

LEADING IN
PRODUCTION
EFFICIENCY



"3, 2, 1, go!" – Ignition for Procurement Excellence at DÜRR SYSTEMS AG

Andre Schommer
Vice President Purchasing
Dürr Systems AG

29th September 2021
Procurement Summit

Dürr Group: 3 global brands leading in its markets

DÜRR GROUP.



Dürr Systems AG



Carl Schenck AG








HOMAG Group AG




Dürr Group: 5 global divisions

Sales 2020: € 3.3 billion, employees 2020: approx. 16,500

Paint and Final Assembly Systems	Application Technology	Clean Technology Systems	Measuring and Process Systems	Woodworking Machinery and Systems
<ul style="list-style-type: none">Paint shopsFinal assembly systemsTesting technologyFilling technologyMedical technology <p>€ 1,174 million</p> <p>4,383</p>	<ul style="list-style-type: none">Paint applicationGluing and seam sealing technologyProducts for industrial painting <p>€ 459 million</p> <p>2,162</p>	<ul style="list-style-type: none">Air pollution controlNoise abatement systemsCoating lines for battery electrodesSystems for solvent recovery <p>€ 386 million</p> <p>1,348</p>	<ul style="list-style-type: none">Balancing technologyFilling Appliances <p>€ 194 million</p> <p>1,407</p>	<ul style="list-style-type: none">Machinery and plants for woodworking <p>€ 1,112 million</p> <p>6,942</p>
				

