



# **International Procurement and Supplier Qualification Programmes**

Services of UBF.B Management Pvt. Ltd.

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# Our view and experience

**India's automotive market is highly attractive for producers as well as for buyers and the industry is one of the fastest growing sectors in the country.**

- India offers a broad basis of experienced automotive suppliers in most commodity groups
  - many with international experience in aftermarkets
  - some with international experience in OE-markets
  - all relevant suppliers certified TS 16949, some with Deming-Awards

**Besides growth India's competitive advantages are based on a long-standing industrial experience, a well-trained, highly motivated workforce, English as a broadly spoken idiom, the reliable legal framework, and a set of shared values. Investors today see India on 3rd position for its attractiveness after China and the US<sup>1</sup>. Deficiencies of infrastructure, tedious organisational procedures, bureaucracy, and different views on things like schedules or commitments are on the rear side of the coin. From a sourcing point of view one will have to watch the growth of factor costs.**

\* A.T. Kearney FDI Confidence Index 2010 (2002: Rang 15)

**UBF.B has been working in the fields of International Procurement and of Quality Improvement Programmes in the Indian automotive industry for many years. Our view, briefly, and experience is:**

- To outsource a component / assembly to India remains a complex decision
  - low cost of labour alone can be an inadequate criterion
  - bundling advantages: part + machining + surface + assembly + tooling
  - long-term view of risks and opportunities differs from short-term view
- Cost calculation and product pricing are less standardised
  - target pricing recommendable
- Supplier Qualification Programmes (SQP) as integral part of an outsourcing strategy
  - necessary in order to comply with specific needs of buyer
  - will expedite successful supplies
  - will help to bridge intercultural differences in a pragmatic way

# UBF.B's services in International Procurement

**As a business consultancy and service provider in the automotive sector we have made International Procurement from Indian suppliers one of our core services. In this field we offer:**

- Sourcing check of parts / components / assemblies on a total-cost basis using our standard data base
- Market research, identification of possible suppliers, visits of suppliers
- RfQ-packaging (translation of spec.s, norms, drawings, shipping requirements) and X-check with our clients
- Presentation of RfQ to targeted suppliers
- Pre-audit of suppliers
- Generation and analysis of offers, discussion of improvements from value engineering, presentation of offers to our clients
- Support of localisation (PPAP or else)
- Organisation of post-SOP services (logistics, resident engineering)

# Cost comparison of a typical component (ex works)

## Example: Machined aluminium PDC component

	Index Germany	x factor <sup>(1)</sup>	Index India
Material	<b>47,0</b>	x 1,00	<b>47,0</b>
thereof energy	4,0	x 1,20	4,8
Wages	<b>18,0</b>	x 0,15 <sup>(2)</sup>	<b>2,7</b>
Salaries	<b>12,0</b>	x 0,20	<b>2,4</b>
Depreciation	4,0	x 0,50	2,0
Other operating expenses	<b>12,0</b>	x 0,50	<b>6,0</b>
EBIT	<b>7,0</b>	x 1,25	<b>8,8</b>
<b>Price, ex works</b>	<b>100,0</b>		<b>68,9</b>

