

# BIC Sourcing Process: Grow your Sourcing in Mexico



## WELCOME ISM Twin Cities

June 13, 2023 Web meeting...



- ✓ Faster nearshoring
- ✓ Less workload/ supply headaches
- ✓ Meet USMCA content requirements
- ✓ Less premium freight
- ✓ Better total cost
- ✓ Enhance supplier relationships



# BIC Sourcing Process: Grow your Sourcing in Mexico

## Agenda

- 1 DS Group Advisors intro 5 min
- 2 Best-In-Class Sourcing Process 20 min
- 3 Nearshoring to Mexico 15 min
- 4 Q & A and Key Takeaways 20 min



# Meet Our Team



**Drew Sheffield**  
DS Group Advisors  
Principal Consultant



(SE Michigan)

- 25+ years procurement expert
- Global PUR Dir, TI Fluid Systems & ZF Group
- Program PUR Dir, Ford Motor
- Chair OESA CPO Council
- Wayne State University's Global SCM Advisory Board



**Maria Llama Esteinou**  
DS Group Advisors  
Lead Consultant



(Quere'taro, Mexico)

- 3+ years as SQ & PUR consultant
- 3 years Supplier Quality Engineer, Chrysler of Mexico
- 5 years in Quality roles at automotive suppliers Valeo, Hella, Faurecia
- 3 years as Quality Assurance Mgr at food packaging/processing co.



# DS Group Advisors

## Partnering with clients to elevate strategic procurement:

- Customized consulting engagements to add value:
  1. BIC Procurement Guide (BIC survey, document review, interviews)
  2. Strategic Sourcing – including near shoring in Mexico! Also, new business development in North America
  3. Commodity or Category Teams/Strategies
  4. Supplier Relationships (Supplier Scorecards, Top Supplier Meetings, collaborative agreements)
  
- Serving many industries since 2020:
  - Automotive
  - Commercial
  - Building/Lighting Products
  - Electronics
  - Packaging

# BIC Procurement Guide Process



## The BIC Procurement Guide consists of:

- Key Document Review (Org charts, objectives, PUR procedures, Spend Summaries, Commodity, Supplier Q/D performance, Supply Contracts...)
- Cross-functional 60 Question Survey covering major procurement areas
- 1x1 interviews with 12-20 key cross-functional employees
- Deeper dive meetings w/ leads for major commodities, logistics, other
- Recommendations (quantified w/ resources & timing)





# Customized Services

## Company Procurement Assessment



- Company assessment of production, logistics, and indirect procurement comprised of a document review, interviews with key employees and commodity/category teams, and 60 question cross-functional survey.
- Report includes benchmark of current practices versus best-in-class practices across industries, and recommendations and implementation roadmap.
- DS Group Advisors supports client in implementing the highest impact recommendations.
- Fractional Procurement Executive leadership also available (beginning at 10 hours/month).

## Strategic Sourcing



- Enhance your strategic sourcing process aligned with commodity strategies to meet all requirements
- Ensure sourcing decision considers business case, supplier scorecard/performance, cost, risks, and many other vital elements (often missed and costly)
- Encourage key cross-functional stakeholders to review and approve sourcing
- Grow and leverage diversity supplier sourcing
- Assist foreign companies with new business development in NA, including sales strategy, customer introductions and pursuit of RFQs and Sourcing.



# Customized Services

## Commodity Teams & Strategies



- Introduce global commodity teams in NA, EU, AP, SA including procedure, process, and roles & responsibilities matrix. Team of buyers of same commodity benchmark sourcing, supplier quality, price, and cost, and develop/ implement roadmaps.
- Develop commodity strategy procedure
- Enhance commodity strategies to deliver best value, cost, quality, delivery, technology, and other cross-functional business requirements
- Ensure review and approval by leadership
- Implement corporate Non Production Purchasing organization (procedures, process, corporate and plant KPIs, and category strategy/action plans)

## Building Supplier Relationships



- Understand key supplier deliverables for your business and develop visible, high impact, transparent Supplier Scorecards.
- Create Scorecard procedures that improve supplier accountability and performance and serve as a key input into Strategic Sourcing process.
- Implement Top Supplier meetings to share company and procurement expectations, new technologies, major initiatives, and to foster strong relationships.
- Clarify your company procurement vision and strategy to become customer of choice for key suppliers to achieve competitive advantage, and superior results
- Develop and implement industry leading common, global Purchasing and Supplier Management Procedures



