



Speaker Interview

What is the most common barrier to transparency in the automotive supply chain, and how might this be overcome?

The most common barrier to transparency is trust and a lack of a longer term commitment to each other. Too often we see purchasing organizations performing market tests every 2-4 years, unless a cost down is provided by the supplier. If we have a more strategic and longer term approach to the business and relationship, then I think suppliers are much more willing to be transparent with costs and working together for accelerated continuous improvement that may require investments.

Buyers often get a breakdown of costs of their direct suppliers but have poor visibility of cost breakdown deeper in the supply chain. Do you have any advice on how this might be improved?

It is common now for purchasing organizations to have should be costing for many common commodities. If purchasing has a good relationship with their direct suppliers, those should be cost models can be shared with the direct supplier to be applied to the sub components that are purchased. This can be a big help as many of the direct suppliers may not have the resources or expertise to develop a should-be costing program. An example may be fasteners or heat treat that are common purchased components and services.

Do you have any tips for how internal collaboration can be improved, such as between a designer and estimator, to balance cost with design needs?

Too often engineering (design) and cost estimating are silos that are not working together on a consistent basis. The key to success is often changing culture to have the designer, purchasing, cost estimating and the suppliers working together to give the designer options and feedback on the most cost effective designs, specifications and manufacturing technologies.

A great way is to bring together the designer and the cost estimating process to make it really easy. The cost estimating should be so easy that a designer can apply the costing tool on their own. It should be a few clicks of the mouse and take just minutes.

What is your opinion on more modern estimating software? Do they offer significant value over Excel-based estimating?

Modern estimating software is great as it already has many of the costing tools already built into it and is ready to be applied. The biggest challenge is the quality and kind of data that is included. Typically the purchasing organization is going to want to use the costing information from their own current supply base. This is a relationship and culture problem. The software will not solve this, it comes back to a collaborative and long term relationship to allow for the costing transparency between strategic customers and their suppliers.

Could you give a brief introduction to your session at Automotive Cost Engineering 2018? What are you planning to discuss with the audience?

TITLE - The ultimate in collaborative and transparent costing, REVERSE QUOTING – The business model is turned upside down and the customer builds the quote on behalf of the supplier.

As customers and their suppliers continue to move towards more cost transparency, the most advanced relationships have the customer build the quote on behalf of the supplier in just minutes. Then the customer can make fast decisions for these common costing challenges:

- 1 Customer Needs Fast Quote Estimation, many times the Bill of Material estimate is needed in hours or just a few days to support a sales quotation to an OEM.
- 2 Engineering Design Costs Comparison – The Customer needs to understand the costs between competing manufacturing technologies and needs to make a decision in a couple of days and has no complete drawings available (Example – Bar Stock + Machining vs. Powdered Metal vs. Stamping) In some cases engineering is able to cost their own designs with confidence they can realize the estimated costs in the market place.
- 3 Current Pricing Competiveness Check – Customer needs to understand if their current pricing is competitive and can check this thru the application of the cost models.
- 4 Price Increase Request Evaluation – Customer needs to understand if a particular price increase is justified and can apply the cost models to evaluate this.