

## Making Quotes Faster, More Competitive.

How leveraging on global supply chain makes the difference?

### White Paper By:

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**SFO Technologies**  
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## Making Quotes Faster, More Competitive.

### *How leveraging on global supply chain makes the difference?*

As businesses move increasingly at the speed of light over digital networks, organizations need to increase process velocities and gain incremental competitiveness for their survival and success. At SFO Technologies, re-engineering and value chain optimization is a continuous process in our quest for exceeding customer expectations and this often results in innovative solutions to routine enterprise requirements.

This white paper examines how the company managed to leverage on its global supply chain linkages to speed up the process of tendering quotations. And, in the process, succeeded in making our quotations more competitive too.

## Supply Chain Management - Centered Service Delivery

SFO Technologies operates a full-fledged manufacturing services business that involves 500,000 square feet of world class production floor, 2500 skilled resources, 2500 suppliers, 32 global locations servicing discerning, Fortune 500 companies with products in categories like Digital Electronics, RF/Microwave/Wireless assemblies, Wire Harness, Fiber optics and Optronics assemblies, Power supplies, Magnetic, Sheet Metal/Plastic enclosures, and High level integrated solutions product assemblies. With sourcing, processing and marketing spread across continents, Supply Chain Management (SCM) proves critical to growing operations and market share rapidly while at the same time maintaining high standards of quality mandated by the ISO 9001:2000 certification that we enjoy and the Six Sigma initiative under way. Information Technology (IT) applications like Enterprise Resource Planning (ERP), Materials Resource Planning (MRP) and Logistics Management provides the robust back-end support to enable our manufacturing and engineering teams to translate ideas to products seamlessly for our customers.



Supply Chain Management is a dynamic process, going beyond mere timely and cost-effective sourcing and procurement to handling the challenges of scale, integration, continuously developing capabilities as the company grows at a scorching pace, defining the technological architecture to facilitate smoother workflows and data sharing and deploying software solutions to make all this possible. While lower inventory costs, greater inventory velocity and shorter cycle times are the obvious benefits, the larger objectives of the Global Supply Chain Organization at SFO Technologies remains fostering better co-ordination, trust and collaboration among the organizations on both sides of the company in the value chain.

