

Cost Reduction in Tools and Gauges through Outsourcing the Heat Treatment Process



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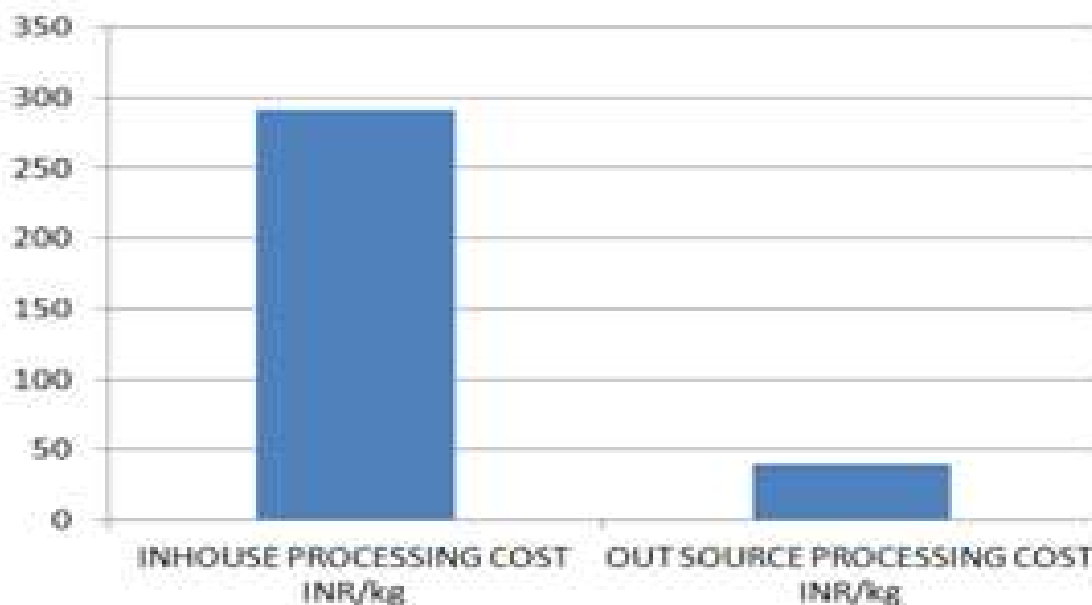
Abstract:

Indian industries are passing through a difficult phase due to global down turn of the economy. Factors like ever experienced competition (especially for a monopoly industry like Bosch), rising inflation, declining demand and currency depreciation have forced the organizations to choose cost reduction strategy in order to survive in the market. Reducing the cost of manufacturing will significantly reduce the cost of the final product. Manufacturing cost can be reduced by outsourcing as one of the strategy. In line with the management objective of cost reduction, this project has been taken up to reduce the cost incurred for heat treatment of tools and gauges.

Data collection and analysis was done to find competitive suppliers in and around Bangalore for heat treatment of tools and gauges made out of different materials with multiple chemical combinations. Material types / grades were studied to select supplier suitably. Further, the heat treatment followed for the gauges were also analysed. Complete business and manufacturing processes were mapped.

Achievements of target values were validated through pilot batch production. Cost analysis was done with the inputs of data from Company. Pilot batches were given for trials and validation data were captured for comparative study. Different case studies revealed the importance of outsourcing. Outsourcing enabled to get professionalism in the work. It brought down overhead expenses to a maximum extent.

Validation study revealed that the pilot batch has surpassed the expected cost saving.. Overall annual cost saving of Rs 1.8 million was projected as a result of reduced manufacturing cost. Customer value has been enhanced through quality product at reduced price.



Cost comparison - In-house manufacturing cost vs Outsourced manufacturing cost