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Ingenuity for life

Automotive and transportation • Industrial machinery

MANN+HUMMEL Group

Teamcenter helps reduce procurement costs for manufactured parts up to 16 percent

Product

Teamcenter

Business challenges

Need to continuously improve competitiveness

Greater cost and margin pressure

Increasingly complex procurement market, including growing supply chain dynamics

Keys to success

Global product group management

Identification of change management approaches and potential cost savings

Target price analysis to support global sourcing and supplier development

Transparency within product group management with cost breakdowns

Competitive analysis based on technical and economic differential cost analysis

Supplier MANN+HUMMEL reduces costs by using the Teamcenter product costing solution

System partner for industry

With continuous growth and more than 16 filter elements produced per second for more than 70 years, the MANN+HUMMEL Group has an impressive track record. Quality, service and innovation make MANN+HUMMEL a distinguished development partner and original equipment supplier to the international automotive and mechanical engineering industries. More than 15,000 employees across more than 60 sites on five continents generated total sales revenue of about 2.68 billion euros in 2013.

Today, MANN+HUMMEL is a major partner with the international automotive industry. The company develops, coordinates and delivers complete solutions. MANN+HUMMEL plays a key role in the development of important products for leading car manufacturers, including highly complex air intake systems for the BMW i8 and Cadillac CTS hybrid sports cars, intake manifolds for GM diesel engines, oil filters for Audi engines, charge air resonators for Volvo engines, and fuel filters for Mercedes-Benz® diesel vehicles.



Challenges for procurement at MANN+HUMMEL

The automotive supply industry is facing many challenges due to significant changes in conditions and requirements. These include the increasing demand for funds to finance innovation and an increasingly globalized competitive environment. A key challenge for this industry is the crucial requirement to deal with steady price and margin pressure within every project.

MANN+HUMMEL builds on global sourcing strategies to optimize material costs, structured supplier management and supplier development to foster profitability and competitiveness in this environment.

Results

Up to 16 percent cost savings within selected projects with suppliers

Optimization of manufacturing processes and materials through supplier cost structure transparency

Optimized cross-functional cooperation and sustainable protection of costing knowledge within the company

With a growing procurement market through global sourcing, the number of potential suppliers is rapidly expanding. The analysis of international procurement markets to identify suitable suppliers and their potential for innovation and technology is much more complex than with a national procurement policy. This increased supply market complexity has a significant influence on purchasing as well as on supplier management. Global sourcing significantly increases the requirements and tasks within the supplier management group at MANN+HUMMEL.

“We are under very great cost pressure in the automotive industry and, as a supplier, we must ensure that we remain competitive,” says Martina Jäger, who works in supplier development at MANN+HUMMEL.

Strategic initiatives to advance profitability

In 2013, the global purchasing volume of the MANN+HUMMEL Group amounted to 1.8 billion euros. Of this amount, 68 percent was spent on production materials and 32 percent on merchandise, non-production materials and services.

Considering the high cost of materials, an efficient purchasing process is critical to the profitability and competitiveness of the company.

With strategic initiatives for global sourcing and supplier management, MANN+HUMMEL continuously seeks general cost reductions in purchasing.

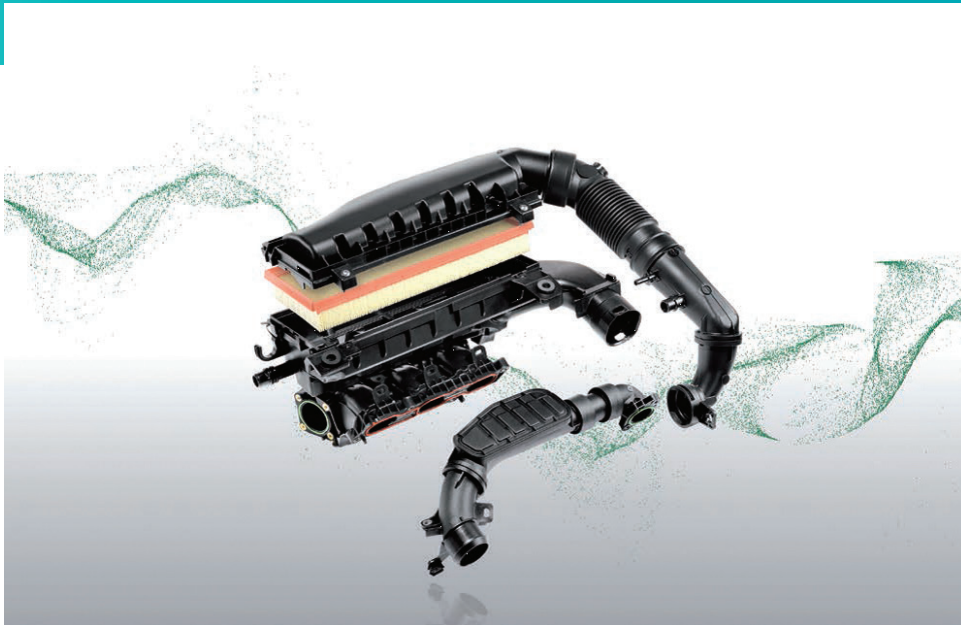
Global sourcing – target price determination with Teamcenter covers potentials

