

Case Study (Ludovic Montécot)

Strategic Transformation of Procurement in an International Mechanical Engineering Company

1. Current Situation

A mid-sized mechanical engineering company with production sites in Germany and Asia was confronted with sharply rising material costs and increasing supply bottlenecks. Procurement operated predominantly in an operational and reactive manner. Strategic procurement processes were only rudimentarily in place.

Typical challenges included:

- High dependency on individual suppliers
- Lack of transparency regarding material costs and savings potential
- Very high number of suppliers relative to comparatively low purchasing volume
- Differing procurement processes across locations
- High administrative workload in operational procurement

Management therefore defined clear objectives:

- Reduction of material costs by at least **10 %**
- Improvement of supply reliability for production
- Establishment of a **strategic procurement organization**
- Creation of **greater cost transparency** in procurement

2. Data Analysis

In the first phase, all procurement data was systematically analyzed.

The following steps were carried out in particular:

- Analysis of purchasing volumes by product group and supplier
- Identification of the largest cost blocks and savings potential
- Assessment of the supplier structure with regard to risk, price level and performance capability
- Analysis of internal procurement processes and organizational responsibilities

In parallel, workshops were conducted with the relevant specialist departments to jointly identify requirements, problems and optimization opportunities.

3. Target Concept

Based on the analysis, a structured transformation concept for procurement was developed.

This concept comprised five central measures:

- Introduction of a **category strategy** for the most important material groups
- Reduction and consolidation of the supplier base
- Development of **strategic supplier partnerships**
- Introduction of transparent **cost and savings reporting**
- Stronger separation between **strategic and operational procurement**

After alignment with management, the concept was implemented step by step and further developed in regular steering meetings.

4. Implementation Phase

Implementation took place in several structured project phases.

Key measures included:

- Conducting international supplier negotiations
- Pooling of purchasing volumes across different locations
- Introduction of standardized framework agreements and terms
- Establishment of clear category management responsibilities in procurement
- Optimization of collaboration with production, development and logistics

Regular project meetings and transparent reporting ensured that progress was measurably tracked and measures consistently implemented.

5. Summary

The implementation of the new procurement strategy achieved significant improvements:

- **Material cost savings of up to 12%** within 18 months in selected strategic product groups through volume bundling, renegotiations and supplier consolidation
- Reduction in the number of suppliers from **1,220 to approximately 790** (-35%) through consistent supplier consolidation and the introduction of catalog solutions for C-parts and indirect materials
- Improvement in on-time delivery performance of key suppliers from **78 % to > 95 %**
- Introduction of clear category management responsibility for **100% of procurement volume**
- Establishment of transparent procurement reporting with monthly tracking of **costs, delivery dates and savings potential across the entire procurement volume**