



WHITE PAPER

QUOTE LEADTIME FOR EMS

**A differentiated approach to increase
sales efficiency**

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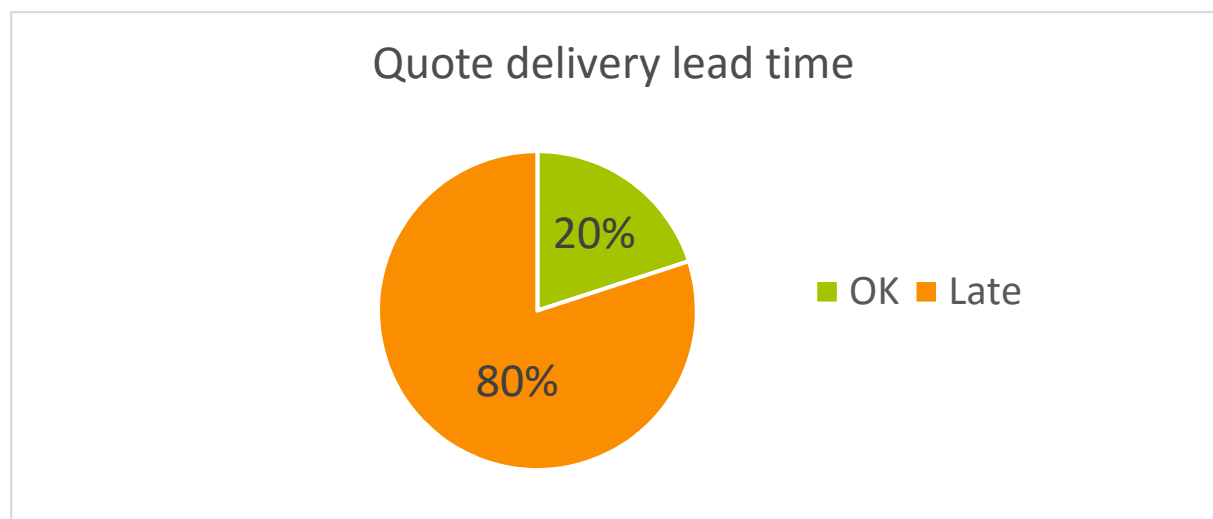
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What is the situation?

Respecting quoting deadlines: the quest for the Holy Grail

It's no secret: being the first to deliver a quote to a customer is a crucial factor for success. Certain EMS even claim it gives them an 80% chance of winning a deal. Quite often, objective lead times for delivering quotes can be up to two weeks. Also quite often, we hear "three months ago we managed to get up-to-date with our quotes, but today we are lagging behind again".



With regard to the objective lead time, the situation is quite varied, depending on the workload of course, but also on the objective lead times defined! One of the challenges is to master the process and to ensure the consistency of lead times. Some replies can be quick, less than week, but often require additional effort and the mobilisation of extra resources.

On the question of response time, the key point is: **what are the customers' expectations?**

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Costing process

According to corporate structures we mostly encounter two forms of organisation.

	Advantages	Disadvantages
Project estimator approach The quote is undertaken entirely by a single person	<ul style="list-style-type: none">• Response time easier to control	<ul style="list-style-type: none">• Difficulties in finding resources linked with broad area of competence
Family buying approach The various positions to cost are distributed among several specialise buyers according to product family	<ul style="list-style-type: none">• Greater expertise for each family of purchases• Lower workload required for each buyer	<ul style="list-style-type: none">• Coordination of several people to prepare quote• Increased complexity of data manipulation (Distribution, Consolidation)

In most cases, the costing process is supported by a unique Excel template, usually quite elaborate, allowing the costing of materials to be performed on one hand and of and labour on the other. Some more complex templates allow several products to be grouped in the same file.