# BIC Sourcing Process

## DS Group Advisors Engagement Phases:

- 1. Supplier Identification**
  - ✓ Develop **Preferred Supplier Profile (PSP)**
  - ✓ Identify & Screen Suppliers
- 2. Supplier Verification**
  - ✓ Prioritize supplier sites
  - ✓ Conduct on-site supplier assessments
- 3. Market Testing**
  - ✓ Develop & Issue RFQ packages
  - ✓ Clarify & Analyze quotes
- 4. Negotiation & Sourcing**
  - ✓ Support client in negotiations and sourcing
- 5. Launching Supplier**
  - ✓ Manage supplier and program deliverables through launch

## Procurement Cycle:





# BIC Sourcing Process

## DS Group Advisors Engagement Phases:

### 1. Identify Suppliers

- ✓ Develop Preferred Supplier Profile (PSP)
- ✓ Identify & Screen 5-7 Suppliers

### 2. Verify Suppliers (on-site)

- ✓ Prioritize supplier sites
- ✓ Conduct on-site supplier assessments

### 3. Market Test (or Design Competition)

- ✓ Create competitive environment
- ✓ Prepare & Issue robust RFQ packages
- ✓ Evaluate responses & Summarize recommendations

### 4. Negotiation & Sourcing

- ✓ Support client in fact-based negotiations and sourcing

### 5. Launch

- ✓ Manage supplier and program deliverables through launch (and post-launch if needed)

## Procurement Cycle:





# Step 1: Supplier Identification

## 4-5 Week Engagement



**Develop a Preferred Supplier Profile (PSP) including 15-20 key supplier attributes:**

- Product & process capabilities
- Size of company & financial strength
- Location
- Open capacity
- Quality systems
- Incoterms and delivery options

**Build a business case to get potential suppliers interested in supplying client**

**Identify NEW potential suppliers that may have required capabilities for this commodity, based on past projects, DSGA network, other resources.**

**Interview 5-7 potential suppliers (in Spanish) using Preferred Supplier Profile as questionnaire & documenting/ rating supplier responses (R/Y/G) vs. requirements**

**Present recommended suppliers, highly qualified to meet Client's unique needs!**





# Preferred Supplier Profile Example

## Project: Mexico Supplier ID & Phone Assessment for Aluminum Castings (~90% machined)

### Overall assessment

### Criteria

- RFQ for medium-size machined castings & castings, &/or on-site review.  
 - Located nearby.  
 x 100% auto business today (Tier 2, not Tier 1), but interested to grow non auto business.

- RFQ for all sizes casting & machining, &/or on-site review.  
 - Multi industry (Mostly tier 2 in auto).  
 x No liability insurance (ensure they get it prior to sourcing or as a condition of sourcing)

