

Analytical Insight Into Material Contribution



Synopsis

Challenge

To analyze the impact of dynamic material contribution in the product costing structure and to come up with a robust integrated BI system to shield the bottom line from material market fluctuations.

Solution

Vuelitics overhauled the analytics for net material content, and re-engineered the supply chain with revised agreements and effective contracts for raw material, conducive for increased profitability.

Key Benefits

Equipped with a transparent and integrated dynamic BI system for real time tracking of the contribution margin, now the client is making quicker and smarter decisions.

FIND US

USA

8 The Green, Suite #4539
Dover, DE 19901

Delivery Center

A1, Harsha Garden
Masakalpalayam
Coimbatore 641 015
India

REACH US

+1 727 756 1632

peter@vuelitics.com

Challenge

A Detroit based Fortune 500 Automotive components manufacturing company had recently migrated from a legacy AS400 ERP system to a cloud based ERP system. With more than 1600 product lines catering to over 100 customers, the business development team struggled to muddle through the transition, leaving millions of data sitting in the dark.

To build a robust check and balance mechanism to shield the client from any impetuous contracts or agreements, by taking into account the aforementioned constraints, apart from volatility in the steel and scrap market.

Solution

Drilling through the database

Vuelitics waded through data of numerous raw materials type and purchased components supplied from multiple sources.

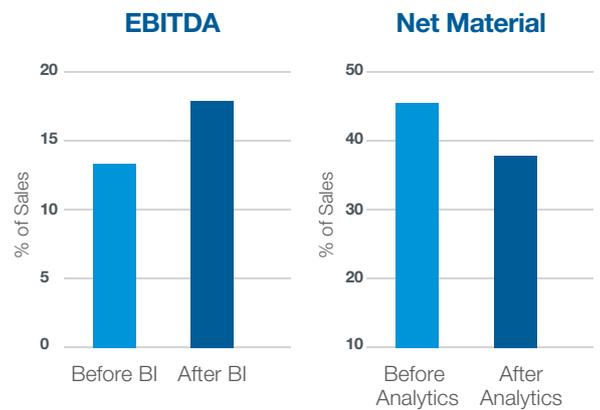
Despite the cosmic nature of the scope involved, Vuelitics incorporated a fair number of “what if” scenarios and “where used” methodologies in building the model to optimise the efficiency in the supply chain mechanism.

Revision & revival of contracts: old & new

Besides the multitude of scenarios involved in the procurement and supply transactions of raw materials type and purchased components, Vuelitics also had to sleuth through a great deal of contracts, some of them already grandfathered in, though analogous yet with varying degrees of clauses and conditions. These contracts both existing and new needed to be revised and updated in line with the analytics to avert leakages that impacted the EBITDA & net income.

From a worm's eye view to a bird's eye view

Vuelitics' BI Solution inferred that more than one-third of the client's product lines were under quoted and one-fourth had profit margin better than estimated. The analytics identified that purchasing agreements and customer contracts were not robust enough for the client to sustain steel market fluctuations. Besides which, the poor surcharge mechanism was also eating up the profit margin quoted in the product cost.



Benefits

Under quoted product lines on the material content, were revised with better quarterly average pricing mechanisms and renegotiated to render stability against the impact of market fluctuations.

The client acted upon the informed strategy on volume discounts for products with hefty profit margin and this increased their sales pipeline.

Vuelitics' timely and accurately technical elucidations helped the company draw up plans that yielded in far reaching goals and profitability. And now, our client, along with their suppliers, and customers meet once in a quarter over a dinner and drinks for a concurrent understanding of the efficacy in the new supply chain mechanism.