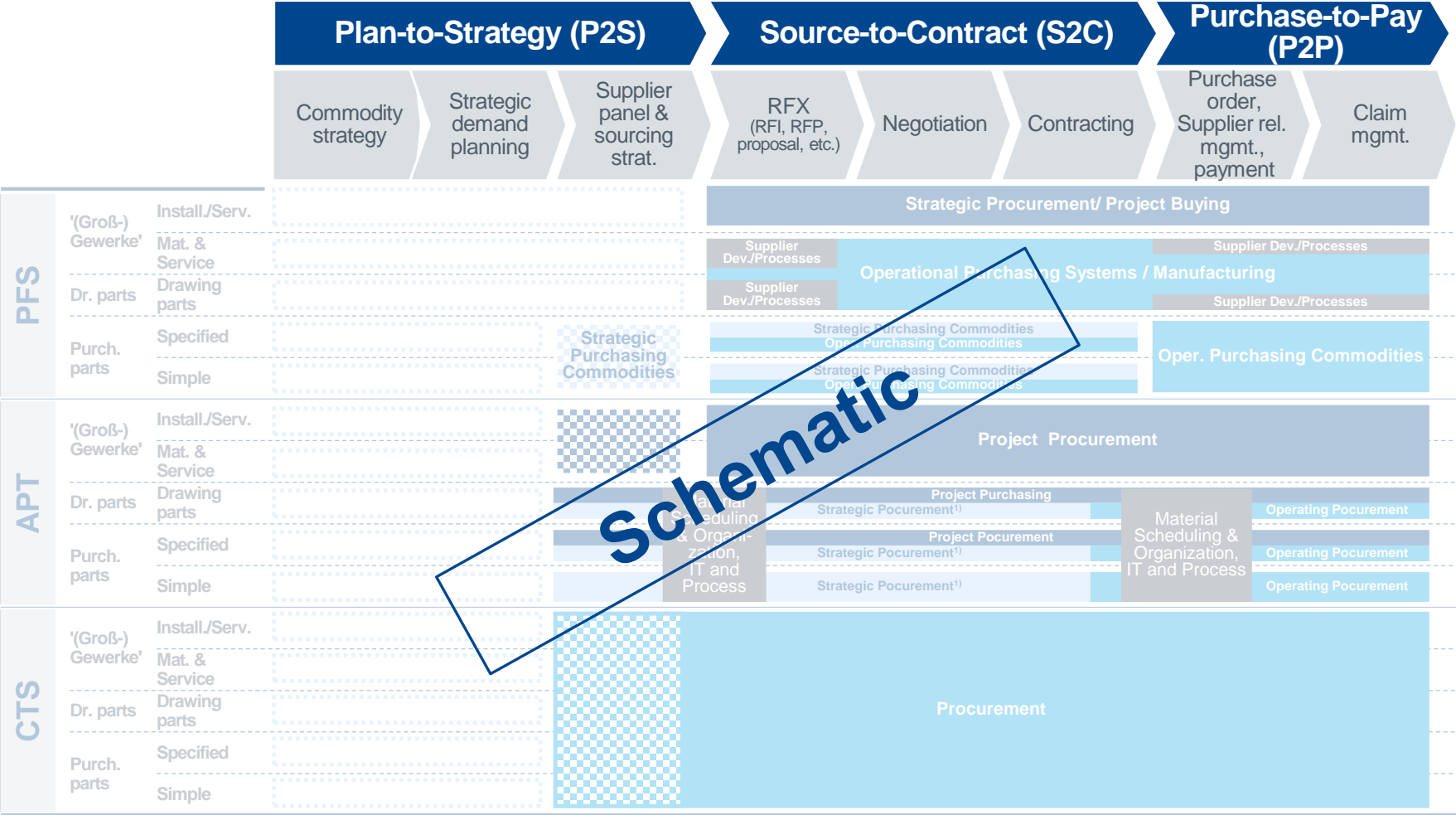
 Employees  Sales

A person wearing a bright yellow hooded raincoat and dark pants is walking away from the camera on a paved road. The road is flanked by wooden posts and leads towards a range of mountains with significant snow cover under a cloudy sky.

**The first step
to solving a
problem is to
recognize
that there is
one**

Procurement process landscapes have historically been set up for each division separately

As-is: Procurement responsibilities across divisions

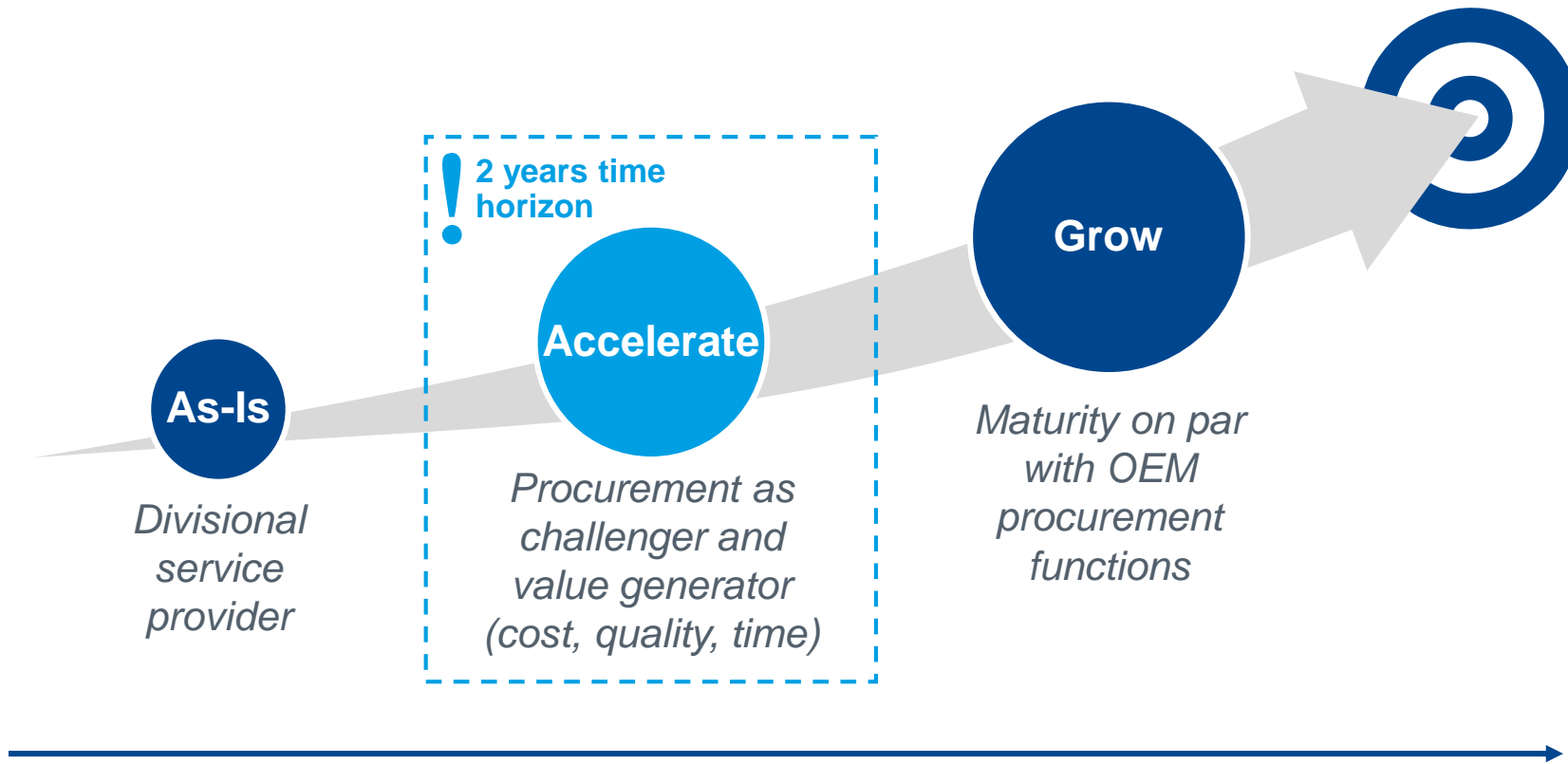


Key Observations:

- A fragmented process landscape and inhomogeneity across P2S, S2C and P2P
- Separate procurement organizations for each division in Germany
- In the regional/ country organizations procurement typically follows a 'zebra' set-up
- The business characteristics of the divisions and therefore the requirements towards direct material are heterogenous

However our long-term ambition is to be on par with the procurement standards of leading OEMs

Vision & ambition level



High Performance Procurement (HPP)

- **Enabler** of corporate strategy
- Procurement recognized as challenger **on-eye-level** in projects
- **Commodity management and project proc.** as value driver
- Highly connected with **internal business partners**, e.g., Engineering, Operations, Sales
- State-of-the-art **processes, methods and tools** systematically leveraged
- Advanced and **efficient procurement-set-up** to increase collaboration

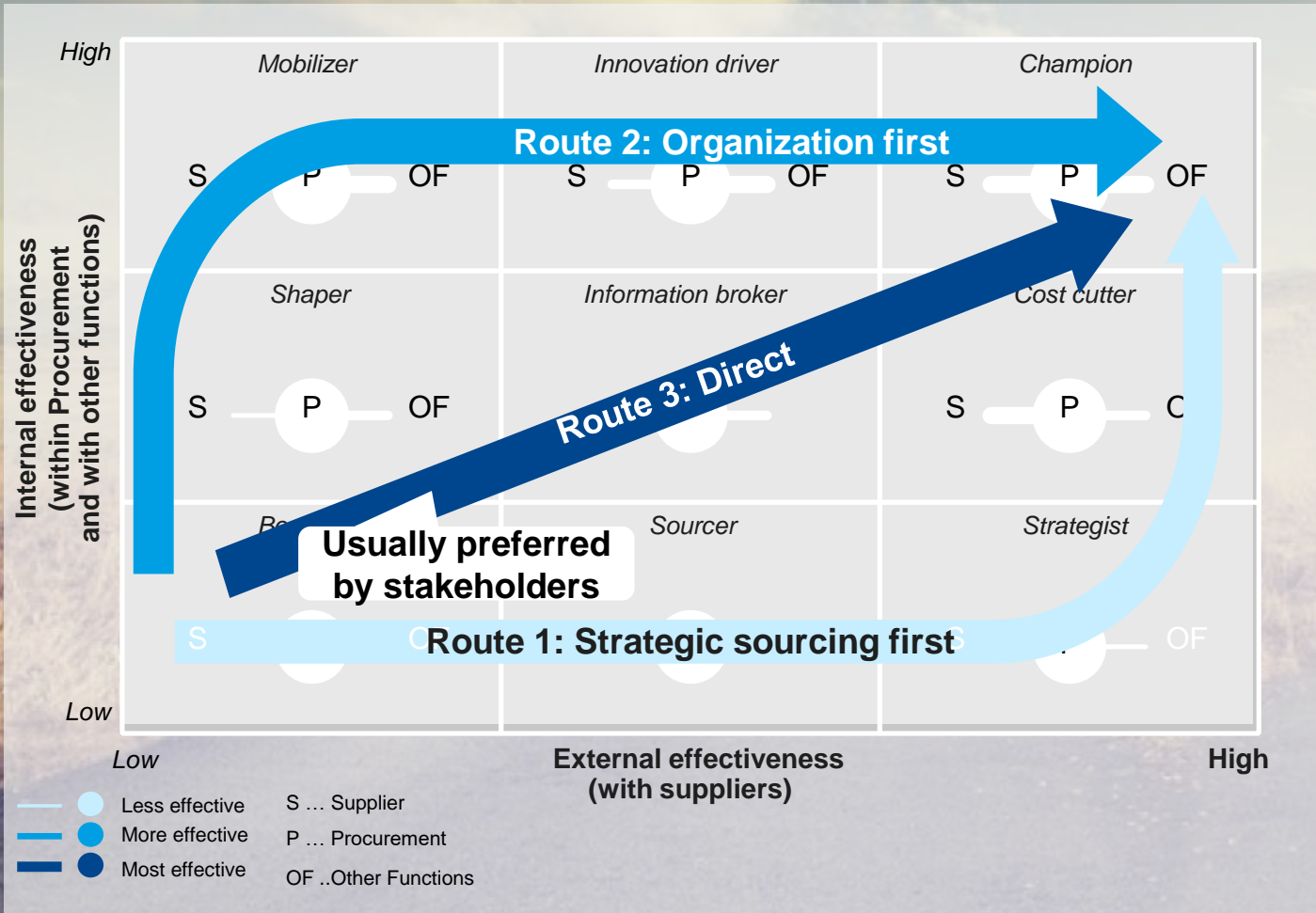


How can I change the organization by addressing the requirements of 2025?

and

How do I get the team excited and engaged for this journey?

Finding the best path for changing the organization – „one fits for all-solutions“ won't work



Why we have chosen Route 1?

We have an excellent product - but are also in a highly competitive market situation.

This required a fast ramp-up with realization of savings in parallel.

Addressing the right targets

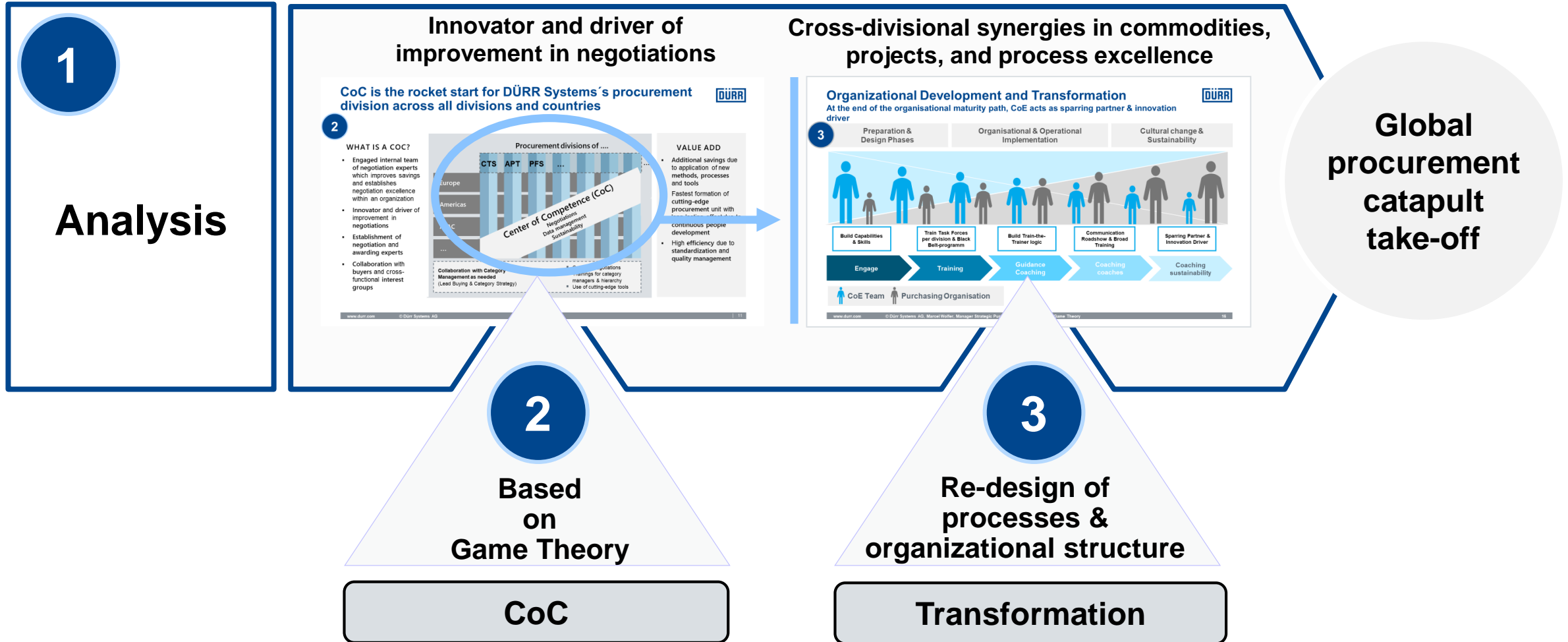


Immediate savings and actions are required

Bring procurement on eye level with internal stakeholders

Extending the skill-set within the procurement-team

After the analysis we gained momentum by establishing our Center of Competence followed by the transformation

