



corcentric™

Enabling the Business with On-Demand Supply Chain Support

A leading medical device manufacturer establishes a more sustainable, efficient, and cost-effective operation with strategic expertise from Corcentric Help Desk.

THE CHALLENGE

STRATEGIC SOURCING CAPABILITIES: MAKE OR BUY?

Historically, when a company had a capability requirement, but did not have the internal infrastructure and resource pool to support it, they turned to an outside firm in the form of business process outsourcing (BPO). It's a tried and true method, and when managed correctly, it provides a tremendous business advantage. Over the years, countless BPO providers have entered the market to meet growing demand.

They are not, however, the solution for everyone. For Procurement and Supply Chain organizations specifically, their strategic nature does not lend itself to simply shipping the work offsite or onshore. The value they bring is too firmly embedded in the fabric of the core business to sustain that. These groups need experts who understand their industry, their material requirements, and their stakeholder concerns. They need innate alignment with language support, time zones, and responsiveness.

So where can Procurement and Supply Chain organizations turn for the right level of support? Hiring full-time procurement resources in times of peak need only to then lay them off when things slow down is not a desirable option, nor is signing convoluted contracts with management consultants and offshore BPO providers—so what is the best alternative solution? How do they solve this dilemma both in the short and long-term? What happens when their procurement and sourcing requirements inevitably change?

Procurement organizations require a new support model to reach their full potential. That's why Corcentric introduced its flexible, on-demand Procurement Help Desk. Through this model, Corcentric has delivered versatile and scalable support to help leading companies tackle a wide range of strategic sourcing and procurement initiatives.

The following case study is one example of how Corcentric's Help Desk model addressed the short and long-term challenges of a modern Procurement group.

SPOTLIGHT

SOLUTIONS:

- + Sourcing & Procurement Help Desk
- + Direct Materials Sourcing Execution
- + Logistics & Supply Chain Optimization
- + Strategic Support & Risk Mitigation
- + Nearshoring & Global Sourcing

CLIENT SPOTLIGHT:



COMPANY:

A leading North American headquartered manufacturer of medical devices found themselves dealing with the pains of a global supply base without a mature Procurement department to provide oversight of costs and vendor relationships. They maintained a largely reactive Procurement department. Any strategic sourcing efforts were triggered, driven, and overseen by their R&D and Marketing teams. As products were designed and reengineered, they launched sourcing efforts to identify suppliers capable of providing materials and meeting particular specifications.



ROI ▲ 1.5X



16 MARKETS EXPLORED



11% - 75% SAVINGS



>\$100k HARD DOLLAR SAVINGS

ASSESSING THE OPTIONS

With the goal of nearshoring supply operations to Mexico to gain more control over their supply base options, strengthen their Procurement operations, and facilitate continued business growth, the medical device company needed supplemental support.

They planned to hire a single expert resource to support their goals, believing the scope of activities to entail identifying contract manufacturers and assessing specific components for their products.

They needed a resource who not only understood the sourcing process, but was capable of:

- + Operating within multiple categories and commodity groups and understanding their associated nuances
- + Communicating effectively with R&D: discerning their requirements; translating those requirements into sourcing events; and successfully identifying the right suppliers
- + Navigating multiple geographies efficiently
- + Conducting multiple projects concurrently

Before long, they realized their multi-layered scope of projects was too much for a single resource to successfully execute. Unsure of the best approach, the medical device manufacturer reached out to Corcentric.

While discussing the company's challenges and goals, Corcentric identified the need for a more strategic approach. The company needed a dynamic support model to address their diverse needs, like flex support resources with subject matter expertise across a multitude of categories, as well as deep knowledge of nearshoring and engineering to support some of their direct materials initiatives.

Rather than proposing an inflexible model based strictly on hours or number of resources, Corcentric suggested they try something different: Sourcing and Procurement Help Desk.

THE SOLUTIONS

HELP DESK VERSATILITY IN ACTION

Like countless other industry-leading companies, the medical device client needed a Procurement organization strategic in nature and capable of enabling their enterprise-wide objectives. Corcentric's Sourcing and

SPOTLIGHT

COMPANY:

With 90% of the client's manufacturing operations in China, the organization relied heavily on their diluted supply base for the intellectual property of their product line. Tired of the situation, they resolved to redesign their sourcing strategy. By opening a new manufacturing facility in Mexico, they could leverage lower wages while expediting transit and reducing their shipping costs. They soon recognized, however, that their efforts were imperfect. Gaps still existed in their ability to identify suppliers and build a sustainable supply chain.

