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CASE STUDY



Gas Turbine Cost Estimating



ABOUT THE CLIENT

Industry	Oil & Gas
Revenues	Approx. $50 billion
Employees	100,000+
Location	Europe
BSI Service or Solution	Component Cost Estimating

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

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 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

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

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

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