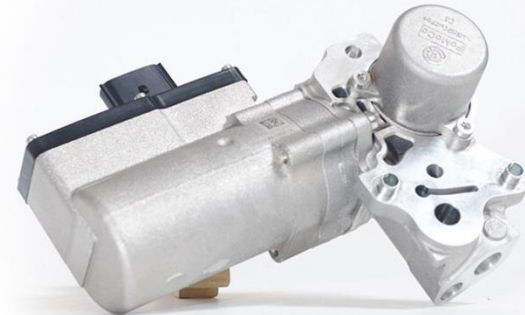


Supplier Cost/Technical Optimization (SCTO) Supporting GHSP VAVE Process



Supplier Cost Technical Optimization (SCTO)

- Process used on current production parts
- Seek to reduce the cost of a part without impact to performance
- Eliminate features that add no true value but incur cost
- Improvement in quality and/or eliminate waste in the value stream

Recovers “Avoidable” costs throughout the product life

SCTO Examples

- Change materials or specifications of materials
- Change dimensions or tolerances
- Reduce unnecessary test requirements
- Logistics or packaging improvements
- Manufacturing process improvements or elimination
- Improvements that reduce warranty costs
- Changes that improve manufacturing costs at GHSP
- Inventory management improvements
- Alternate component and/or construction

GHSP Supplier Expectations For Value Analysis



GHSP Supplier Expectations - SCTO

- SCTO is a formal requirement for production suppliers to GHSP
- Suppliers must submit SCTO ideas on current production parts each calendar year
- Annual target for SCTO ideas is given as a percentage of sales to GHSP
- Ideas must be technically and economically feasible – as mutually determined by GHSP and the supplier to count towards the supplier’s SCTO ideas target

Key Lessons Learned

➤ **Target Focus for SCTO - Prioritize**

- Newly released programs
- Programs/Parts with end of life at least 2 years out
- Programs/Parts with numerous engineering changes
- Highly complex designs
- High volume and dollar spend

➤ **Other Areas of Concentration**

- High Warranty/Quality items
- High internal scrap
- Slow cycle times

Key Lessons Learned

- **Keys to realizing returns in the SCTO process**
 - Knowledge of product requirements
 - Detailed cost breakdowns of the product
 - Understanding the product manufacturing process
 - Understanding the GHSP assembly process

- **No cost reduction can be processed that compromises the quality or the reliability of the Product!**
 - Or the Salability
 - Or the Maintainability – cost of ownership

Key Lessons Learned

➤ **Need an Idea Champion – SCTO Leadership**

- Empowered
- Strong interpersonal skills
- Cross functional experience
- Able to facilitate brainstorming sessions
- Ability to sell ideas – gain consensus
- Persistence and Patience – knowing when push hard or back off
- Positive attitude – keeping a sense of humor

Must overcome the “not-invented-here” syndrome



Current

Proposed

<u>Benchmark</u>	<u>Volume</u>
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Description of Opportunity

Savings

Benefit (s)

<u>Vehicle</u>	<u>Affected Volume</u>
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Supplier Action Required

Annual Savings

GHSP Action Required

Investment

<u>Supplier Champion</u>

Implementation Target Date

Lifetime Savings (Net of Investment)

GMT900 L0096277/80AA I/B Seat Belt Brkt



Current



Proposed

Description of Opportunity

Currently the pin is being Mig welded to the stamping. Proposed part,, pin is pressed into the stamping. This process will run at a much higher rate than the mig weld process thus reducing labor costs and reducing failure modes.

Savings

\$00.06 per Component

Benefit (s)

- Increased visual aesthetics
- Significant cost savings annually
 - Lower failure modes

Vehicle

GMT900

Affected Volume

3,800,000 Annually

Supplier Action Required

- Provided new pin design to GHSP for approval.

Annual Savings

\$228,000.00

Benchmark

Volume

- GM GMT900 1,900,000
- L0096277/80AA x2 Annually

GHSP Action Required

- Approval of ECN
- Release of P.O.

Investment

\$79,350

Supplier Champion

- Nick Munch
- (xxx) 798-xxxx x 413

Implementation Target Date

- 9/30/07
- 8 weeks from receipt of P.O./Approval

Lifetime Savings (Net of Investment)

\$1,083,760.00 (Based on 5-yr life)