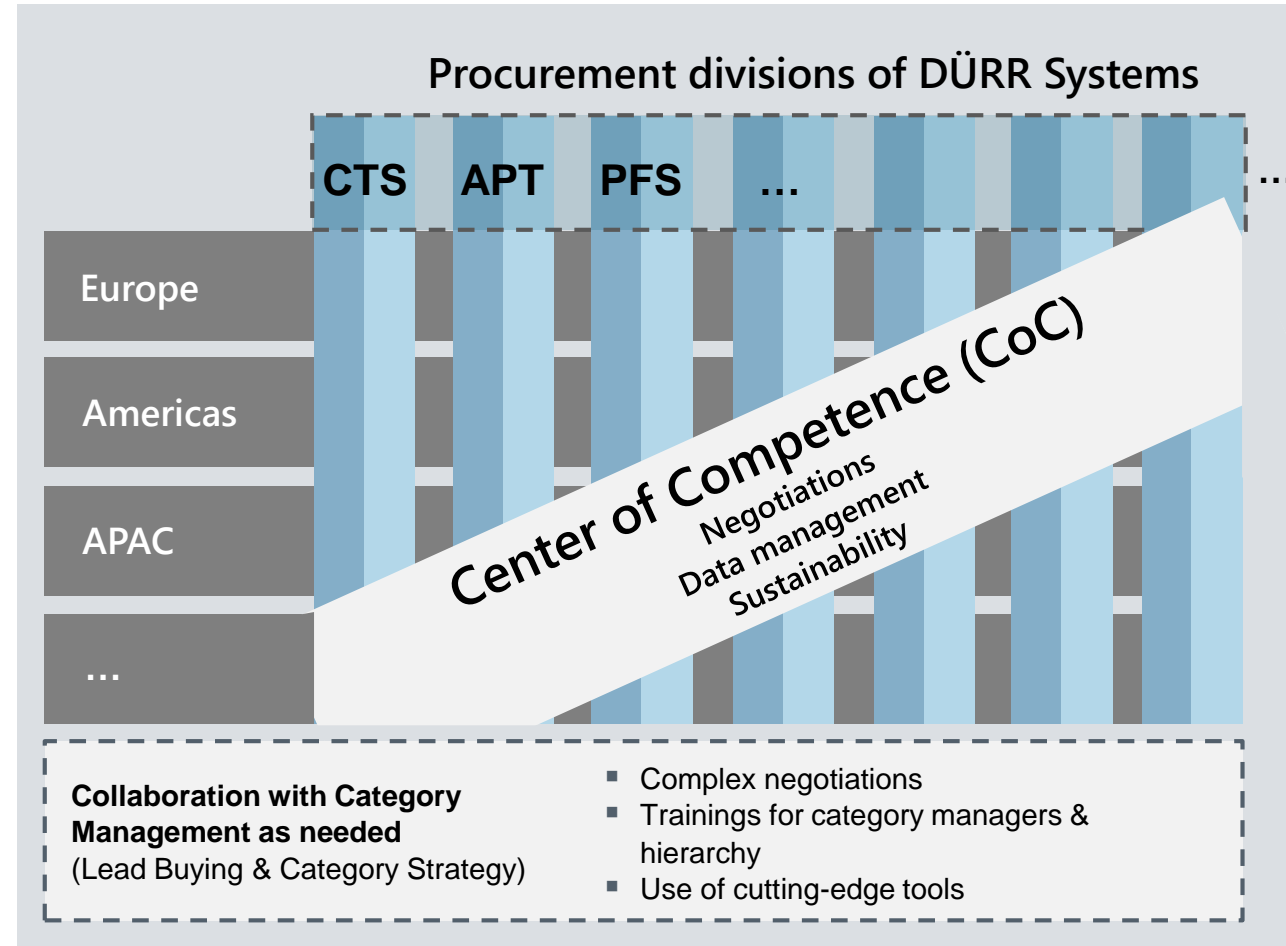


CoC is the ignition for DÜRR Systems' procurement across all divisions and countries

2

WHAT IS A COC?