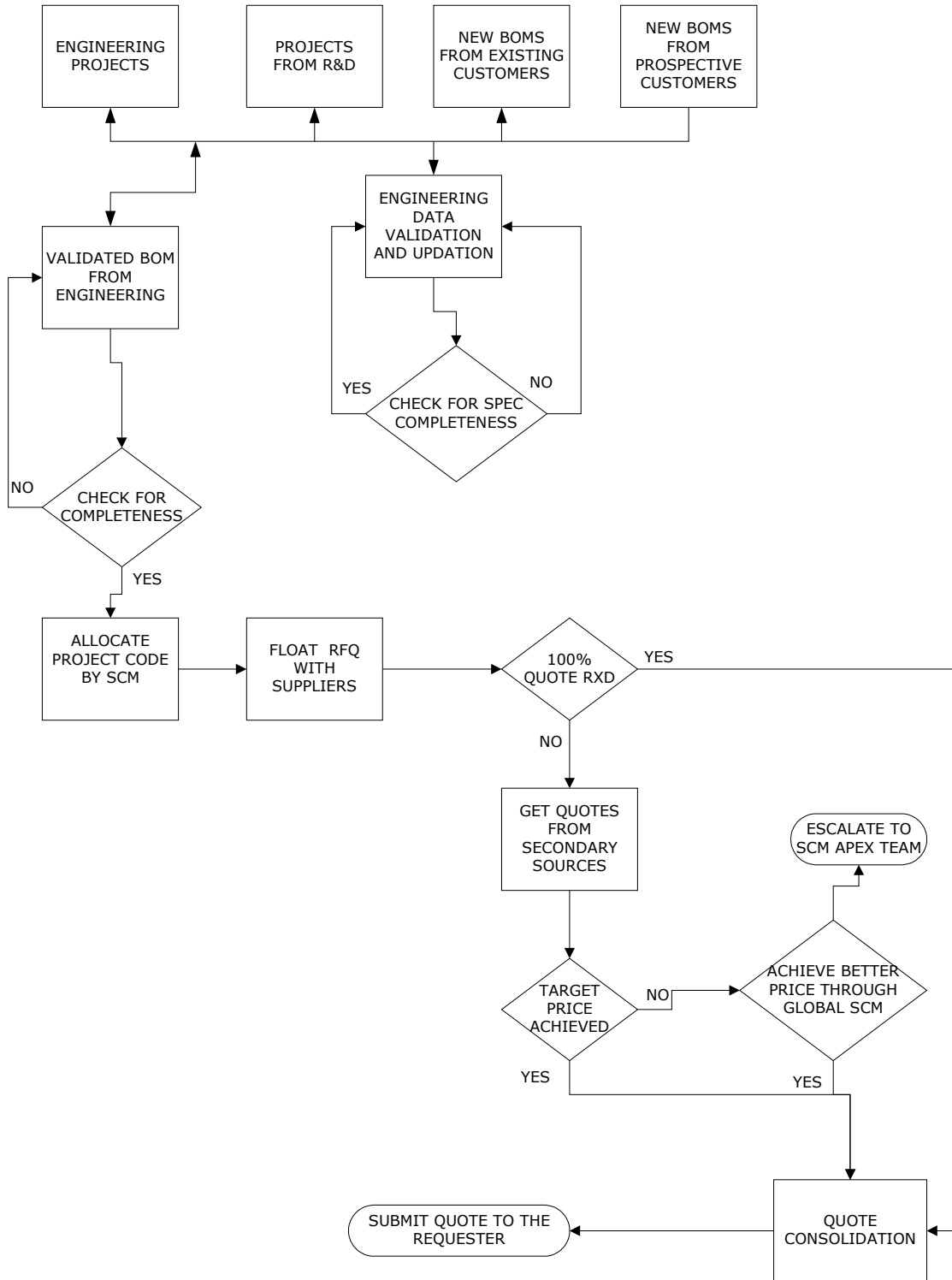
Real-time information systems ensure metrics-based and closely monitored planning for injecting efficiency into the system. Sourcing at the right quantity from the right vendor, whether local, regional or international, can determine competitiveness and bottom line and our company has successfully built up expertise in such strategic, tactical and operational aspects of SCM since inception in 1991. Business-to-Business (B2B) channels, whether online Customer Information Systems or integration with supplier intranets, provide visibility into the operations of supply chain partners, facilitating speedy issue resolution, e-procurement and continuous bench-marking. Thus, a combination of stringent supplier selection, rating and performance review processes, and regular customer-focused SCM status meetings taken by top management enable SFO Technologies to maintain the high standards of quality and timeline of deliveries that we are reputed for.

## **Quotation Process Gains Agility.**

The re-engineering of the quotation processes focused on three core objectives. Standardize the process across the enterprise, Compress the time-to-quote to the maximum extent possible and get the best price quotes for parts and components through our global supply chain channels.



### RFQ PROCESS





On the ground, the following workflow and business rules helped us achieve all the objectives, thanks to our state-of-the-art, automated and networked enterprise architecture.

SFO Technologies can receive a Request For Quote (RFQ) from either an existing customer or a prospective one. RFQ can also result from the activities of our R & D Group, either through projects undertaken by them or products developed on contract for customers. The RFQ is usually received by the marketing front-ends of the company, the Sales or Account Managers designated for the purpose.

The RFQ received is then checked for completeness and clarity. At the least, the following details need to be compiled, if not already included in the RFQ.

Name of the customer.

Project name.

Bill of Materials including:

- Make
- Manufacturing part no.
- Quantity / product
- Mechanical and electrical assembly drawings.
- Gerber details
- Alternate make and Manufacturing part nos.
- Approved vendor list.
- Test procedures and statement of work.

