

# **Save Money by Eliminating Soft Costs in Assemblies**

**OFFSHORE SOURCING INCREASES EFFICIENCY AND  
IMPROVES PROFITABILITY VERSUS DOMESTIC SOURCING**



## **Cost is key in today's manufacturing environment. However, the complexity of determining real costs can prove difficult in making solid decisions that ultimately result in greater profitability.**

When sourcing assemblies, most organizations only evaluate piece price and tooling. However, certain hidden "soft" costs also exist that often get overlooked. Time, manpower and internal resources associated with the process are typical examples that add cost. These soft costs are actually true costs that need to be considered when comparing pricing. They can vary depending upon the structure of the organization, size of the workforce, and the number of parts involved. Once identified, soft costs can be measured and included in the actual cost of an assembly, and help CFOs and purchasing agents determine the real dollar impact.

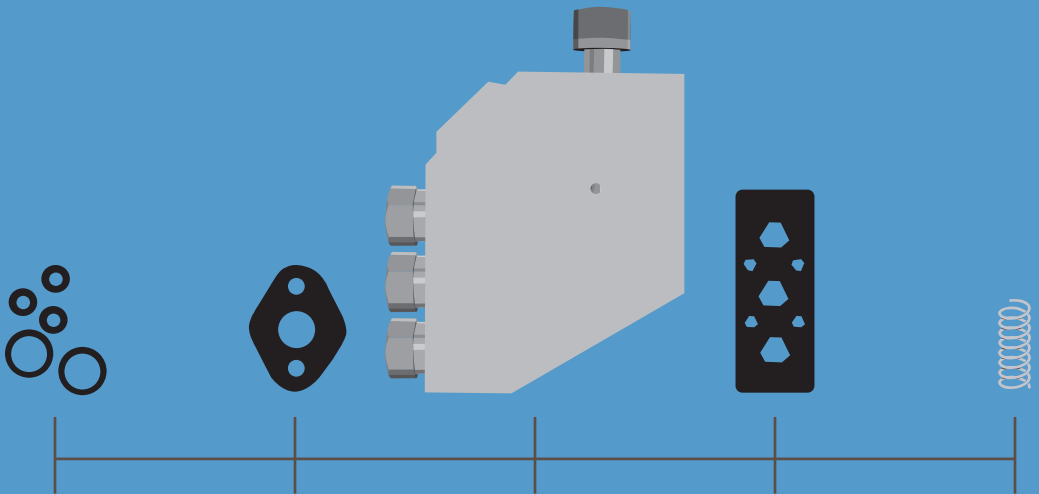
CMC International creates savings by eliminating these soft costs. By providing "ready to go" component kits, sourced from our network of manufacturing partners in China, you can save valuable time and money over purchasing the components individually from domestic suppliers. Historically, CMC's pricing has shown to be less than domestic pricing. You could realize as much as a 10% to 25% reduction on piece price, and in some cases up to 60% to 75% on the tooling price depending upon the program. The more labor intensive the program, the greater the savings.

The following assemblies case study will illustrate how CMC International's process increases efficiency, reduces costs and improves your bottom line.

# Typical Case Study

## OVERVIEW

Here's how it works, using a typical new product development process for an assembly with five components:



RUBBER  
O-RINGS

INJECTION  
MOLDED  
PLASTIC

MACHINED  
ALUMINUM  
COMPONENTS

RUBBER  
SEAL

SPRING

The company is purchasing 5,000 pieces of each component to build the assembly on a blanket order, with four releases of 1,250 pieces of each component per release. The plan is to build 1,250 assemblies at a time to keep finished good inventory levels to a minimum.