| Attribute  | Current Spend Profile  | Preferred Profile   | Comment   | Criteria   |  |   | Supplier A  | Supplier B  |
|--|--|---|---|--|--|---|---|---|
|  |  |   |   | Red  | Yellow   | Green   |   |   |
| <b>Sales Annual Revenue</b>                                | \$100+M multiple suppliers in Mx, USA, China, other. Potentially sourcing ~\$9M, approx \$4-4.5M to 2 suppliers  | Capable to manage this size programs/multiple parts, many lower-med volumes, but supplier not too big so that Client is a very small customer. No more than 25 30% of business. | Supplier needs to be large enough to cover high casting start up/capital costs. Sourcing is flexible, ex \$9M to 2 suppliers may be possible. | <\$16M (unless award less business), possible smaller if growing quickly                           | >\$16M<\$40M and >\$60M  | ~\$40-60M   | 2 Business units: Galvanized & Casting parts. KOPF Group 452M Euros (2022).                                   | Total Annual revenue is \$145 Million. This includes locations in China, Taiwan, Hungary and Mexico.                                |
| <b>Industry Focus</b>                                      | Mostly non-automotive suppliers, a few supply automotive (mostly to auto tier 1,2,3)   | Mainly non-automotive preferred. Cross-industry, many consumer product, utility, lighting, other  | Small volume, low mix. Consider automotive suppliers if experienced and they have a decent amount of non-auto business.                       | 100% Automotive focus or majority auto   | Similar experience like consumer prod, utility, etc. and some automotive is ok       | Experience supplying lighting products = BIC  | 100% Auto business but they want to grow in other industries. They are only Tier 2 supplier in auto business. | Approximately 74% Automotive. Mostly Tier 1 Automotive customers. Other industries are Recreational, Consumer and Light Industrial. |
| <b>Liability Insurance</b>                                 | Incumb have this   | Supplier carries sufficient liability insurance   | Require \$10M policy  | No or very little (<\$5M) insurance  | Some liability insurance (based on product look) but otherwise acceptable financials | Significant Liability Insurance (ex.\$10M or more)  | Likely general liability insurance (they own the facility).   | Working on getting the insurance,   |
| <b>Location. Consider risk of flood, labor disputes...</b> | Suppliers from Mexico, USA, China and others in Asia   | As close to CLIENT JV facility in Acuna, Mx (across border from Del Rio), but consider throughout Mx and Texas area if needed   | Mx as close as possible for quality inspections/audits, delivery. FOB   | Non Mx (if can't confirm shipments)  | Mexico 300-600 miles from Monterr. Border cities. (geopolitical, labor union)        | Mexico <300 miles from Monterr.   | Ciénega de Flores, Nuevo León.  | Queretaro, Mexico.  |
| <b>Manufacturing Capabilities</b>                          | Smaller castings 300-500T presses, Med-Larger castings 500-900T auto spray and auto scrap, machining capability, trimming. Nice for all products (cost): Some have quick changeover, Single Minute Exchange of Die (SMED), for cost competitiveness. Some use robots | Casting and machining in-house. Tooling can be outside or inside.   | Great if have final finishing operations (ex wet paint or anodize or other), ex Asian suppliers   | Outsource casting or other key operations, or can't provide a machined casting (through a partner) | Tonnage acceptable for part sizes. Machining done by partner instead of in-house     | 300-500T ideal for smaller parts &/OR 500-900T ideal for med/larger. Auto spray, auto scrap., machining, trimming, robots, machine processing data collection | 5 presses (650 Tons). 1 CNC   | Casting, Trimming, Shot Blasting, Vibration Tumbling, CNC Machining, Ultrasonic Washing, Leak Testing                               |



# Recent Supplier ID Engagement

**Case Study: Mx Supplier ID for machined aluminum castings** (Client unable to find more suppliers in MX, current suppliers limited capacity, over-reliance on China)

## Key engagement takeaways:

1. ID'd five well qualified suppliers (meet key C/Q/D/T attributes, open capacity)
2. Suppliers make small, medium, large machined castings at range of volumes
3. Increases client's supply capacity (for price competition, enabling nearshoring)
4. One supplier also very well qualified for another major commodity purchased by client (client pleased and pursuing for aluminum extrusions)
5. DSGA hand-off meetings with client and each supplier to speed up NDAs/RFQs for near-term sourcing

# Step 2: Supplier Verification

3-4 Week Engagement



1) Review Supplier ID Project results and work with Client to prioritize list of supplier sites for on-site visits



3) DSGA Lead Consultant in Mexico supplier site visits to qualify 3-4 suppliers (exploring & documenting capabilities to meet key attributes)



2) Develop Supplier Verification audit questionnaire (often a mix of client and DSGA questions)



4) Review Verification report with detailed ratings for each supplier. Client often initiates near-term Market Tests with the top-rated suppliers.

# Supplier Verification Assessment

(sample of the 50 questions)



## DSGA's CLIENT TBD Supplier On-Site Verification Questionnaire

### SCORING KEY

| N/A       | 0        | 1        | 2         | 3        |
|-----------|----------|----------|-----------|----------|
| Element   | No       | Limited  | Fair-Good | Strong   |
| Not Req'd | Evidence | Evidence | Evidence  | Evidence |