(1) values based on UBF.B experience

(2) allowing for lower degree of automatisisation

# Total Cost viewpoint

## Price, **ex works**

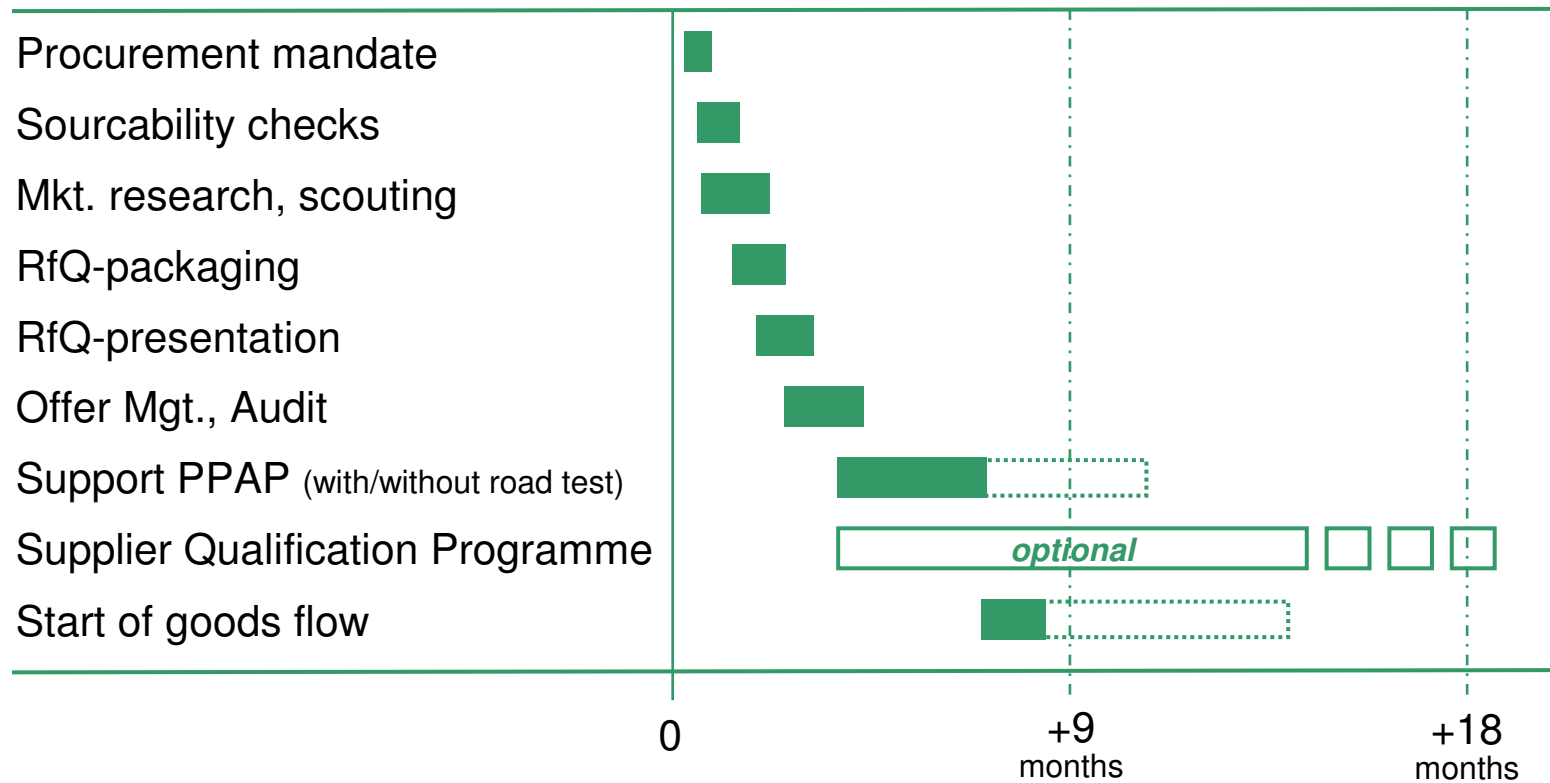
- plus* cost of logistics (from „exw“ to „ddp“ in Incoterms)
- plus* cost of additional goods entry checks
- plus* cost of qualification of (new) supplier
- plus* cost of operative handling in Procurement, QM, and Engineering
- plus* cost of communication (call-off, eng.g changes)
- plus* hedging of risks of transportation
- plus* hedging of currency risks
- plus* hedging of other risks (break-down, IP)
- etc. etc.
- minus* further opportunities of outsourcing
- minus* further opportunities e.g. access to new markets
- etc. etc.

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**= Total Cost**

“Ex-works” advantages are likely to be significantly reduced or eliminated by other cost elements. Some can change very fast (e.g. currency rates). But a new source might also ease the access to a new market.

