

Case Study

Are Global Supply Chains Truly Less Expensive?

Many OEM's have gone global in a search for lower and lower prices. But those lower piece prices all come at a cost. Costs that sometimes are missed at the Board level. Those costs are felt on the production floor. Big time.

In the past, some of HMMI's customers have left HMMI, only to return, having learned the limits of supply chain globalization. They have learned the value of working with a reliable, skilled supplier that can and will help you when your forecasts underestimate market demand or when a customer wants their product now! Reliability and responsiveness can result in huge savings in the long-run. And, in these days of uncertainty brought by COVID19, customers are not only considering just-in-time sourcing, but also, just-in-case scenarios.

"There are so many variables when buying from a global supplier, for example, lead times, flexibility of production volume, cost of inventory and tariffs, to name a few" says David Amado, Director of Strategic Sourcing at Elliott Equipment Company. "My goal is to source parts from suppliers so that we can have a product to a customer, when, how and where they want it. It is therefore not just about the price but the overall cost of sourcing from a specific supplier. We have considered buying products from international suppliers because the price was lower, but the cost was higher. I must buy product in three or four batches per year. There is an extremely high risk associated with that. One problem with a batch causes us to lose all the upfront saving, but more importantly, it can cripple our production. In addition, we have a lot of working capital tied up in inventory and we cannot make any sudden changes to our supply. Since the overall cost is higher, the perceived lower price is just not worth it."

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But what is attractive about HMMI is you are competitive on price and you exceed our expectations on each of the other elements for us to be competitive.

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What do you do when your global supply chain is more focused on price than quality? How are re-works handled, and how long do they take? How are those costs calculated into your overall costs?

HMMI's quality is second-to-none. All of our welders are AWS certified, and our management team has over 300 years of experience, all of which come to bear on your product design and manufacture. While re-works on HMMI parts is unusual, if it's necessary and something that HMMI missed, we prioritize those fixes and return the parts to our customers – on our dime.



What do you do if your forecast were low, and you need parts now?

Your overseas supply chain may be able to ramp up production, but transportation is simply going to take a long time. HMMI is accustomed to fast turnarounds for our valued partners. The method HMMI most frequently uses to reduce its lead time is utilizing “supermarkets” whenever possible. If we have a good understanding of your business, HMMI will put into “supermarkets” those frequently ordered parts which can slow down production when done one or two at a time. For example, it can be costly to nest and bend one or two large parts because the set-up time can be extensive. By nesting six to eight at a time and then bending those parts while the press brake is already set up, saves time and money on each project. Those cut and formed parts can then be placed into supermarkets so they're ready for manufacturing as soon as an order is received. Transportation to your plant takes a matter of hours or days, not weeks or months.

“My clients could not care less where the parts of the product came from, but they do care about quality and that they can get the product when they want it. HMMI helps me deliver on what the customer cares most about.”

Bottom Line

The upfront lower price from an international supplier might be attractive, but the overall cost of doing business often outweighs the perceived price advantage. These costs are sometimes missed at the Board level. The unforeseen and drastic changes in the demand that many companies have experienced, combined with the challenges of buying product in large quantities from international suppliers, is placing the future of many businesses at risk.

Give HMMI a call if you want a reliable long-term partner who cares about your long-term and immediate needs. If you are interested in solving short term cash flow challenges today, lowering the Supply Chain demand on working capital in the near term, and bringing greater speed to revenue for the long term, please contact us. We'd like to learn more about your business and see if we can help. Let HMMI be your virtually vertically integrated, flexible and reliable manufacturing capacity.