- **Engaged internal team of negotiation experts** which improves savings and establishes negotiation excellence within an organization
- **Innovator and driver** of improvement in **negotiations**
- **Establishment of negotiation and awarding experts**
- **Collaboration with buyers** and cross-functional **interest groups**



VALUE ADD

- **Additional savings** due to application of new **methods, processes** and **tools**
- Fastest formation of **cutting-edge procurement** unit with long lasting effect due to **continuous people development**
- High **efficiency** due to **standardization** and **quality management**

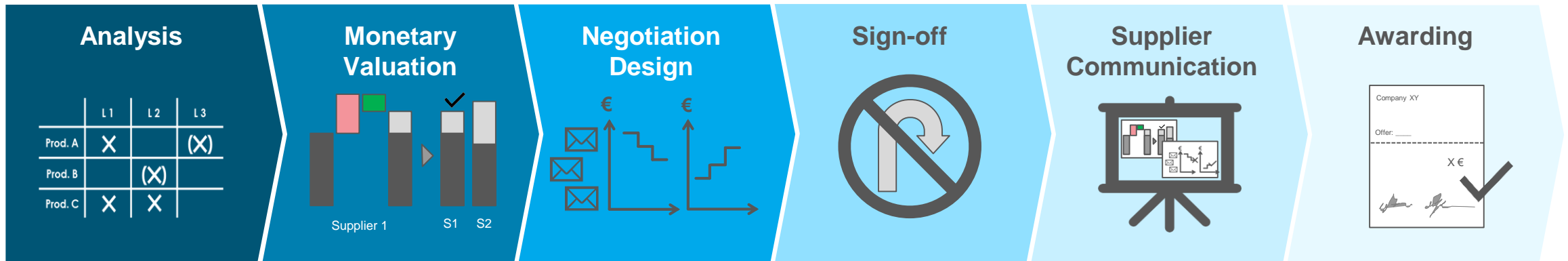
Game Theory guides our CoC towards the optimal negotiation design and maximum results

2

THE CONVENTIONAL



TO THE GAME THEORETICAL NEGOTIATION PROCESS

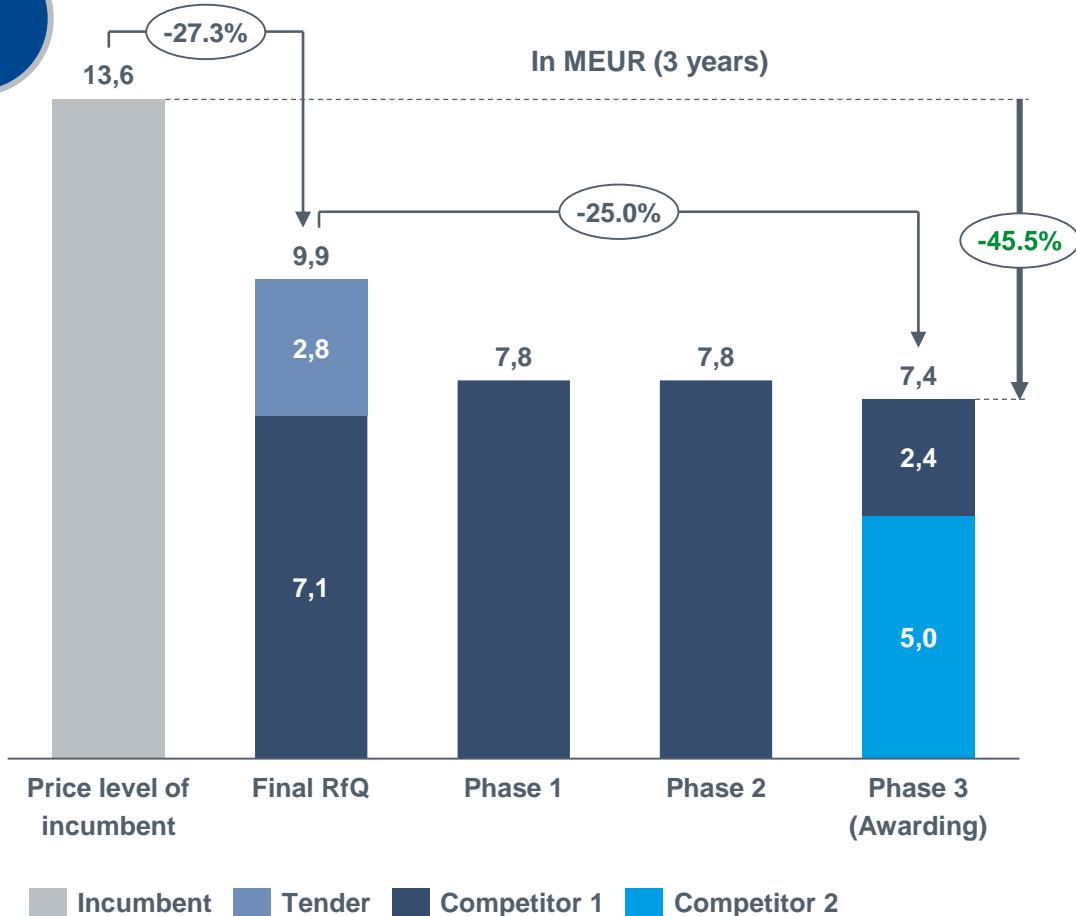


From a game theoretical perspective the situation fundamentally changes by decision-makers committing to a binding, rule-based decision-making mechanism.