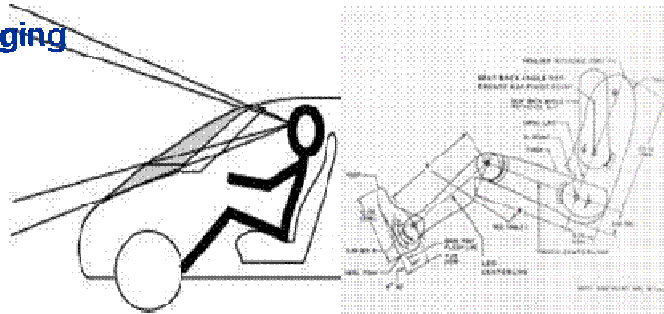
# Timeline



# Engineering Services: little spread between „exw“ and „ddp“

## Ergo & Packaging

- Requirements
- Comfort
- Regulations



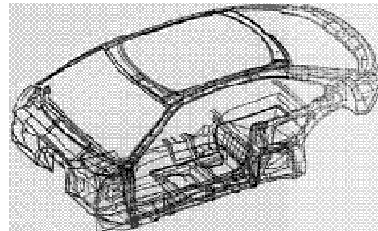
## Concept & Styling

- Market Survey
- Concept Rendering
- 3d rendering, animation
- Class A surface development



## BIW

- Design for Manufacturing
- Ability to produce variants

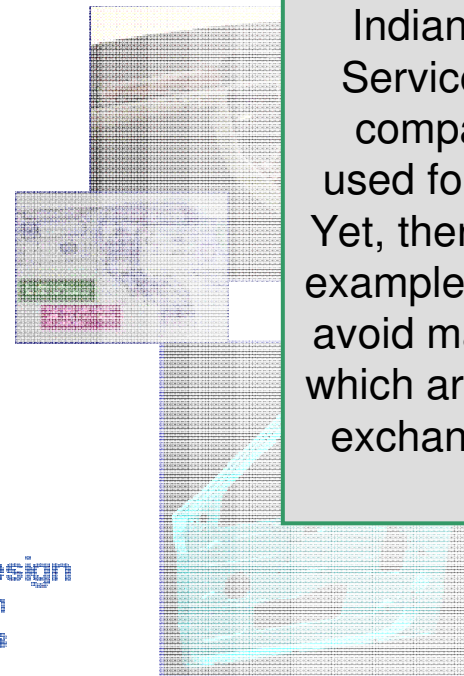


## Part design

- Function
- Materials
- Process
- Weight & Cost

## Interiors

- IP and Consoles
- Door & Pillar Trims
- Liners



Indian Engineering Services are not, by comparison, much used for export today. Yet, there are excellent examples. Services can avoid many drawbacks which are typical for the exchange of physical goods.

Quelle: INCAT

# UBF.B's services in Supplier Qualification

**Similarly, we have built a broad competence and local capacity to support Supplier Qualification Programmes (SQP) of tier-1 and tier-2 vendors in India. This has become a standard element of most successful outsourcing projects. In this field we offer on behalf of the buyer or the vendor:**

- Analysis of QM-systems and Q-performance
- Support of self-assessment according to norms of buyer
- Improvement programme and attraction of top management support
- Support of / carrying out of formal audit according to norms of buyer
- Preparation of follow-up after audit (Corrective Action Report)
- Visit of toolmakers and sub-suppliers

**UBF.B has run SQP projects for more than 75 Indian suppliers during the past two years.**

# Typical SQP-Programme (example)

## Supplier to a local OEM (example, all figures indicative only)

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Project kick-off, training according to OEM's QM-system	1-2 days
Self assessment	3 days
Review of improvement programme for 3 months	6 (2 days/month)
Final self assessment (approx. 3 weeks before OEM-audit)	3 days
Support follow-up work after final self assessment	2-4 days
Qualification Programme for new components (QPN)	1 days
2-day production self audit	2 days
- OEM audit –	
Preparation of follow-up after audit (Corrective Action Report)	1 day
(optional: visits of toolmaker, sub-supplier etc.)	3 days

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22-25 days

**UBF.B is a business consultancy and service provider in the automotive sector. Services include International Procurement, Quality Improvement Programmes, TPM projects, and Business Development. We organise co-operations and alliances between German and Indian companies for know-how transfer and strategic purposes.**

**Our offices are in Chennai, Pune, Berlin (HQ), and Stuttgart. Chennai is Lead Office for International Procurement, Pune for Quality Improvement Programmes.**

**We collaborate closely with local associations, institutions, and experts. UBF.B is a member of IndoGerman Chamber of Commerce. UBF.B's MD is Chairman of German-Indian-Round-Table, a network of approx. 3,000 professionals.**

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