Benchmarking Your Supply Chain Savings

Webcast
August 2007
Who We Are

Industry Research

Cost and Price Analysis

Supply Chain Consulting

Annual Study
Low-cost country sourcing

- Cost differential has narrowed
- Average savings has increased, reflecting more widespread adoption
- 39 more years to go

Source: Boston Logistics Group analysis
Auctions

- Few users, big wins
- Good for handling small, irregular purchases
- Can “go the wrong way”
  - Pricing
  - Relationship
- Innovations
  - Blind-blind
  - Bundled bidding
  - E-negotiation
  - Integration
Long-term agreements

- Lots of buzz around them
- 2.5 years
- Price risk cuts both ways

**Average Contract Term**

- 2-3 Years: 50%
- 1 Year: 19%
- <1 Year: 9%
- 1-3 Years: 20%
- 5-10 Years: 1%
- 10 Years or more: 1%
- 3-5 Years: 20%

Source: Boston Logistics Group 2006 Strategic Sourcing Study
Long-term agreements – price risk

Percent Change in Natural Gas Price
November 2005 – April 2007

Sources: Energy Information Administration, Boston Logistics Group
Group purchasing

- Suppliers must win or they won’t play
- Buyers must be coordinated on Ts & Cs
- Buyer and/or supplier fragmentation helps
- Current applications:
  - Electricity
  - Ocean shipping
  - Medical supplies
Partnering: new supply chain dimensions

• Innovating through research
• Developing new products quicker
• Compressing cycle times
• Reducing the total cost of ownership
• Treating the supply chain as an asset
Global Supply Chain Economics

Boston Strategies International helps supply chain executives make critical supply chain decisions that involve investment and risk by forecasting the evolution of supply markets and technologies. Our mission is to help our clients develop globally competitive supply networks that maximize Supply Chain Value.™ Our products and services include:

- **Industry Research** that helps investors and policy makers identify emerging issues that affect their supply chains, and quantify the impact that they will have
- **Cost and Price Analysis** that helps financial and operational managers plan and budget by providing benchmark, best practice, and forecast data tailored to their companies' supply chains
- **Supply Chain Consulting** services that help supply chain leaders make high-stakes decisions related to mergers & acquisitions, market entry, capital investments, outsourcing, off-shoring, and make-or-buy

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