In the context of its global sourcing strategy, MANN+HUMMEL seeks to expand the supply of suitable materials and components from so-called “best-cost countries.” To support its global sourcing strategy, the company relies on the target price calculation tools of the Teamcenter® product costing solution from product lifecycle management (PLM) specialist Siemens Digital Industries Software. In joint workshops with suppliers, MANN+HUMMEL discloses the details of every cost element of each supplier, supported by Teamcenter, to check whether the manufacturing processes, cycle times, overhead costs, machine hours or labor costs are already optimized, or whether further optimization can be achieved.

Through the workshops, MANN+HUMMEL product groups develop initiatives and identify cost savings. “The information obtained with the Teamcenter product costing solution is used to enforce optimization potential,” says Jäger. After identification of potential savings, manufacturing cost controls are determined with the supplier. For example, target times, throughput times and processing times are re-launched or relocated to new production sites. An important aspect for MANN+HUMMEL is, of course, that any change in the vendor manufacturing process complies with high quality standards.

“The solution helps us to get a better understanding of the cost of our suppliers.”

Martina Jäger
Supplier Development
MANN+HUMMEL



Concentrated competence: air filter, air intake and intake manifold from MANN+HUMMEL.

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Martina Jäger
Supplier development
MANN+HUMMEL

Teamcenter brings transparency to supplier management

In supplier management and procurement, MANN+HUMMEL sets priorities for consistent development and implementation of specific supplier portfolio strategies and commodities group strategies. The goal in both areas is to identify potential savings and, at the same time, demonstrate the steps necessary to achieve objectives. For this purpose, MANN+HUMMEL analyzes the cost structures and supplier landscapes of its commodities groups: plastic, aluminum, die casting, stamping parts, gaskets/seals and radiators. The cost breakdown tools included with Teamcenter product cost management are used within this complex and multi-dimensional cost structure analysis to provide the transparency needed for decision-making.

The company prioritizes its detailed analyses based on which components represent the greatest revenue and net volume. For a fact-based cost analysis, MANN+HUMMEL uses the current database to reference data such as labor costs, materials, machines and processes, and employs the integrated cycle time calculator of the

Teamcenter product costing solution. This detailed knowledge provides a strong analytical framework for price negotiations. “The solution helps us to get a better understanding of the cost of our suppliers,” says Jäger.

In addition, the Teamcenter product costing solution is increasingly used to analyze the internal manufacturing processes at MANN+HUMMEL, and to optimize its cost structure.

Cost reduction success within procurement

The results of the work done with the Teamcenter product costing solution in purchasing and supplier development are considerable. MANN+HUMMEL achieves cost savings for selected commodity categories by promoting competition in a broader supplier base by using the joint workshops to develop suppliers and by procurement from best-cost countries. “In selected projects with suppliers, we generate cost savings of up to 16 percent using the purchase price analysis tools of the Teamcenter solution,” says Jäger.

Solutions/Services

Teamcenter Product Costing Solution
siemens.com/product-cost-management

Customer's primary business

The MANN + HUMMEL Group is a German manufacturer of liquid and air filtration systems, air intake systems and cabin filters for the automotive industry. For the general engineering, process engineering and industrial manufacturing sectors, the product range includes industrial filters, membrane filters and equipment for water filtration.
www.mann-hummel.com

Customer location

Ludwigsburg
Germany

Exchange of knowledge increases efficiency throughout procurement

The expansion of global business, new locations and global customer projects at MANN+HUMMEL have increased purchasing requirements. There are growing needs for cooperation and exchange of information between procurement and suppliers. In this environment, the Teamcenter product costing solution supports global procurement through increased transparency in supplier inquiries, thus reducing the complexity of procurement. Teamcenter is used for worldwide cost breakdowns and in the implementation of quotation plausibility.

Teamcenter also offers proven advantages in the cooperation between purchasing teams within MANN+HUMMEL. All

authorized team members are now able to access companywide cost calculations, which also helps optimize global purchasing activities by providing a uniform knowledge base.

The challenges for MANN+HUMMEL in a global environment are diverse, with very specific purchasing requirements. Global procurement markets and global customer projects offer great opportunities for reducing a globally distributed supplier's cost structures. With Teamcenter, MANN+HUMMEL has an approach that makes cost structures transparent and helps optimize potential savings across the supplier base. The company can realize local cost advantages in the future, while ensuring availability and quality.

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Martina Jäger
Supplier Development
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