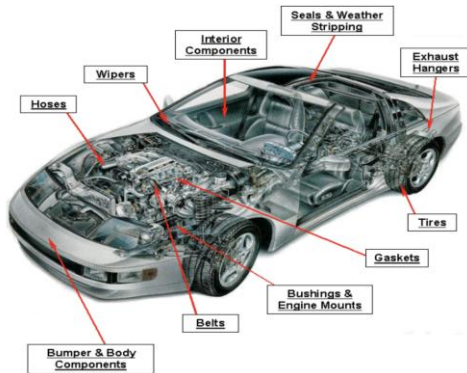




CASE STUDY: VEHICLE PARTS & COMPONENTS SOURCING

“Savings of 40-70% on most parts, and 25-30% on the weighted average cost of purchased parts”



ABOUT THE CLIENT

Client	Top Tier Automotive OEM
Revenues	\$180 billion
Employees	700,000
Location	Brazil
BSI Service or Solution	Performance Improvement

Key Challenges

- The Brazilian internal market had inflated cost levels after decades of protectionism.
- The Brazilian government launched a reform initiative to become more competitive by lowering tariffs.
- General Motors do Brasil had a one-time opportunity to take advantage of a reduction in Brazil's tariff level.
- It undertook an enterprise-wide sourcing program for direct materials and parts from around the world, which were in many cases far less expensive than their Brazilian made counterpart.

Project Scope

- In-depth technical and economic comparisons on a part-by-part level
- Strategic sourcing (supplier identification, vendor qualification, specification development, value engineering, supply chain strategy, RFI, RFP, bidders conference, RFQ, negotiation in rounds, contracting, supplier transition)
- Weekly approvals in the C-Suite

Operational Benefits Realized

- Transformation of the entire supply base
- Savings of 40-70% on most parts, and 25-30% on the weighted average cost of externally purchased parts

Why Boston Strategies was Selected

- Boston Strategies staff was on the Kearney consulting team, which had established a reputation for delivering extraordinary cost reduction through sourcing and supply management.
- Portuguese language skills. Daily work was conducted in Portuguese.

Project Approach

- Structured a robust process for review of every single part in a vehicle.
- Implemented the change through every department from engineering to finance to IT.
- Switched suppliers in many cases.
- Back-leveraged existing suppliers' prices in order to meet the world price.

Financial Benefits Realized

- Dramatic reduction in the cost of the vehicle
- Remarkable improvement and profit for GM do Brasil
- General Motors worldwide adopted the program in Europe, the United States, and Australia.