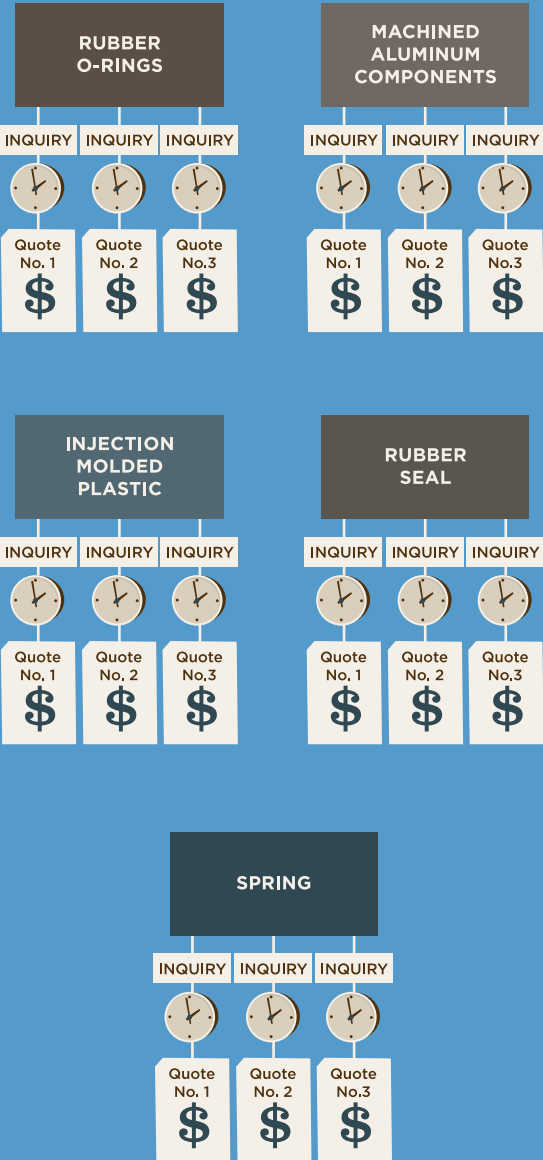
STEP 1

Source the Components

Multiple vendors must be contacted for quoting.

TYPICAL DOMESTIC PROCESS

Engineering/Purchasing requests three quotes for each of the components, resulting in 15 inquiries to prepare and send, then wait to receive, compare, qualify, and make a source decision.



CMC ADVANTAGE

Engineering/Purchasing sends CMC a single quote package with assembly print (which has a single part number) and packaging requirements. **BIG SAVINGS** on Administration costs and time.