Contract pricing arrangement, if any, with a particular supplier.

Target price

Target date on which the quote is to be submitted.

Target date on which proto model is to be submitted

Annual projected quantity

Estimated annual usage in \$US.

Whether an existing or new project.

End user application.

If the customer has a contract pricing arrangement in place with his suppliers a letter of authorization will also be required from the customer to enable SFO Technologies to piggyback on the special pricing model.

The Sales or Account manager will then refer the fully populated RFQ to the respective Electronic Manufacturing Services (EMS) business Managers, located at Cochin, India depending on the category of products. In case more than one competency is involved, the requirements are addressed directly to the CEO of business operations.



The Engineering group within the EMS Business groups will dissect the Bill-of-Material (BOM) and get back to the respective Sales or account manager with any clarifications they require to be sought from the customer. These clarifications may include, Gerber file requests, Drawing clarifications, part obsolescence and missing documentation. The Engineering group will also identify and suggest low cost one on one equivalent, if any that could generate cost savings for concurrence from the customer.

After this review and validation of Bill-of-Material (BOM) by the Engineering Group, the RFQ will be turned over to the SCM group. The SCM Group issues a unique project code based on an accepted standard nomenclature.

The SCM group checks the prices of standard parts in the RFQ (like capacitors, resistors, diodes etc) in the enterprise database, which contains either, the last purchase price or the last offered price.

Parts that are not included in this database will be referred to the Company's Channels and Hubs for obtaining quotes. The Channels and Hubs include Commodities, Digital Electronics, RF/Cables, Power Electronics, Opto Electronics, SCM China, SCM Ireland, SCM Sweden, SCM USA, and SCM Japan.

It is especially ensured that quotations for all the high value (in dollar terms), Class A type parts are taken from a geographically diverse population of suppliers to benefit from regional competitive advantages.

These inquiries to the supply chain are sent on a standard format to ensure uniformity in the format of quotes received.

Wherever possible, all quote requests are directed to Manufacturers or Authorized Distributors or agents only.

The lowest quoted price does not always translate into the lowest unit cost. Freight costs, consolidation expenses and Payment terms are also factored into quotes from suppliers in order to ensure the most economical price is obtained.

As the first cut prices for the BOM gets ready, all items above the value of 1 % of the total BOM cost are renegotiated with the current or L1 supplier and parallel quotes obtained again from secondary sources.

In case the target price is not getting achieved within the pre defined time, the matter is communicated to the global SCM team and in turn escalated to the apex SCM team.



Quotes are then collected and consolidated against each BOM, reviewed by EMS Business Managers and the apex team prior to forwarding to the responsible Sales or Account Manager.

## Case Study

| Project Summary        |                            | 02/02/2007                 |                      |                       |
|------------------------|----------------------------|----------------------------|----------------------|-----------------------|
| Divisions              | Total # of RFQ's Processed | Number of Quotes Submitted | Number of Quotes Won | Number of quotes lost |
|                        | A                          | B                          | C                    | D                     |
| Digital                | 5                          | 0                          | 0                    | 0                     |
| RF                     | 35                         | 0                          | 9                    | 0                     |
| CABLE                  | 46                         | 1                          | 0                    | 0                     |
| POWER                  |                            |                            |                      |                       |
| OPTO Electronics       |                            |                            |                      |                       |
| Electrical             | 10                         |                            |                      |                       |
| Mechanical             | 2                          |                            |                      |                       |
| Value in US Dollar (K) |                            |                            |                      |                       |

