



BOTTOM LINE RESULTS

Conducted Value Engineering workshops that led to design/engineering, manufacturing and sourcing/procurement changes for:

17

PRODUCT FAMILIES

Generated change proposals have an estimated impact of:

\$23M

**REDUCTION IN
PRODUCT COST**

(initial short term savings plus additional opportunities from spin-offs estimated at circa \$50M), with an average of:

29%

**COST REDUCTION PER
PRODUCT FAMILY.**

As a result, the company has been capturing market share from its competitors through this recovery cycle. The bold actions taken by Technology leadership has significantly contributed to this strong showing. Furthermore, the implementation of a Lean Product Development strategy, looking to reduce time to market for new product launches, will contribute to increase the company's share in this volatile market.

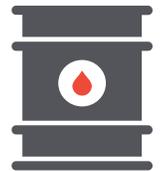
Oil Equipment Manufacturer Adapts to Major Market Changes

A division of a downstream oil equipment manufacturer implements Product Value Management (PVM)

THE SITUATION

Up until a few years ago, when crude oil was consistently **\$100 PER BARREL**, the oil industry's downhole equipment market focus had been on quality, reliability and lead time. In such a market, the engineer-to-order product strategy which was adopted by a major downhole equipment manufacturer worked very well.

However, when crude oil prices crashed from **\$140 PER BARREL** during the peak in 2008 to the **LOWEST POINT OF \$28** in 2016, the company had to become more cost conscious. Due to the inherently high costs of the engineer-to-order product strategy, the company lost its competitive edge.



ARGO'S ACTIONS

20

**WORKSHOPS (VAVE LITE
- PILOT PROGRAM) WERE
DEVELOPED AND COMPLETED**

5

**OF THE WORKSHOPS WERE
RUN BY THE COMPANY'S TEAM
MEMBERS WITH ARGO'S SUPPORT**

The initial plan was to develop the company's existing resources to facilitate/sustain the VAVE Effort. With Argo's help, the company was able to:

- Develop a configure-to-order product strategy for the appropriate market segment.
- Develop a process to create a Configured Product Portfolio, that would cover **80% OF THE TARGET MARKET SEGMENT NEEDS**, to maximize the benefit of the Value Engineering study.
- Develop Value Engineering capabilities by establishing process, coaching and training client resources.
- Conduct Value Engineering workshops with cross-functional teams from engineering, manufacturing, and supply chain.

IMPLEMENTING THE SOLUTION

The client assessment (with Argo feedback) determined that the existing internal resources were not ideal (or in most cases willing) candidates and subsequently, the company decided to seek external candidates - with a drawn-out search for the remainder of this phase and the next wherein a new organizational structure was put in place to support the Configured Product Portfolio Strategy. Argo's role was to train the Managers, Global Advisors (GAs) and VAVE leads to ensure the program's sustainability. Great results in this pilot program led to extensive expansion of similar projects. Through a structured product configuration strategy, we were able to accelerate results 10X.

After all of the savings were identified, the organization's development activity became quickly overwhelmed and the need to become more efficient with New Product Development became obvious: we then moved forward with the division to implement a sustainable Lean New Product Development initiative.



Argo is an operations improvement consulting firm that breaks through the traditional barriers of the consultant-client relationship. We are hands-on consultants who deliver real results and no excuses.

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