Preparing quotes: a thankless task

The people in charge of quotations put lot of energy into performing the costing as quickly as possible (at the same time as other quotes, naturally), sending RFQs to suppliers, following-up, compiling large amounts of data and synthesising all the information needed for the offer. And quite often, the conclusion is: "It's too expensive", "we're running late" or even "we need to cost another quantity".

Human resources management:

For the manager in charge of this activity, the management of human resources is a delicate problem. Producing a good quote requires rigorous and organised resources with sound

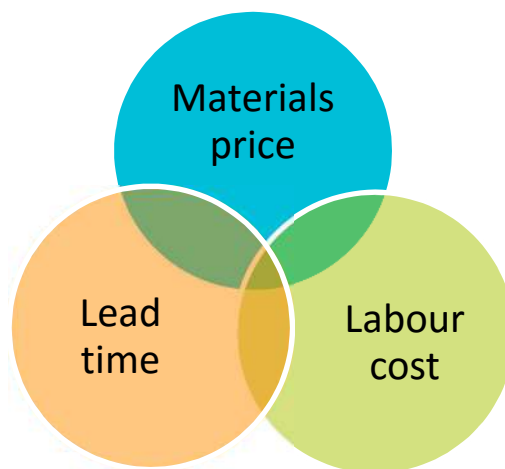
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technical skills and a good knowledge of the supplier market. Buyers are of course the most appropriate resources, but buyers generally prefer the activities of negotiating with procurement markets and processing orders. Significant costing activities might lead to demotivation and a higher turnover rate.

Furthermore, there is also the cost issue of the resources employed in this activity. Of all the quotes prepared, the conversion rate can be as low as 15%. The result is a significant sales cost.

What are the customer's expectations?

RFQs can come from existing customers for new products or products already in production, or they can also come from prospects. According to each case, the expectations are not the same.



Costing for prototypes

The lead time for submission of tenders is the most important point, as well as the lead time for making prototypes, of course. Indeed, when customers have invested large sums in the R&D phase, without comparison to the cost of prototypes, each day that elapses delays time-to-market.

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Costing for series

In the case of quotes for manufacturing series, price is obviously the predominant factor. For an existing customer the probability of winning the deal is strong, making it advisable to mobilise purchasing resources and taking the time to establish a competitive offer, including labour costs.

However, in the case of a prospect, the decision to mobilise resources requires a prior qualification and accurate identification of customer expectations.

Costing a BOM

This case appears to apply to existing customers at the upstream stages of new product design when customer R&D teams need to evaluate the material cost of different technical solutions. This generally involves more budgetary approaches for which in-depth work on prices is not necessary. In this case the lead time is important because it has a direct impact on the product development cycle.

Sourcing, Benchmark

Whether the customer is expanding its number of subcontractors or replacing existing ones, the competitiveness of the tender will be an important criterion in the customer's selection process. The dilemma for the subcontractor is to choose between limiting the time spent and preparing a competitive offer.

