



Proudfoot

DIGITAL SOURCING
AUTOMOTIVE

What if you could...

Harness AI to discover and evaluate thousands of new suppliers in a fraction of the standard time?

With Proudfoot, you can.

Faced with declining production volume and growing competition, a leading German tier-1 automotive supplier needed to protect the operating margins at one of their key plants. Under pressure to improve results quickly, they engaged Proudfoot for a rapid assessment of their entire operation. Proudfoot not only revealed a path to dramatic gains in operational effectiveness but also significant cost savings in procurement of direct production material.

The client's current supplier base was very local and "stable" and the procurement team was struggling to produce step changes in purchase price reductions. The procurement structure was quite lean and the team's limited time was consumed mainly by basic supplier quality management and routine annual price reductions. Due to the lack of resources and infrastructure to source globally, the potential of best-cost country suppliers and their use for negotiation with the existing base was mostly untapped.

Transformative Approach

To accelerate procurement savings, Proudfoot implemented a new and innovative digital global sourcing approach

leveraging both artificial intelligence and big data.

First, we analyzed the spend to identify two metal parts for piloting the digital sourcing approach. We then defined the requirements for the sourcing cases and launched the initial search. This tapped into millions of data points collected from hundreds of data sources across the world to generate the initial long list of potential suppliers.

Through a primarily automated process, the most promising candidates were then invited to an RFI stage to provide more details on their capabilities within the automotive sector. Analysis of their responses narrowed the field down to a smaller group who were invited to enter an NDA and quote for the two selected parts in the RFP stage.

Having implemented this leading-edge sourcing technology gave the team the capability to evaluate exponentially more suppliers with only a fraction of the effort normally required throughout the funnel. Carrying out a strategic sourcing initiative was now centralized with a minimum workload for category managers. Proudfoot not only supported the new tools, but developed the processes and behaviors that enabled the team to focus their time on value-adding activities rather than administrative work.

"We now have 20 new suppliers who have met our specifications at each stage and satisfied our questions to reach the point of submitting a quote."

PLANT PURCHASING MANAGER

Remarkable Results

Within just a few weeks, 20 formerly unknown suppliers were found and qualified as fulfilling the requirements for automotive certification, production processes, and quality specification. These included suppliers across many countries in Europe and Eastern Europe, as well as best-cost countries in the Middle East and Asia.

Up to **19%** purchase price reduction

Factoring in all logistics costs, the proposals we received showed cost savings of up to 19% and reflected a wide range of cost factors, such as manufacturing cost, raw material cost, overhead, generalized cost, and margin. After conducting a total cost of ownership assessment, the final suppliers were invited to quote for new or already running programs to shake up the existing supplier base and achieve a significant cost reduction to secure the margins of that plant.