



## “COMPONENT COST ESTIMATING” CASE STUDY



### ABOUT THE CLIENT

<b>Industry</b>	<b>Oil &amp; Gas</b>
<b>Revenues</b>	<b>Approx. \$50 billion</b>
<b>Employees</b>	<b>100,000+</b>
<b>Location</b>	<b>Europe</b>
<b>BSI Service or Solution</b>	<b>Component Cost Estimating</b>

#### Key Challenges

- OEM was quoting high over the market price
- Unique order characteristics (remote location, installation, and multiple units in the same order) made cost comparisons seemingly impossible
- Engineering specifications favored a specific supplier

#### Project Scope

- Equipment cost with all accessories, plus bench testing, delivery and installation and commissioning costs
- “Local content” suppliers for manufacturing of component parts and spares
- Payment schedule and terms

#### Operational Benefits Realized

- Consultant involvement helped avoid a large distraction from ongoing procurement work for the overall project
- Unbiased and credible benchmark supported negotiations

#### Why BSI was Selected

- Knowledge and experience with the equipment
- Proven track record of quantifying equipment acquisition costs
- Clear, detailed process and unequivocal data that could be used in negotiations with the supplier

#### Project Approach

- Cost benchmarking
- Cost modeling, including baseline costs, parametric comparisons, and sensitivity analyses
- Estimation of “normal” lead time
- Adaptation of costs to local (“in-country”) conditions
- Presentation of detailed cost estimate

#### Financial Benefits Realized

- 25% price overcharge identified and supported with facts and defensible benchmark figures
- Negotiations were able to capture the equivalent value of the overcharge