FOUNDED:

in the early 2000's

INDUSTRY:

Medical Device Manufacturer

COMMODITIES OF FOCUS:

Metal, Fabrics, Plastics & Thermoforming, Cordage, Foam, & Other Sub-assemblies

Alternative Approaches Considered



Hiring a Single Resource

Even in the unlikely event that the organization could find a person with the necessary skillset, their capacity to address every requirement and ambition would be limited. A more expensive alternative would have been to hire an entire team. Even that, however, could not guarantee the right mix of skills and experience.



Obtaining Supplemental Market Intelligence & Benchmarks

This would not require the same investment as hiring new Procurement professionals. It would also help to fill in some of the organization's knowledge gaps. Non-customized market intelligence, however, would prove hard to implement or act on. This would only increase the risk of failure and point out additional limitations.



Business Process Outsourcing (BPO)

While this approach would meet many of the organization's needs, the inflexibility of the BPO model would create issues. A BPO would only conduct defined sourcing processes without customization to each initiative or direct visibility. This would increase risk exposure. Given that each affected category was considered direct spend, this was not a viable option.

CORCENTRIC'S HELP DESK MODEL ENABLED THIS COMPANY TO SOURCE:



Various custom corrugated primary packaging designs

- + Customized gel pack inserts for back braces for heat/cold muscle treat-ment
- + Radio Frequency welding services to support sub-assembly process and final production
- + Over-molding services for custom plastics
- + Alternate Hook/Loop material sourcing for low-cost, high quality products
- + Cordage for various product lines
- + Contract Manufacturing in Mexico/EU

Procurement Help Desk delivered just that. The dynamic model offered the client a flexible bench of Procurement resources spanning from sourcing execution support and category-specific subject matter expertise to eSourcing tools and templates – all for less than the cost of a single hire.

Supporting the medical device company's overarching business objective of transplanting manufacturing operations from China to Mexico, Corcentric's team developed a strategic plan for targeting particular product line categories first, while simultaneously identifying and executing other sourcing activities. Within the first year alone, Corcentric successfully conducted over 15 different initiatives across six commodity groups in multiple geographies. These produced savings in excess of the costs to hire us.

DIRECT MATERIALS SOURCING EXECUTION

In search of cost reduction, process optimization, and more strategic supplier relationships, the client leveraged Corcentric's Help Desk team to source a number of direct materials.

Direct materials sourcing initiatives require a high level of collaboration. Unlike indirect spend categories, direct material and contract manufacturing rely on enhanced communication between

R&D, Engineering, and other internal stakeholders. Failure to efficiently source these commodities can result in testing redundancies, rework, increased costs, and production delays. Alternatively, successful direct material sourcing can result in innovation, reengineering, increased quality, and enhanced product attributes at even lower costs.

