Convergence Data

Data Value Analysis – Case Study

Complexity Benefit Analysis

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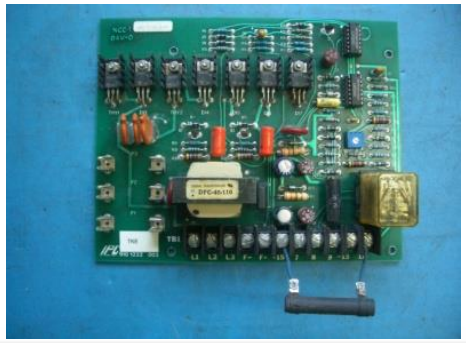
These DFR enabled analyses allow for opportunities for savings across multiple sourced item types.

High Volume / Lowest Complexity

Low Technology / Low Complexity



High Technology / High Complexity

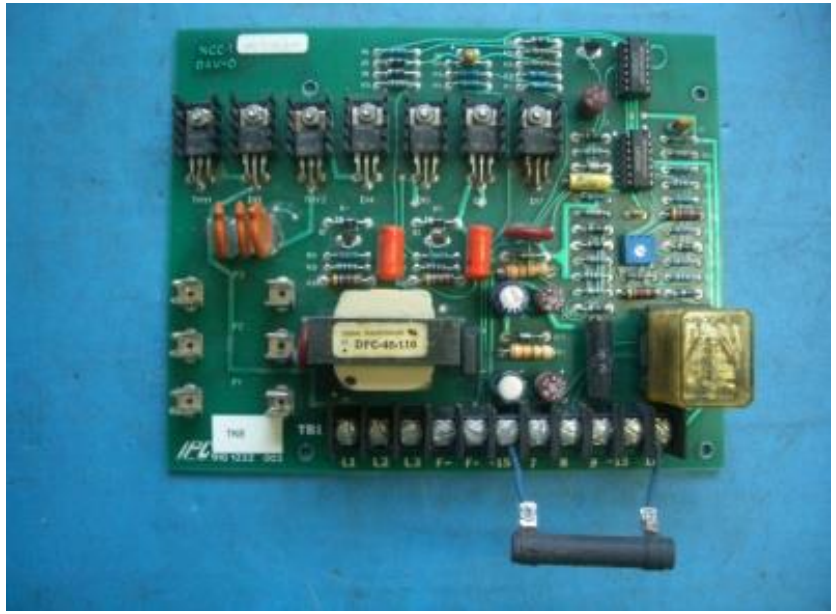
High volume items, e.g. raw materials, yield some of the highest returns based on volume.

- The least complex in terms of physical attribute variation, yet an area of high total spend
  - Coil steel, wire, bar stock, adhesives, resins, lubricants, etc.
- Opportunity areas
  - Reduce number of configurations
    - e.g. From 50 to 25 different steel thicknesses
  - Find lowest cost configurations / vendors
    - e.g. Change thickness to standard automotive values to get economy of scale
  - Assess impact of commodity pricing changes on unit costs
    - e.g. impact of oil prices on resin costs, evaluate how to reduce impact through the usage of filler materials
- Benefits - 3 to 8% cost take-out reported; when multiplied by volume yields very high $$ savings

Low complexity, medium volume items offer opportunities for savings by standardizing across a number of parts.

- Low complexity items in terms of total physical attributes but with potential for high variability.
- Typically have average volumes, unit prices and total spend.
  - Wire harnesses, hoses, tubing, fasteners, stampings, etc.
- Opportunity areas
  - Standardize on materials
    - e.g. reduction in the number of different hose materials
  - Standardize dimensional attributes
    - e.g. diameter of tubing, length of fasteners
- Benefits –10 to 15% savings reported

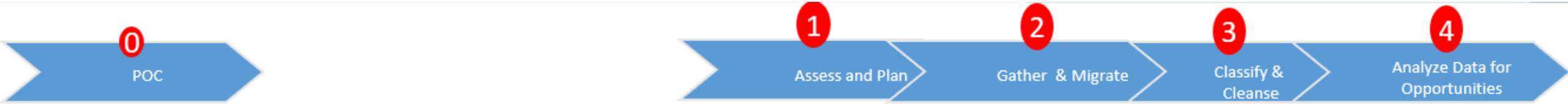
High complexity items offer the opportunity for both near term and long-term savings through component standardization and the reduction of complexity.



"Reducing complexity provides leverage in surprising ways"
Jeff Burk
Whirlpool Corporation

- High complexity, high technology items usually comprised of many other parts.
- Typically low volume but high unit cost.
  - Motors, electronic circuit boards, pressure valves, etc.
- Opportunity areas
  - Standardize components within purchased assemblies
    - e.g. Perform volume buys for common capacitors for circuit boards purchased from low volume supplier
  - Leverage low cost / best cost country sourcing
    - e.g. Reduce risk by reducing number of configurations
- Benefits –15 to 25% savings reported

CDS has the methodology, expertise and experience to help you create the roadmap to improved sourcing through the sustained, effective use of your enterprise data assets.



Phase 0 “Proof of Concept”

- Create Hypotheses on several “low hanging fruit” commodities
- Validate hypotheses with initial look at subset of relevant data
- Build Business Case for Roll-out based on Phase 0 findings

1. Identify data sources and access methods, define data validation and migration strategies and plans
2. Extract data from sources, define new classification schema
3. Classify augment data with meta-data, validate and cleanse
4. Utilize tools to help identify trends, prioritize opportunities, etc.

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Additional benefits accrue over time along with direct materials cost savings.

- Parts rationalization
  - Fewer items to buy, fewer procurement resources needed
  - Fewer SKUs, less inventory costs
  - Less inventory, less warehouse space required
- Reduction in time preparing for sourcing events
- Improvement in throughput of sourcing direct materials
  - Assess more commodities, more often, with fewer people