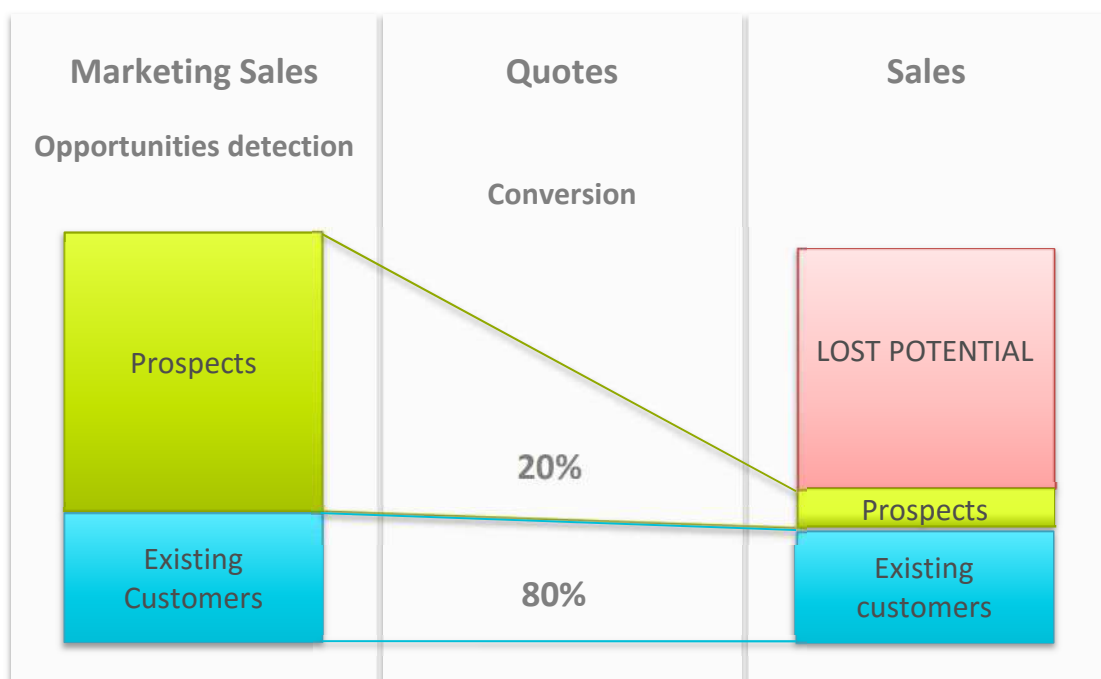
Why adopting a differentiated approach?

The sales funnel

The opportunities detected by marketing and sales efforts must be sorted into:

- Existing customers
- Prospects

The conversion rate between these two categories of opportunities are often very different. The conversion rate of prospect opportunities is often quite low and often 80% of the workload spent on quotes represents 20% of the turnover.

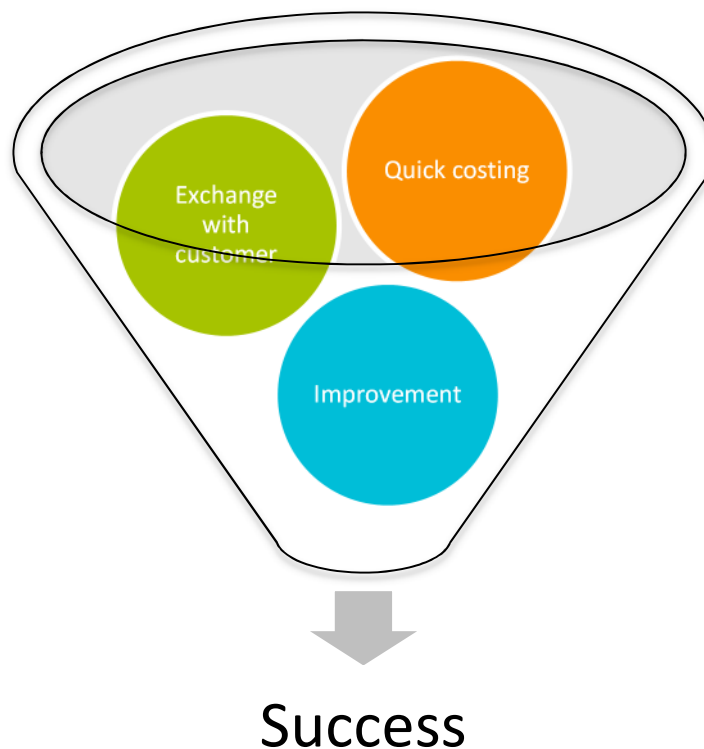


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The differentiated approach to quotes

This simply consists of employing processes adapted to different customer expectations, for example:

- **Costing in one day:** material part accurate to within 25%
- **Costing in less than three days:** material part accurate to within 10%
- **Costing in less than ten days:** material part accurate to within 2 ~ 3%, includes labour costing



What are the advantages of quickly costing just the material part?

We can establish contact with the customer as quickly as possible to identify specific expectations to then optimise and complete the costing and thus convert more opportunities.



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