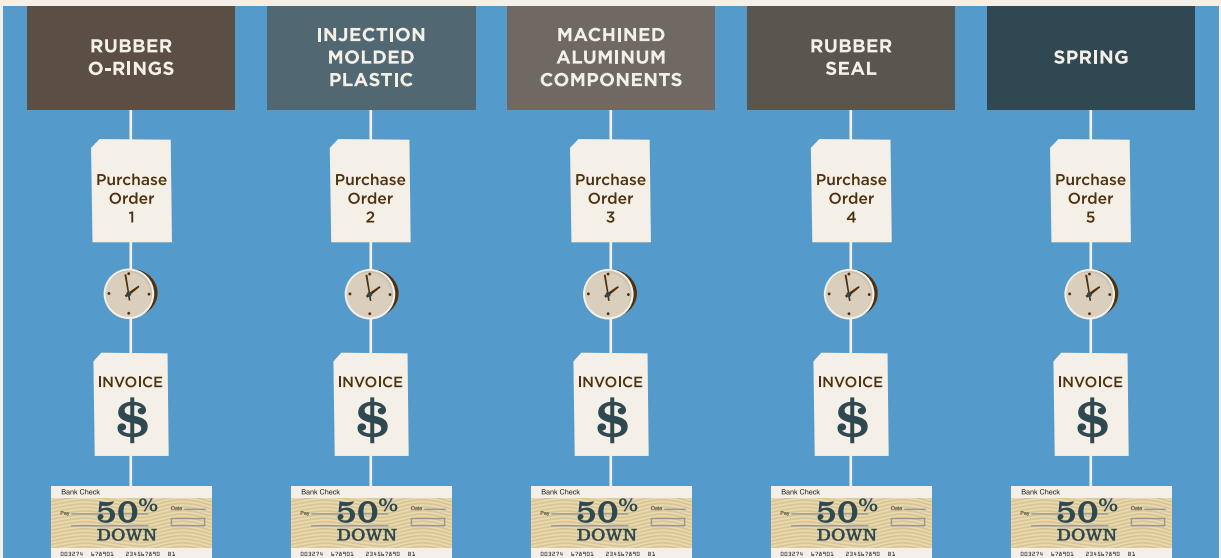
## STEP 2

# Determine Tooling Needs

Tooling is required for all of the parts.

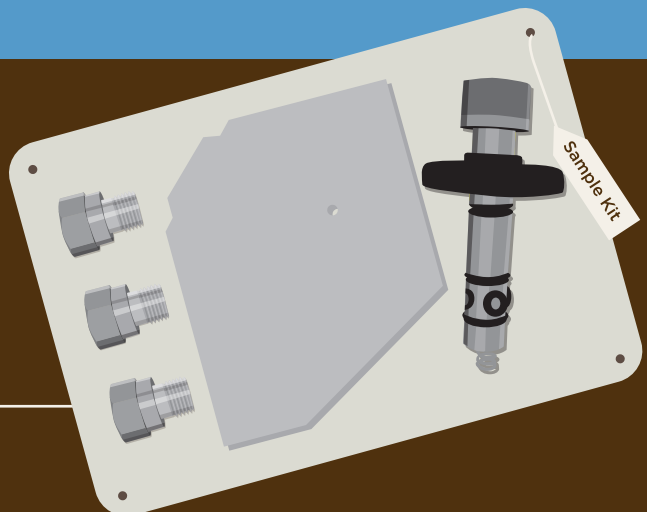
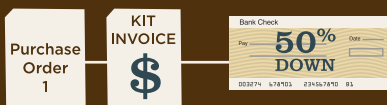
### TYPICAL DOMESTIC PROCESS

Five POs are needed for the order, resulting in five vendors generating invoices billing for 50% down. Accounting must process and pay five invoices. In some cases, domestic vendors charge a fee to furnish first article samples.



### CMC ADVANTAGE

One PO is needed, resulting in one vendor generating one invoice to process for payment. In most cases, Chinese vendors don't charge a fee to furnish first article samples.



## STEP 3

# Receive First Article Samples

Vendors send samples for inspection and consideration.

### TYPICAL DOMESTIC PROCESS



Each vendor prepared a packing list and packaged the parts for delivery, including the documentation that the parts meet print.

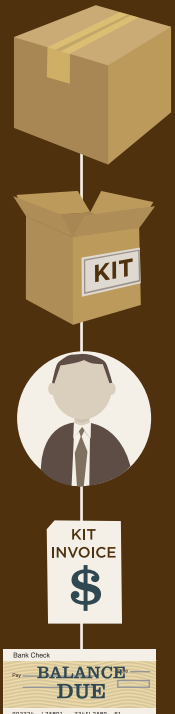
The five packages arrive from the five vendors, and each one must be received, documented, and added into the system.

Quality/Engineering inspects each component and requests new samples from each one as needed.