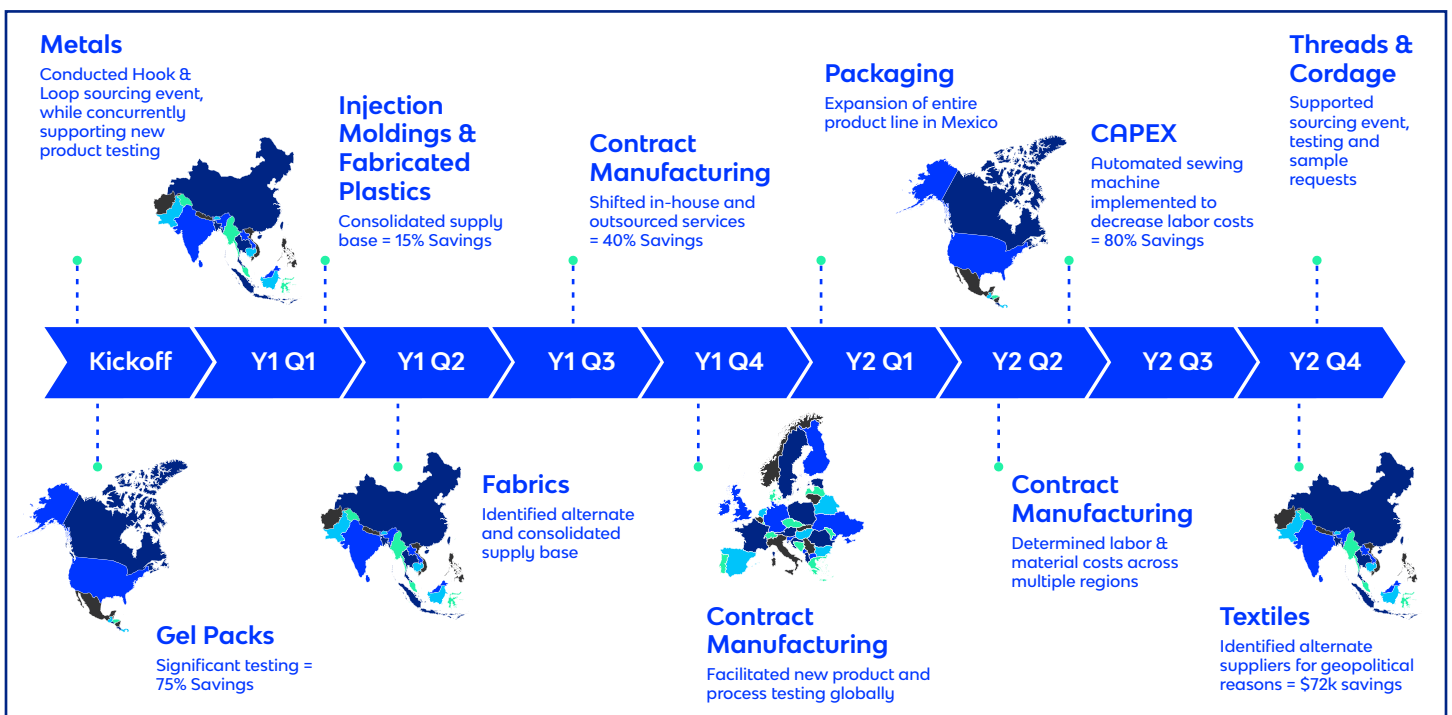
The flexed support of the Procurement Help Desk meant the client could tackle a variety of sourcing initiatives—ramping up and down resources and subject matter experts depending on the project complexity.

LOGISTICS & SUPPLY CHAIN OPTIMIZATION

Corcentric's comprehensive program went beyond category sourcing to optimize operations, support the implementation of new suppliers, and evaluate alternatives to reduce costs across all spend categories.

With our support, the client established an entire supply chain in China for various commodity groups and developed a sustainable vendor implementation process.

Additionally, in an effort to replace human operators with automated sewing, stitching, and cutting machines, Corcentric conducted an "Automation



project.” This involved evaluating equipment costs, different levels of automation, cycle times, and line configurations, to determine the optimal strategy.

STRATEGIC SUPPORT & RISK MITIGATION

Following the transition to Tijuana, the client approached Corcentric to help plan for “the next big move.” (This included evaluating the benefits of using a contract manufacturer and the benefits of establishing a facility in Europe to support demand in that region. Corcentric assessed the cost of contract manufacturing services in low-cost European countries (including Poland, Estonia, and Lithuania.) Findings showed that leveraging contract manufacturing services in the EU would not be cost effective.

Given the client’s strategic roadmap and diverse product line, a thorough evaluation of competing products was necessary to determine the viability of designing and positioning new product lines in the market. Corcentric was then engaged to benchmark the cost of a competitor’s product by reverse engineering the product and sourcing its components. This provided for a Total Cost of Ownership (TCO) comparison. Findings resulted in redefining the strategy for Make vs. Buy.

NEARSHORING & GLOBAL SOURCING

With swirling political tensions in Southeast Asia, the client hoped to identify alternate suppliers for various product components. At the time, about 95% of their supply base was located in China. Wary of sudden embargoes or other trade restrictions that could limit the availability of materials, they wanted to diversify their supply base. They initiated this process by establishing a new manufacturing plant in Mexico. Next, they sought Corcentric’s help in implementing sustainable supply chains to support it.

+ In Mexico

Corcentric worked to help build supply chain relationships in Mexico. These were primarily to support production, serve local demand in California, and ease the transit times for flagship products. While Corcentric was successful, they learned that opening a Mexican facility without a

pre-vetted supply base had been a risky move. Corcentric’s team discovered that local Mexican suppliers were sourcing their materials from China and marking them up.

