



Knowledge Based Sourcing (KBS)

Best In Class Cost Modeling Program

Dana Cost Engineering Team

Best-In-Class (BIC) Cost Modeling Program – Objective



OBJECTIVE

Identify a set of suppliers who are proven

Best In Class (BIC) in,

Quality / Technology / Delivery / **Cost**

with which Dana may establish a longer-term and stronger relationship based on a transparency & cooperation

Who uses cost modeling?



- ▶ Toyota (50 years)
- ▶ Honda (30 years)
- ▶ Ford (20 years)
- ▶ Lear (5 years)
- ▶ DCX
- ▶ IBM (10 years)
- ▶ Visteon (10 years)
- ▶ Johnson Controls (10 years)
- ▶ Cannon (30 years)
- ▶ Denso (30 years)
- ▶ Delphi (5 years)
- ▶ GM (20 years)
- ▶ Renault
- ▶ Mercedes

The entire industry is moving to cost modeling

Dana Cost Modeling Program is Cooperative, different from the typical Combative approach

- **Cooperative process, Supplier Has Direct Influence into the Cost Model**
- **Don't Go Below Supplier's Costs**
- **Works with BIC suppliers to further improve cost structure**
- **Promote Profitability**
- ***Key is to identify low cost producer from a significant sampling***

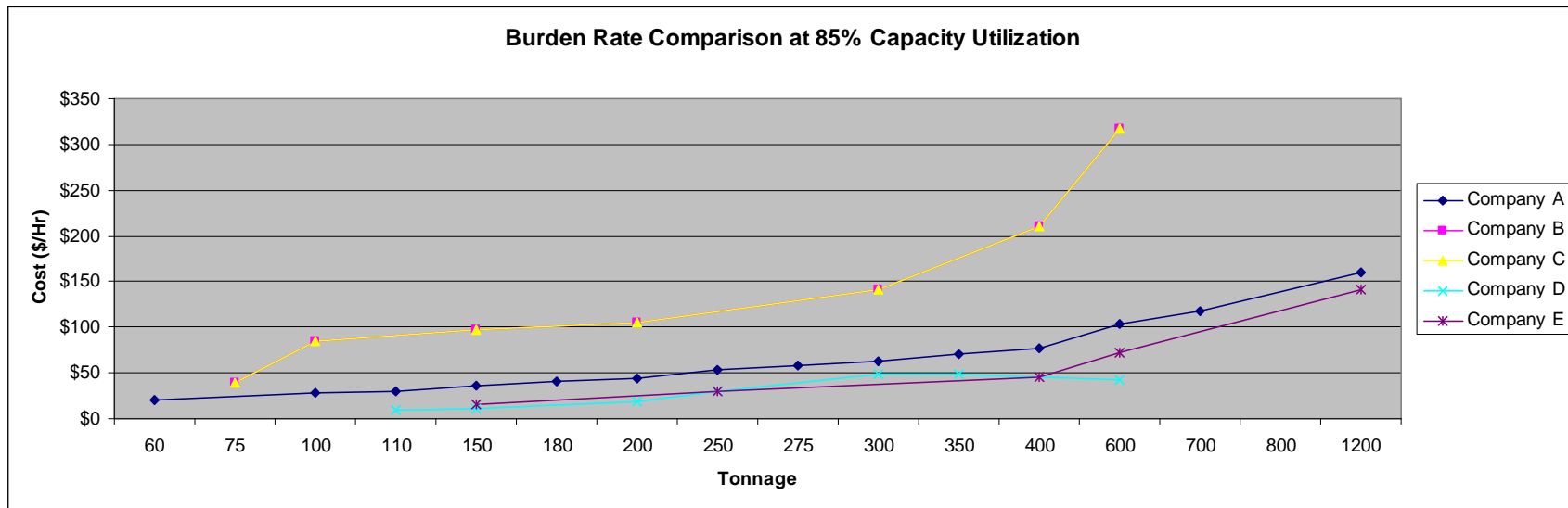
Differences between market-based and KBS



Knowledge-Based Sourcing

- Understand comprehensively, the **positive impact that the supplier can make** to Dana's current cost structure (what is the big picture impact that the supplier can make to Dana)
- Understand if the BIC supplier can take advantage of “**Supplier Base Consolidation & Resourcing**”
- Bring BIC Suppliers together to **improve the Value Chain (example – coatings & forgings)**
- Bring BIC Suppliers **closer with Dana engineering and development**, Dana feels more protected and confident that the supplier can be integrated into this process.
- Bring BIC Suppliers cost models into Dana's **Business Development Process**, together we can win more business from the OEMs.
- ***MORE BUSINESS FOR BIC SUPPLIERS***

Feedback on the Cost Drivers



Comparisons and feedback for the important cost drivers, will be provided to those suppliers that are interested.