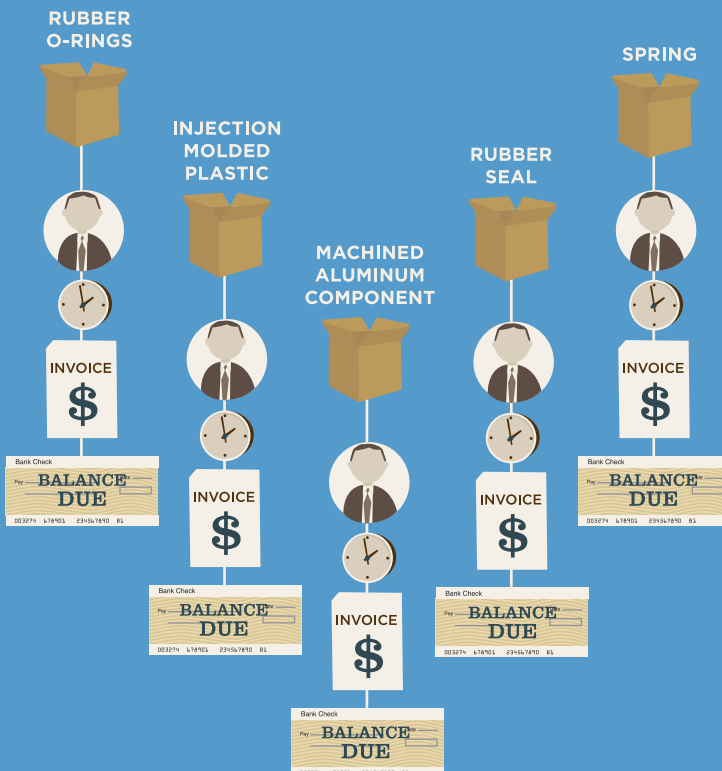
The parts are then assembled and tested as a complete assembly. If all requirements are met, the five vendors are notified of approval. Each vendor invoices for the balance of the tooling charges and accounting processes the payments for five vendors.

### CMC ADVANTAGE

One vendor prepared a packing list and packaged the assembly samples as a kit in a single shipment. There is one part to receive, one part to inspect and test, and one vendor to invoice and work with.



Big savings on  
Engineering/Quality  
costs



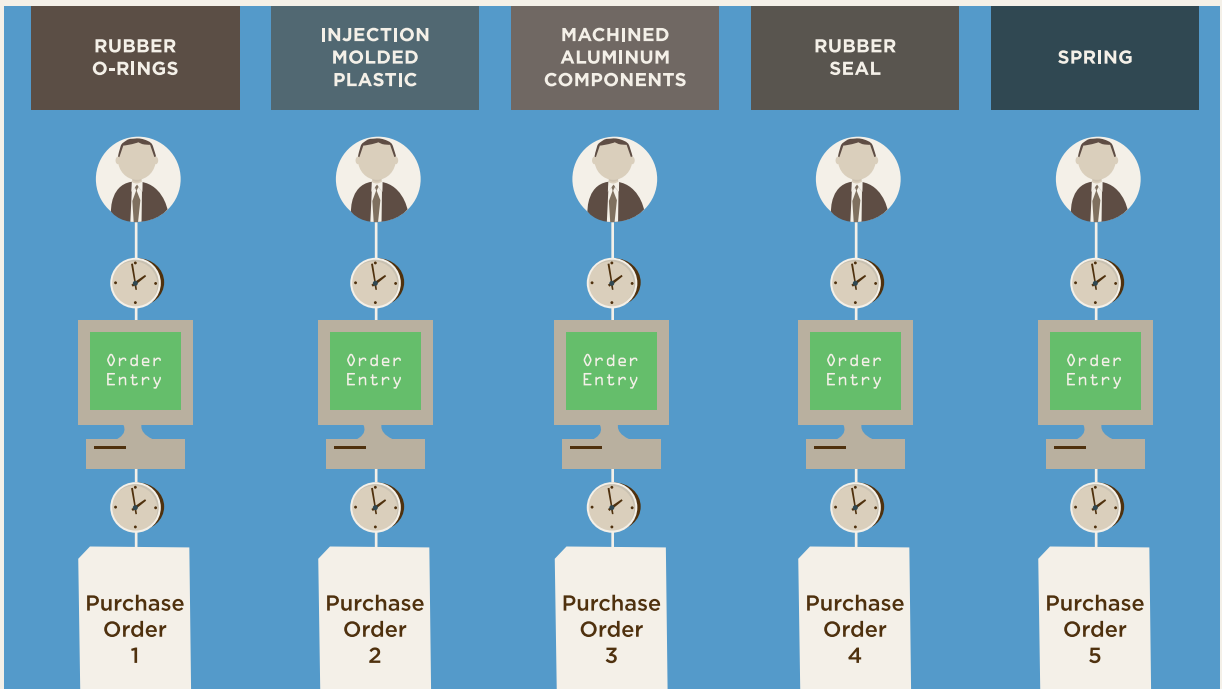
## STEP 4

# Place Production Orders

With the samples approved, purchase orders can be placed.

