

POWER TOOL MANUFACTURER

GLOBAL STRATEGIC SOURCING

CLIENT BACKGROUND

Leading manufacturer of professional power tools and is a \$1.1 billion group of a \$3 billion company. This company has four manufacturing plants in the U.S., a joint venture in Asia, one plant in Germany and two major distribution centers in North America.

CHALLENGE

Rising transportation costs due to demands of an increasingly service-oriented customer base.

EVALUATION

With a customer base dominated by “big box” retailers, our client was expected to deliver year-over-year annual price reductions. They had several joint ventures established in Taiwan and China for finished goods, but a global sourcing strategy for components was not as developed. Gibson analyzed 6 manufacturing sites and over \$600 MM in annual expenditures to identify opportunity areas. Preliminary savings estimates ranged from \$11.0 to \$17.0 MM.

APPROACH

Gibson completed a strategic sourcing and outsourcing project that focused on 25 direct spend categories over the course of 2 years. Gibson trained and worked side-by-side with over 75 client professionals to strategically source all 25 categories and perform a make vs. buy analysis on 5 of the 25 categories. In summary, this client negotiated and site visited 150 supplies from 11 countries.



RESULTS AT A GLANCE

\$28 MM
SAVINGS

\$0.16
ANNUAL EARNINGS PER SHARE
IMPROVEMENT

42%
REDUCED SUPPLY BASE

70%
IMPROVED SUPPLIER ON-TIME
DELIVERY

30%
IMPROVED QUALITY

RESULTS

The project generated over \$28 MM in realized cost savings from Phase I (cumulative project savings from all Phases was over \$128 MM annually) and over a \$0.16 annual earnings per share improvement. Many international suppliers were selected, including 2 Chinese suppliers for not only components, but also for value-add operations as part of a “buy” decision. Client reduced supply base by 42% and improved supplier on-time delivery by 70% and improved Quality by 30%.

