

Integrated Strategic Sourcing Application saves a large electric car company US \$3M yearly

Background

A large electric car company sources parts worldwide for its product line and maintains relationships with dozens of suppliers. This requires the company to adhere to Free Trade Agreement (FTA) regulations in the US. For each supplier, the company collected data via an FTA questionnaire to meet North American Free Trade Agreement (NAFTA), Korea Free Trade Agreement (KRAFTA) and General US Trade regulations.

As it grew and expanded its sales reach, responses to the questionnaire increased and were difficult to evaluate. The process of filing the responses became tedious, time-consuming and complicated, increasing the chance of errors or omissions in data. As a result, the company was paying higher taxes and duties to respective sourcing government organizations.

Business Situation and Challenges

The Company needed help to define and develop an application to capture FTA-related information from its suppliers. The solution required consolidation of the entire network of sourcing partners from suppliers to agents connected together on a single portal.

- Lack of a systematic process for sourcing and procurement
- Lack of visibility and instant access into all sourcing processes and the status of goods and payments for the company
- Lack of a single point-of-information portal to share the details of the purchase orders placed.
- Lack of shared knowledge across business units of the similarities in goods purchased, and the number of common suppliers –thus lack of awareness of the potential savings and other benefits of increased coordination
- Lack of database of the suppliers for various parts, and their details for audit and review

WinWire Solution

WinWire architected a solution with a process that was ultimately invisible to end-users. In order to follow the process, suppliers simply enter their information in an application form to get started. Once completed, company's new solution generates an email notification to the Logistics team, and the submitted form is sent for approval through a workflow.

Backed up by pre-populated database with years' of prior purchasing information, the system helps the Logistics Team to make an informed decision to approve/reject a supplier

However, a rejected supplier can re-submit the form based on the review comments from the team. FTA portal displays the status of the forms submitted on the landing page and also allows suppliers to submit the FTA forms for multiple calendar years. All approved FTA documents are securely stored on a central location for future access and audit purposes. Submitted information (part level) is converted into reports and dashboards for the Logistics team to use within the company to reduce costs and improve supplier relations

The screenshot displays the ACME Corp. Strategic Sourcing Portal. At the top right, it shows the date 'June 15, 2012 | 11:30 am' and a welcome message 'Welcome William Jose (Edit Profile)'. The main header reads 'STRATEGIC SOURCING PORTAL'. Below this, there are four car model images, with the first one labeled 'Model S'. To the right is a 'MANAGE SUPPLIERS' sidebar with a 'Manage Business Data' section listing 'Model', 'System', 'Commodities', 'Manufacturing Technologies', and 'Commodity Groups'. Below that is a 'What's New' section with a list of items and counts: 'New Design Concept assigned to me' (5), 'Pending RFQs to be Created' (3), 'New Bids Received' (3), and 'To Award Bid' (6). The main content area features a table with columns: Name, System, Model, Commodity Group, Buyer, Date, Design Concept, and RFQ. The table is filtered by 'Commodity' and 'Model'. It shows several rows of data, including 'Engine Oil', 'Rear panel', 'Front Door', 'Music Sys', 'Rear Window', and 'Rear Door', each with associated system, model, commodity group, buyer, date, design concept, and RFQ numbers.

Results

Since implementing the streamlined sourcing application, the company has:

- Achieved \$3M USD in savings in the first year of implementation due to NAFTA and Customs benefits.
- Used the data gathered via the FTA questionnaire to substantiate NAFTA qualification for completed vehicles
- Realized non-NAFTA related FTA savings of another \$30 / car (approx.) manufactured for every new vehicle manufactured
- Achieved more favorable and consistent contract terms, with an associated reduction in risk exposure and overheads
- Significantly reduced the time and effort spent on sourcing & providing access to supplier details for the relevant teams.