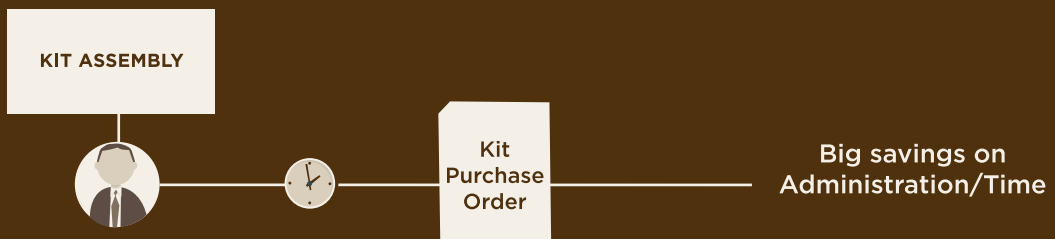
### TYPICAL DOMESTIC PROCESS

Five POs are issued; if these are new vendors, the vendor profiles must be added into the system. The vendors must receive the orders, process the orders, and confirm the orders—and they will do so on different time frames.



### CMC ADVANTAGE

One PO is issued to one vendor. Waiting is reduced to one vendor's time to receive, process, and confirm the order.



## STEP 5

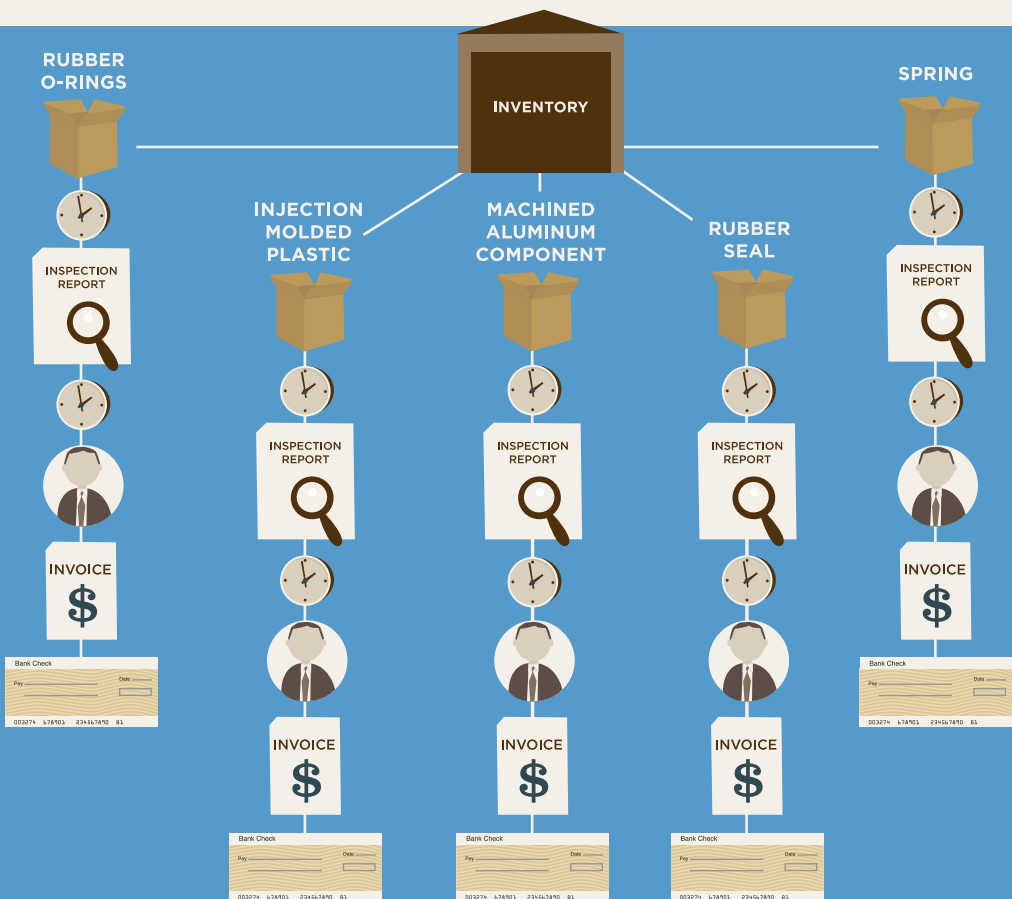
# Production Parts Arrive

### TYPICAL DOMESTIC PROCESS

Receiving secures five different shipments from five vendors with paperwork to process for each one. Space for inventory is arranged.

Quality/Engineering completes inspection reports on all five parts to make sure they meet print.

Five vendors invoice for delivered parts. Accounts payable must process, cut, and mail checks to five vendors.



### CMC ADVANTAGE

One shipment arrives with the five components packaged as a kit. There is one piece (the kit) to process, inspect, and store, and one vendor to pay.





## STEP 6

# Assembly of Parts

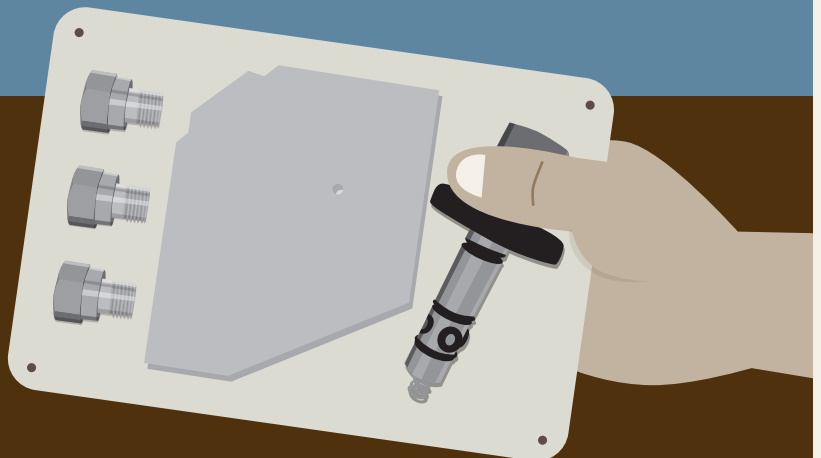
### TYPICAL DOMESTIC PROCESS

When the time comes to produce the assemblies, paperwork is generated for each of the five components. Labor is then required to pull 1,250 pieces of each part from inventory and move them to the production area, where they are stationed and ready to be put together.



### CMC ADVANTAGE

A single document is created to pull 1,250 kits from inventory. The five components are already packaged together and ready for assembly.



## **Your Savings Start Here: The CMC Sourcing Advantage.**

Cost is key in manufacturing. That's why our ready-to-go-kits increase your company's efficiency and improve your profitability. In our example, traditional domestic ordering led to 5,000 individual parts (4 releases of 1,250 of each component). With CMC, you receive just 1,250 ready-to-go kits and save time, manpower, inventory, and carrying costs. Offshore ordering with CMC transfers the soft costs of manufacturing to China, passing the savings on to you.

Start saving today with the CMC Sourcing Advantage. We look forward to working with you on your next program!

## **Taking the Risk out of Offshore Sourcing**

CMC International is an established, U.S.-based offshore sourcing company with deep knowledge of and expertise in the industrial hardware and components market. Working with our large network of quality, overseas manufacturing partners, we help companies purchase custom goods while providing the best possible options for pricing and inventory control. Our manufacturing capabilities range from forgings, castings, and stampings to machining and injection molded plastics.



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