducing supplier costs

Results:

- Cost savings of \$12,462,587
- Increased productivity
- Improved supplier delivery performance
- Reduced supplier lead time
- Improved payment terms

THE SITUATION: A STRATEGIC GOAL

This global automations and controls enterprise needed to lower supplier costs by fully transitioning to global sourcing, consolidating suppliers, and increasing the number of suppliers from emerging regions. They asked BayGroup International to help them find a way to achieve increased productivity, improve supplier delivery performance and payment terms, and reduce supplier lead time.

THE BUSINESS CHALLENGE

Driven to maintain and increase profitability, today's suppliers are increasingly savvy negotiators contributing to increasing costs of goods sold. In response, this client developed a global sourcing strategy aimed at reducing supplier costs that met with internal and external resistance. The challenge was to negotiate a new cooperative spirit among internal business "silos" who were resistant to the global sourcing strategy and at the same time combat increased supplier costs by negotiating more favorable agreements while maintaining quality of availability.

“The most important thing that I learned from NWS, and that I believe almost all of us learned, was that the detailed planning of each negotiation means that you will be more successful every time. Having the exact method, [as] taught in Negotiating With Suppliers™, makes this very accessible so anyone from that class can begin right away.”

— Global Indirect Sourcing Leader

HOW WE HELPED

BayGroup International’s *Negotiating With Suppliers™* provided the methods, structure, and tools to help global sourcing professionals develop expertise in carefully uncovering, understanding, and properly addressing the underlying needs of internal and external customers in order to craft more profitable agreements.

Using their improved negotiation skills, sourcing professionals were able to promote acceptance of the company’s globalization initiative with internal constituencies and get suppliers to accept the responsibilities of being strategic suppliers.

THE RESULTS

Negotiating With Suppliers™ (NWS) enabled company management to link the day-to-day activities of purchasing professionals to the company’s long-term strategies and goals to reduce supplier costs and consolidate global sourcing partners. Through a system-wide deployment of NWS, this client reported cost savings of \$12,462,587 in the first year alone, representing a 39.3 to 1 ratio of return on the client’s investment. Other results included:

- Increased productivity
- Improved supplier delivery performance
- Reduced supplier lead time
- Improved payment terms
- Increased positive cash flow
- Inventory reduction

PROVEN EXPERIENCE: AUTOMATION AND CONTROLS

Over the past 27 years, BayGroup International has partnered with many of the world’s leading industrial manufacturers to substantially improve the results of their supplier negotiations. Given the trend toward increasing manufacturing costs, it is critical that sourcing professionals operate uniformly and at peak capacity.

The focused expertise of BayGroup International has helped our clients instill far greater discipline and improved planning processes and skills sets among their sourcing professionals. This has led to dramatically improved supplier productivity in the face of price pressures in many supply markets.