

Case Study

TEREX Corporation

TEREX Corporation is a diversified global manufacturer with 2004 net sales of approximately \$5 billion, and is now the world's third largest manufacturer of construction equipment. In 2000 TEREX moved into the Compact Equipment category with the acquisition of Fermec, a UK manufacturer of tractor loader backhoes.



In 2001, Fermec (now part of TEREX Compact Equipment) decided to research the possibility of sourcing high quality, lower priced forgings, castings and welded steel components from Central Europe. Components included complete boom and dipper assemblies, front and rear buckets, stabiliser arms, hydraulic and fuel tanks. The Company turned to Alpha for this initial research. A number of potentially suitable suppliers were identified in the Czech Republic.

Alpha was commissioned to follow up on this sourcing research in a number of ways including:

- Evaluating the technical, commercial and managerial competences of suppliers
- Developing a 'target price' negotiating concept
- Supporting Fermec negotiations
- Managing the transfer of tooling and production know-how to suppliers
- Liaising between Fermec Purchasing, Engineering, Production and Suppliers
- Carrying out regular checks on supplier performance
- Providing the translation, interpretation, administration needs of the project
- Managing the logistics requirements

By the spring of 2002 two Czech companies had established dedicated Fermec production lines producing to call off orders from Fermec's Kanban lean manufacturing system. Cost savings targets had been met, and exceeded, across a range of product categories.

Key factors in Fermec's success in this project were the lower labour costs in Czech Republic, and available support from Alpha.

For details of TEREX Compact Equipment and it's parent company TEREX Corporation, see www.terex.com