

New supply chain models call for review of ideal manufacturing depth

Creating the basis for make-or-buy decisions using differentiated calculation models

Initial pilot trials applying a new modular sourcing concept to existing products indicate declining economic performance. Differentiated and detailed cost analysis only partially confirmed those indications.

The Client

- Roche Diagnostics Ltd., CH-Rotkreuz
- Supplier of innovative diagnostics and analytical systems
- Globally active in the market segments of life sciences and professional diagnostics
- Number of employees: approx. 1'000

The Objective

- Review the economic viability of the modular sourcing concept.
- Establish a realistic cost comparison between the old and new supply chain processes.
- Create an objective comparison between internal costs «make» and outsourcing costs «buy».

The Solution

- Generate a calculation model for a make versus buy comparison, taking into account:
 - The total process costs, incl. the internal residual costs and the one-off transfer costs
 - The outsourcing point in the product life-cycle phase
 - Changes in indirect manufacturing costs in relation to the outsourcing point
 - Cost effects of manufacturing volumes
- Create a decision matrix incorporating the economic and strategic make-or-buy criteria.
- Establishing the MoB decision process as an interdisciplinary management task.

The Client Benefits

- Transparency and verified costing as a basis for assessing economic decision criteria, plus clarity on the strategic opportunities and risks in the supply chain network
- A structured and objectively verifiable make-or-buy process
- Security when determining an economically and strategically viable manufacturing depth