Above is an example of burden rate comparisons.

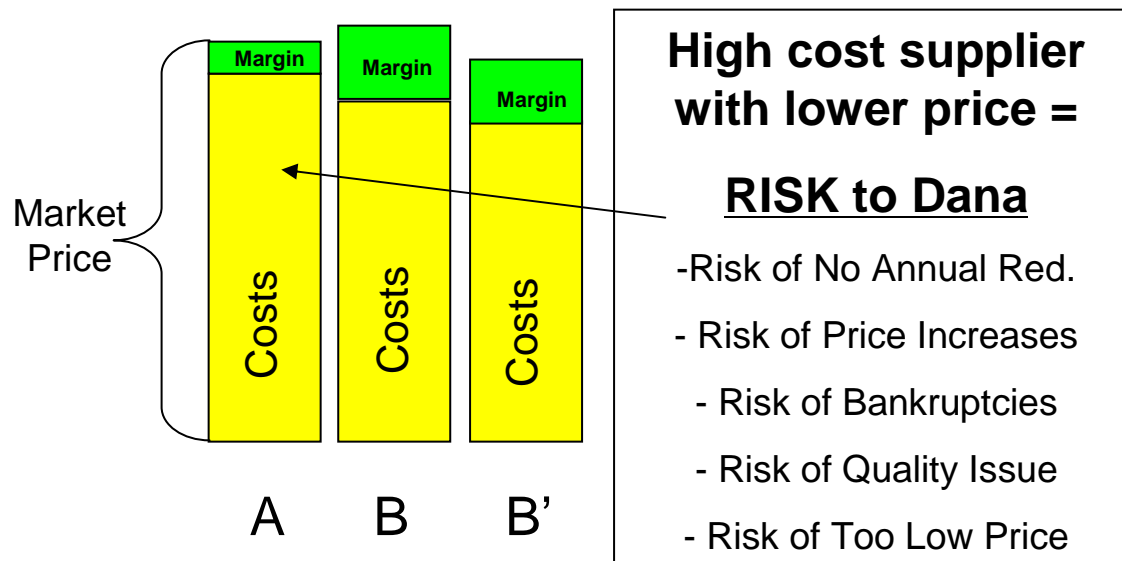
Global and regional feedback will also be available.

What are Cost Models Used For?



What are cost models used for?

- 1) **Understand who is Low Cost Producer**
- 2) **Tie to “Preferred Supplier Program”**
- 3) **Build Future Sourcing Plans around BIC**
(requirement for new business)
- 4) **Evaluate Current Production for Opportunities**
(requirement for resourced business)
- 5) **Supply Base Reduction (high cost to BIC)**
- 6) **OVERALL - Reduces Risk & Support Better Decision Making**



What makes BIC suppliers low cost?

- **Effective Purchasing Strategies**
- **Lean Manu. Techniques**
 - Quick change set ups
 - Designed in quality
 - Reduced rework
 - Reduced Inventory
 - Reduced manufacturing variation
 - Reduced lead-time
 - Reduced manufacturing footprint
- **Lower Cost Structures & Better Quality**
 - Reduced premium shipments
 - Reduced containment
 - Reduce sorting costs
 - Reduced scrap & rework
 - Reduced # of Staff & Indirect
- **Better Engineered Tooling & Processes**
 - Better Blank Utilization
 - Reduction of Secondary Processes

BIC Process



Global Cost Engineering Facilitates the Entire Process

Send & Receive RFI

Visit Supplier

Process Data, Generate Cost Model

Identify potential BIC Suppliers

Business Alignment with BIC Suppliers

- RFI (request for Information)
- Material
- Direct Labor Rates
- Cost of Goods Sold
- Production Equipment
- Plant Lay Out

- Review Capabilities
- Review Manufacturing Metrics
- Production Equipment
- Review Capacity Utilization
- Sales
- Customers
- Continuous Improvement
- Review Costs

- Generate 1st draft cost model and review with supplier
- Make any required changes to the cost model working with the supplier
- Work thru 2nd iteration to make changes to the cost model
- Set the cost model

- Test the application of the cost model on initial standard 10-20 parts
- Understand commodity impact
- Determine Ranking

- **Dana to generate strategies to take advantage of BIC supplier**
- ***Dana to cost model hundreds of parts to further investigate commodity impact potential by supplier***
- ***Dana takes advantage of suppliers cost structure thru business award***