Nearshoring is a powerful, valuable practice, but it’s not always the answer for every commodity. Before making such a consequential decision, companies must first understand where raw materials are coming from. Product sampling is an integral part of this process. Had the client consulted Corcentric earlier, the team would have advised evaluating or establishing a localized supply chain before moving production entirely. Nevertheless, Corcentric supported the client’s new requirements and efforts in Product Automation and Cord Replacement.

+ In China

Corcentric was also asked to focus on Chinese operations. The client looked to optimize the existing operations and address risk factors including intellectual property theft and political tensions while identifying alternate suppliers for textiles and other commodities across Southeast Asia. The Help Desk team facilitated the product sampling process for all component sourcing projects.

Corcentric then worked to locate direct sources of supply that could ship to both California and Tijuana. The team successfully identified and qualified a number of legitimate Chinese suppliers for textiles, plastics, and other commodities. By facilitating site visits and other audits, Corcentric established contact with a number of suppliers that the client still engages today.

+ In Eastern Europe

In support of the client’s “Next Big Move,” Corcentric identified dependable contract manufacturers in Europe to provide textiles and plastic sub-assemblies. These contract manufacturers would support demand in the European, Middle Eastern, and African markets.

+ In the Middle East

In hopes of diversifying without raising raw material and manufacturing costs, the Help Desk team explored different economies. Boasting strong textile

CHALLENGES PROCUREMENT GROUPS MUST NAVIGATE TODAY:



Fluctuating demand for Procurement’s support may impact the department’s ability to anticipate and allocate resources.



Today’s candidate-driven market has made recruiting and retaining top subject matter experts more challenging than ever.



The constantly evolving Procurement Technology landscape can prove difficult to navigate, leading many organizations to invest in mismatched toolsets.



With the ability to enable enterprise-wide initiatives, Procurement must be positioned in the role of strategic advisor to best guide purchasing decisions across the organization.

WHY CORCENTRIC



A globally networked platform with all your buyers and sellers in one place.



Executive Analytics to power more intelligent decisions and automate manual processes.



Dynamic workflows that empower agility and collaboration.



The technology and services to support your digital transformation.



Industry-leading modular, integrated solutions with the benefit of a cloud platform to maximize our customer's visibility and financial return from their spend, supplier and contract data.

industries, these could provide the high level of sophistication necessary to meet the client's strict product requirements.

THE RESULTS

Through Corcentric's flexible Help Desk model, the medical device manufacturer established more sustainable, efficient, and cost-effective operations. The cost reduction and value generation allowed the initiative to effectively pay for itself. Additionally, the knowledge transfer that occurred throughout provided their Procurement team with a deeper understanding of their role and responsibilities. As a result, they were left with a well-established Procurement group equipped to provide continuous support for their organization.

Procurement's role and responsibilities grow more complex by the day. That means it'll only grow more challenging to build and support a world-class department. It's not enough to invest in people, technology, or process improvements. Organizations need to assess their current state, develop goals, and work toward building and maintaining the appropriate selection of resources.

Don't waste time and money building the Procurement department you think you need today. Call Corcentric's Procurement Help Desk to collaborate with industry-recognized experts. Together, we'll construct a Procurement function capable of serving your long-term objectives.

Engagement Lessons Learned



Regionalization efforts should precede facility development. This means assessing raw material availability, labor regulations, transportation, cultural barriers, and ease of infrastructure access.



Sending kits to in-house facilities can reduce your reliance on a contract manufacturer. This, in turn, will allow for higher quality control and reduce costs associated with labor and shipping.



Evaluate and establish a supply chain focused on capacity and scalability.



Raw materials should be purchased directly from the source (where possible) rather than through intermediaries who will mark them up.



Procurement and Finance Solutions

ABOUT CORCENTRIC

Corcentric is a global provider of market-leading source-to-pay, order-to-cash, and fleet solutions. From the mid-market to Fortune 1000 businesses, Corcentric delivers technology, managed services, and strategic advisory focused on reducing costs, optimizing working capital, and unlocking revenue. Since 1996, thousands of companies have trusted Corcentric's expert team and its suite of world-class solutions to spend smarter, optimize cash flow, and drive profitability. Learn more at [corcentric.com](https://www.corcentric.com).