Tremendous savings by committed approach realized

2

EXAMPLE



Final RfQ:

- Through structured RfQ and communication of approach, first savings of 27,3% could be realized

Phase 1:

- Competitive pressure and optimal incentives for suppliers by the negotiation design, further improvement by 24% for the 100% share

Phase 2:

- Competitor 1 sends a strong signal into the market by also winning phase 2 for the 30% share. However, no improvement to Phase 1

Phase 3:

- The increased pressure on additional suppliers induces offer updates on the 70% share leading to a dual sourcing strategy which results in 25% savings given final RfQ and overall price reductions of >45%

The committed game theoretic approach has revealed and used all levers to achieve an extraordinary result

Organizational Development and Transformation

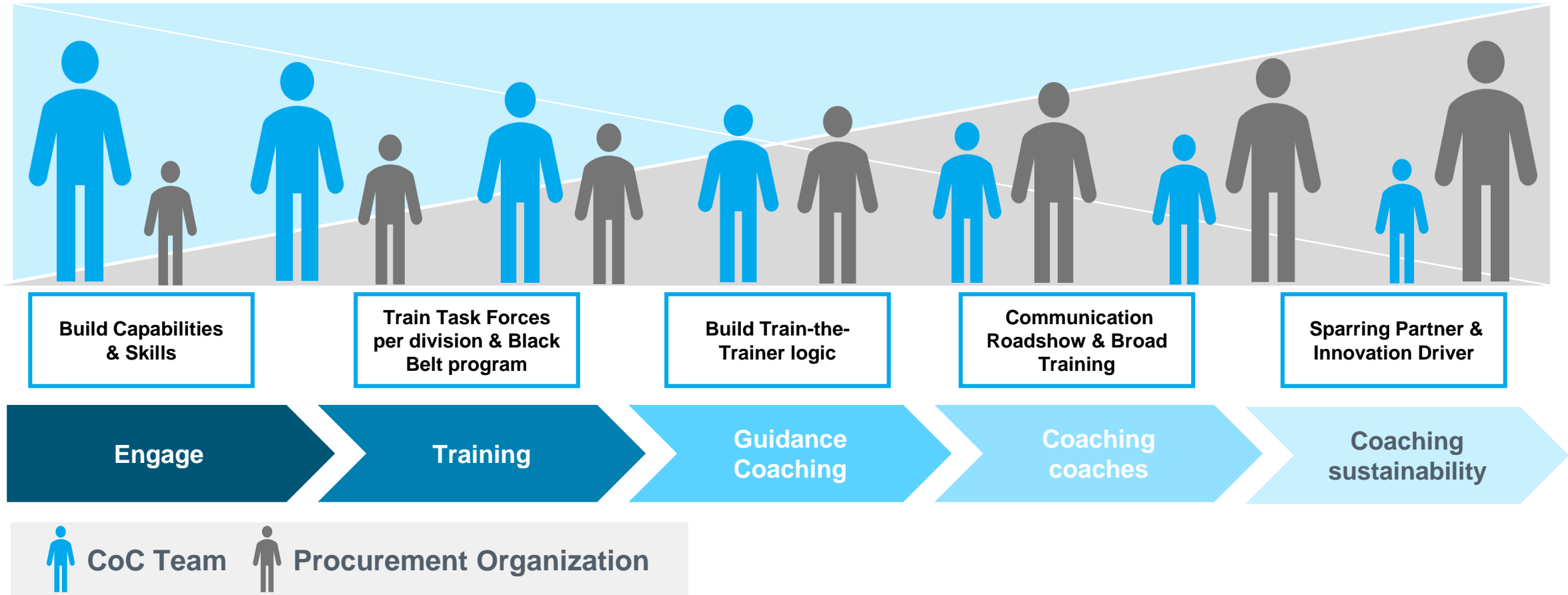
At the end of the maturity path, CoC acts as sparring partner & innovation driver