**SUPPLIER NAME: TBD & Add Location (& Add Commodity Name**  
**Ex. Aluminum Casting & Machining Plant)**

**VISIT DATE: 6/1/2023**

**PARTICIPANTS: Maria Llama Esteinou (DSGA), TBD**  
**(Plant Mgr, Supplier Name), TBD (Plant Q Mgr), etc.**

| Item | SUPPLIER ASSESSMENT QUESTIONNAIRE   | COMMENTS FOR AUDITOR   | SUPPLIER ANSWERS | RATING (0-3) see key |
|------|---|--|------------------|----------------------|
| 3.0  | <b>Technology/Engineering/Development</b>   |  |                  |                      |
| 3.1  | Can you design the parts based on the client's specifications? Describe whether company is build to print or a full-service supplier creating the prints (or something in between these two)? Do you help define functional specs with customers to improve manufacturability/cost? | Confirm Build-To-Print or Full Service Supplier. If FSS, for which commodities?                            |                  |                      |
| 3.2  | Describe the Engineering change request process? Are design changes identified, documented, reviewed and approved?  | Document process   |                  |                      |
| 3.3  | What CAD software do you use? What method do you prefer to exchange CAD data?   | Solidworks, others? Number of seats/licenses?  |                  |                      |
| 4.0  | <b>Sub-Supplier and Program Management</b>  |  |                  |                      |
| 4.1  | How are new product programs managed? What systems do you use (ERP, others)?  | Ensure a structured process  |                  |                      |
| 4.2  | How do you source your production suppliers (components, raw materials), do you conduct market tests and on-site supplier assessments? Do you have purchased commodity strategies?  | Review Sourcing Procedure, sample Commodity Strategy if used   |                  |                      |
| 4.3  | Describe your Advanced Product Quality Planning (APQP) process?   | Document   |                  |                      |
| 4.5  | Describe your PPAP process (ex. if automotive, do you perform level 3 PPAPs, submitting Part Submission Warranty w/ samples and supporting data?)   | Review a recent example  |                  |                      |
| 5.0  | <b>Production</b>   |  |                  |                      |
| 5.1  | Please describe the material flow in the manufacturing/production area?   | Walk the lines, review 5S and cleanliness requirements, flow racks, labeled, traffic aisles and pedestrian |                  |                      |
| 5.2  | Do you have standard operating procedures in place? Work instructions and inspection instructions? How are operators trained?   | Review Procedures, Work Instructions.  |                  |                      |
| 5.3  | What are key metrics for production (machine OEE, scrap, capacity utilization...)? Is employee safety   |  |                  |                      |

# Nearshoring to Mexico



## Top Reasons To Localize NA Sourcing with Suppliers in Mexico

1. Reduced supply risk (versus overseas/China):
  - ✓ Shorter part transit times & more predictable supply
  - ✓ Less geo-political risk
2. Strong capabilities
  - ✓ Manufacturing processes, quality systems (IATF), delivery/quality performance, share financials, capacity
  - ✓ Strong industry experience and broad product capabilities
3. Interest in growing business with customers in the USA
4. Value/Landed savings (avoid tariffs, meet USMCA content %s)
5. Willing to provide cost breakdowns, offer PPV, etc.
6. Similar time zone, holidays as USA, many speak English





# Nearshoring to Mexico

## Top Challenges To Localize NA Sourcing with Suppliers in Mexico:

1. Some labor retention, shortages (ex. near border)
2. Transportation infrastructure (from some regions)
3. Some culture or language challenges vs USA practices
4. China cost advantages (ex. Subsidized steel, etc.)
5. Strong sourcing by companies in USA is beginning to fill up available capacity
6. Full benefits not captured unless you follow Best-In-Class Sourcing Process





# Nearshoring to Mexico

**Our Principal led many Mx Supplier ID projects in 2021-2023:**

## Commodity

- Castings (Aluminum)
- Castings (Iron) & Assy.
- Forgings (Steel)
- Injection Moldings (Plastic)
- Stainless Steel Assemblies
- Stainless Steel Assemblies
- Stampings & Fab. Assy
- Tubes (Copper)

## Industry

- Lighting & Commercial Vehicle Parts
- Garage Vehicle Lifts
- Commercial Vehicle Parts
- Sensors
- Aftermarket Exhaust Tips
- Beverage Brew Tanks
- Commercial Veh. Cabs & Chassis Parts
- Marine Heat Exchangers





# Q & A



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➤ **We are happy to address any questions**

# BIC Sourcing Process: Grow your sourcing in Mexico



## KEY TAKEAWAYS



Supply Chain Protection



USMCA RVC Compliance



Supplier Communication



Premium Freight Costs



Landed Costs (incl freight/tariffs/RVC penalties)



Geopolitical Risk



**Accelerate nearshoring working w/ DS Group Advisors!**





Schedule a complimentary  
discovery call today!

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THANK YOU