

Learnings from a Five-Year Partnership With One of the World's Largest Providers of Oil & Gas Products and Services to the Energy Industry

Chapter 2

Portfolio Management



RESULTS AT A GLANCE

\$24 Million
Reduction in costs

29%
Average cost reduction across all product lines

13,000+
part numbers replaced by less than 900

Sustainment

Developed a stand-alone organization of facilitators and support

The Situation

Argo's Product Innovation & Value Management (PIVM) practice looks to reduce costs across entire product families, not just product components as is typically done. The client's engineer-to-order strategy had generated over 13,000 SKUs. Through the portfolio optimization process, we were able to evaluate the entire portfolio on a holistic and systematic basis.

After the initial success with the 20 product re-designs value engineering workshops, the joint steering team decided to execute a new product architecture strategy:

- 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 engineers, and training client resources
- Conduct Value Engineering workshops with cross-functional teams from engineering, manufacturing, and supply chain



Argo's Actions

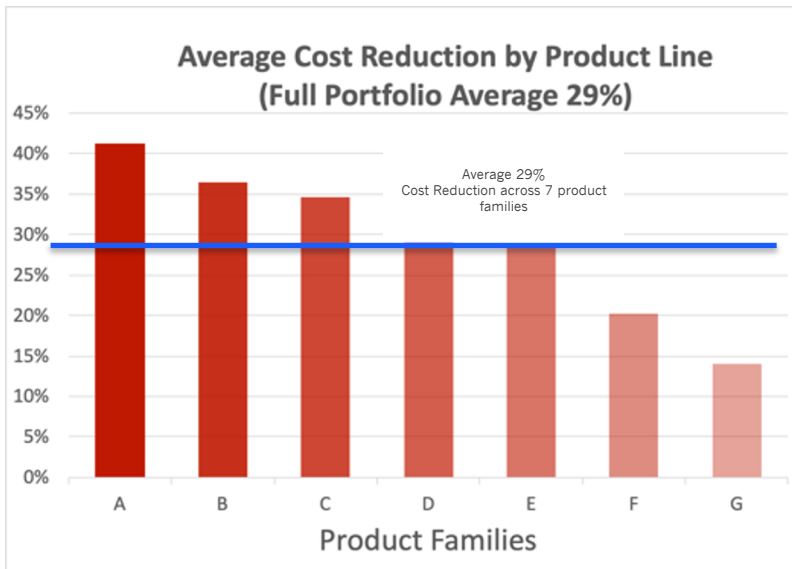
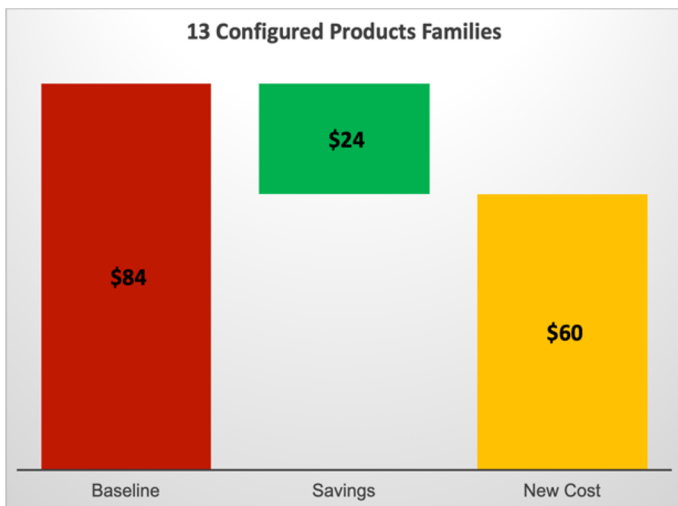
Argo worked with the client to create a hybrid standard/configure-to-order offering and catalog high volume production models. Then the boundaries for customized, configured, and commoditized product groups, and allowable ranges of variation for each were defined.

Next, a strategy to create a rational and standard, configured portfolio based on prioritized product families was developed considering both the long-term future state as well as immediate goals for the organization.

In order to sustain the strategy, a training and development program for facilitators and support personnel was created. The methodology, and roles and responsibilities for the new organization were defined and documented, including the creation of a scorecard system.

Results

Argo developed a strategy and process to migrate the organization from engineer-to-order to a hybrid catalog (configure-to-order) product offering combined with traditional (customized) product offering. The client reduced part numbers from >13,000 to less than 900 and realized \$24M in savings.



Summary

Cost pressures from a declining market make it difficult to compete with highly customized engineered-to-order products. By employing Argo's intensive proprietary methodology for Value Engineering and developing a hybrid configure-to-order product strategy, the client significantly reduced their costs, enhanced customer support, and increased their margins, maintaining their industry leading position in an unprecedented difficult market.

VE ON CONFIGURED PRODUCT LINES

With a controlled number of available options, the client can benefit from:

- More focused VE efforts – maximizing benefits out of each project
- Increased shared and common components across each product family, leading to high volume material purchase
- Reduced setup time and improved manufacturing efficiency
- Maximized number of SKUs that can benefit from each Engineering Change
- Reduced complexity of Engineering Changes
- Minimized number of future Engineering Changes

AND OFFER THEIR CUSTOMERS:

- Highly competitive price
- Rapid Delivery

About the Authors

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