



CASE STUDY - CAT MANAGEMENT

Cost Reduction through Category Management

A strategic approach to optimizing supply chain performance

ISSUE – Cost increases and operational focus

An international aircraft manufacturer was focussed on delivering the operational pressures of a rapidly expanding business. This meant that they were not being strategic in the way they managed their supply base. As such there was fragmented spend, a lack of contractual coverage and significant cost escalations.

SOLUTION – Data driven vendor engagement

Brace Associates was engaged to put in place a structured category approach and directly lead supplier cost reduction engagements. The team completed a 4-stage process;

1. Complete review of enterprise spend and performance data
2. Break down and categorization of suppliers based on spend, commodity and criticality
3. Supply Chain Engagement
 - Detailed negotiation strategies for vendors developed through "Rapid Sourcing Boards".
 - Engagement with key vendors with a collaborative focus on cost reduction and performance improvement
 - Mass engagement approach for supply chain tail
4. Contract negotiated positions through a tailored agreement for the client

IMPACT – Cost reduction during hyper inflation

Supported by the client, Brace Associates was able to develop a data driven approach with key vendors, moving the relationship away from a transactional model to a more strategic engagement.

Through explaining the growth strategy of Thrush Aircraft as well as the business pressures impacting Thrush, it has been possible to develop a highly collaborative approach with the supply chain. This has generated cost reductions during a period of significant supply chain pressure and inflation.

Key Highlights – Direct benefits to bottom line within 6 weeks of engagement

- ✓ Brace Associates directly led negotiations with all vendors
- ✓ Average 5% cost reduction across vendor engagements during a period of hyper inflation
- ✓ Workshops held with a strategic vendor yielding 21% reductions through structural cost changes
- ✓ Significant cost avoidance with increases 100% mitigated or reduced
- ✓ Enhanced vendor engagement
- ✓ Improvement of payment terms across key accounts