| QUOTE NO. | PROJECT NAME               | RFQ DATE  | POSITION | REQUESTER      | PROJECT MANAGER | EAU     | TARGET PRICE |
|-----------|----------------------------|-----------|----------|----------------|-----------------|---------|--------------|
| CCB001    | 61-4-11                    | 2/1/07    | OPEN     | VJ             | JA              | 488800  | 1.85         |
| CCB002    | 61-1-45B                   | 2/2/07    | QUOTED   | VJ             | JA              | 244400  | 2.46         |
| CDI002    | 28403837                   | 2/1/07    | OPEN     | RAJI           | TJ              | 2200    | 10.6305      |
| CDI003    | 28406373                   | 2/2/07    | OPEN     | RAJI           | TJ              | 800     | 159.573      |
| CDI004    | 28409533                   | 2/3/07    | OPEN     | RAJI           | TJ              | 1000    | 150.0424     |
| CDI005    | 28902373                   | 2/4/07    | OPEN     | RAJI           | TJ              | 1000    | 81.3127      |
| CRF007    | 1903844-6000A-R4-SDM       | 1/0/00    | BID WON  | SREEKUMAR      | GNK             | 1500    | 0            |
| CRF008    | 19041993-0001-R3-DEPOSITER | 1/0/00    | BID WON  | SREEKUMAR      | GNK             | 1500    | 0            |
| CRF009    | 1904213-7000A-R4-MMD       | 1/0/00    | BID WON  | SREEKUMAR      | GNK             | 1500    | 0            |
| CRF010    | m: 70.000.0067             | 1/0/00    | BID WON  | SREEKUMAR      | GNK             | 1500    | 0            |
| CRF011    | em: 70.000.00505           | 1/0/00    | BID WON  | SREEKUMAR      | GNK             | 1500    | 0            |
| CRF012    | m: 70.000.0054             | 1/0/00    | BID WON  | SREEKUMAR      | GNK             | 1500    | 0            |
| CRF013    | em: 70.000.0055            | 1/0/00    | BID WON  | SREEKUMAR      | GNK             | 1500    | 0            |
| CRF014    | m: 70.000.00692            | 1/0/00    | BID WON  | SREEKUMAR      | GNK             | 1500    | 0            |
| CRF015    | 070105AKV-03               | 1/11/07   | BID WON  | SREEKUMAR      | GNK             | 10      | 0            |
| BEL001    | Cat 5e block               | 1/26/2007 |          | SAM/Sreeku mar |                 | 0.5 mil |              |



|        |                   |           |  |                  |  |          |         |
|--------|-------------------|-----------|--|------------------|--|----------|---------|
| BEL002 | Temic IC          | 1/25/2007 |  | Srijith/Panicker |  | 100pc/ea |         |
| BEL003 | AWG wire (RoHS)   | 1/1/1900  |  | Ligia            |  | MOQ      |         |
| BEL004 | RF parts          | 1/23/2007 |  | Srijith/Panicker |  |          |         |
| BEL005 | Learning Pad      | 1/16/2007 |  | Sam              |  |          |         |
| BEL006 | BOA Material      | 2/3/2007  |  | Markose          |  | 20 K     |         |
| BEL007 | 3-Port Circulator | 2/5/2007  |  | Panicker         |  | 100/200  |         |
| BEL008 | EE16 bobbin       | 12/9/2006 |  | Thomas V         |  | 6 mil    |         |
| BEL009 | EE16 ferrite core | 12/9/2006 |  | Thomas V         |  | 6 mil    |         |
| BEL010 | Cord Set          | 12/9/2006 |  | Thomas V         |  | 120 K    | 0.28    |
| BME001 | AL Sheet          | 2/3/2007  |  | Thomas V         |  | 1 Ton    |         |
| BME002 | SAE 1050          | 12/9/2006 |  | Thomas V         |  | 1 MT     | 1700/MT |

## Spin-offs/Benefits of the fast RFQ Process

In addition to process agility and added competitiveness, the exercise has generated some collateral benefits such as:

The company captures performance parameters of suppliers such as the response time and relative performance, which can guide future decisions. A feedback can also be given to the suppliers on their performance for improvement.

Price trend data for various components over a long period of time is captured which can be used for analysis and future guidance.

Automated workflow with feedback, reminders and handshakes improved organizational accountability and transparency.

Enterprise database on pricing of components improved over a period of time, reducing the need to approach suppliers for quotes, further speeding up the process.