



Learnings from a 5-year Partnership with one of the World's Largest Products and Services Providers to the Energy Industry

\$24 Million Savings Though a Shift from Design-to-
Order to Configure-to-Order Product Architecture

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 individual components. The client's engineer-to-order strategy had generated a portfolio of over 13,000 SKUs over the years. Through Argo's portfolio optimization process, together with the client, we evaluated the entire portfolio on a holistic and systematic basis.

Through multi-product re-design Value Engineering workshops, the joint steering team aligned on a new product architecture strategy:

- Created a Configured Product Portfolio, that covered 80% of the target market segment needs.
- Developed a configure-to-order product strategy for the appropriate market segments
- Instituted internal Value Engineering capabilities by establishing process, coaching engineers, and training client resources.

Actions

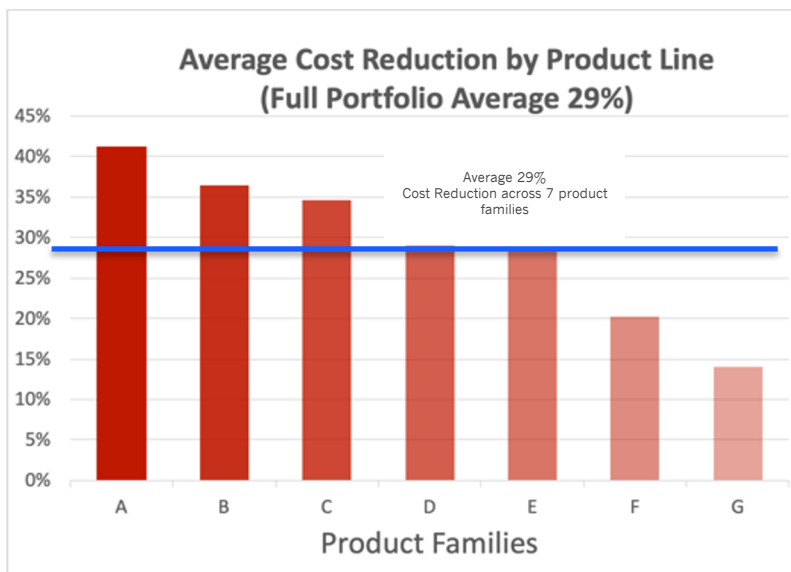
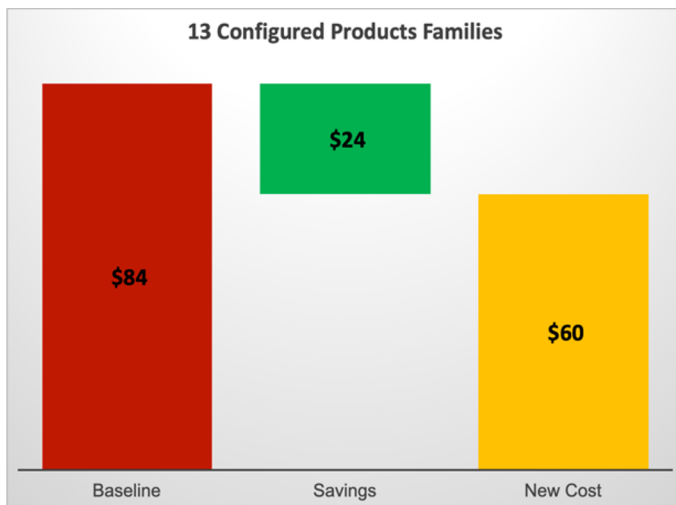
Argo worked with the client to create a hybrid standard / configure-to-order offering and cataloged high volume production models. Then defined the boundaries for customized, configured, and commoditized product groups. Allowable ranges of variation for each category were also defined.

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 client organization from engineer-to-order to a hybrid catalog (configure-to-order) product offering combined with traditional (customized) product offering. The client was able to service their customer needs with from >13,000 to less than 900 and realized \$24M in savings.



BENEFITS OF CONFIGURED PRODUCT LINES

- More focused Value Engineering efforts – maximizing benefits across product lines and projects
- Increased shared and common components across product families, allowing higher volume material purchases
- Reduced setup time and improved manufacturing efficiency
- Maximized number of SKUs that can benefit from each Engineering improvement
- Reduced complexity of Engineering design changes
- Minimum number of future Engineering Changes

OFFERING THE CUSTOMERS:

- Highly competitive price
- Rapid delivery time

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.

About the Authors

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