3

Preparation & Design Phases

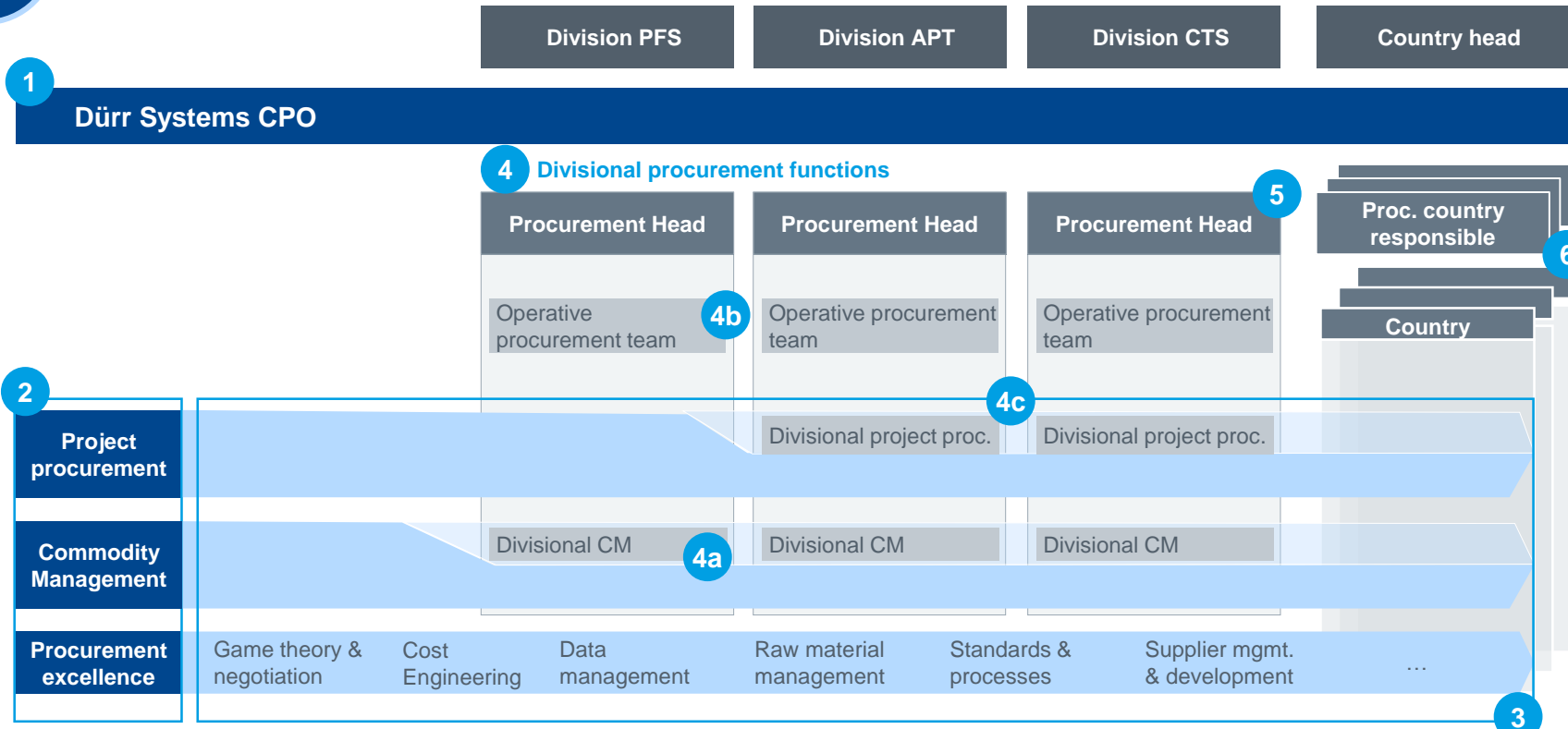
Organisational & Operational Implementation

Cultural change & Sustainability



Structural blue print: Cross-divisional synergies in commodities, projects and process excellence

3



- 1 Cross-divisional steering of procurement function
- 2 Head of cross-divisional commodity management, project procurement and procurement excellence with direct reporting to Dür Systems CPO
- 3 Virtual organization – Team lead and team members can be allocated at any location
- 4 Divisional procurement focused on ...
 - 4a Implementation of cross-div. strategies and management of divisional commodities
 - 4b Operative procurement (e.g., claim management)
 - 4c Division-specific projects (to be defined (if required))
- 5 Division procurement heads
- 6 'Zebra' organizations reporting into CPO – In case of divisional structure within country, country procurement reporting into division procurement heads

We are still moving on!



We just started our journey, but have already reached first milestones:

- **Additional savings > 10% of considered spent**
- **Elevation on eye to eye level with stake holders**
- **Governance defined for challenges ahead (sustainability, raw material mgt., etc.)**

And we are getting closer and closer ...

Let's have a look on
our achievements at
the
Procurement Summit
next year.

Happy to see you
again!

