

Which Is the Best Cost Country?

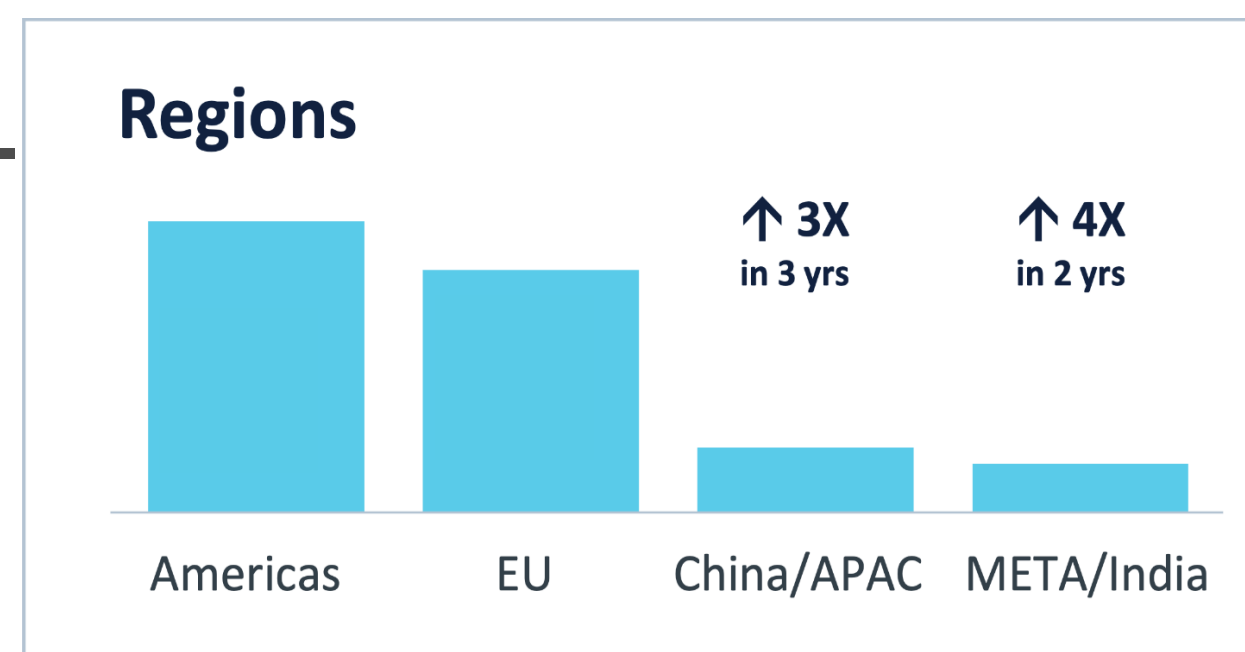
Motivation / Background

GE Gas Power, the world leader in gas power technology that provides gas turbines products and power plant solutions



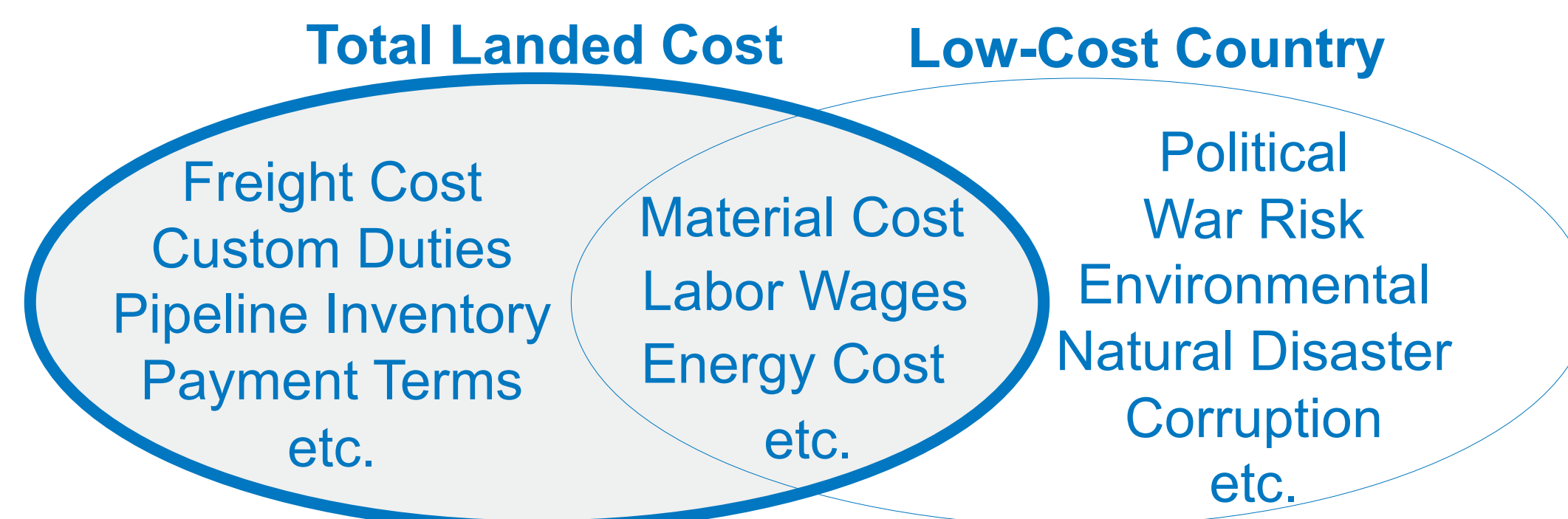
According to GE BCC (Best Cost Country) Team:

- GE Gas Power keeps shifting suppliers to low-cost countries
- Purchase from low-cost countries tripled lately
- Majority of commodities still from Americas/EU



Research Question

A Total Landed Cost Model to suggest which country should GE source a commodity from



Relevant Literature

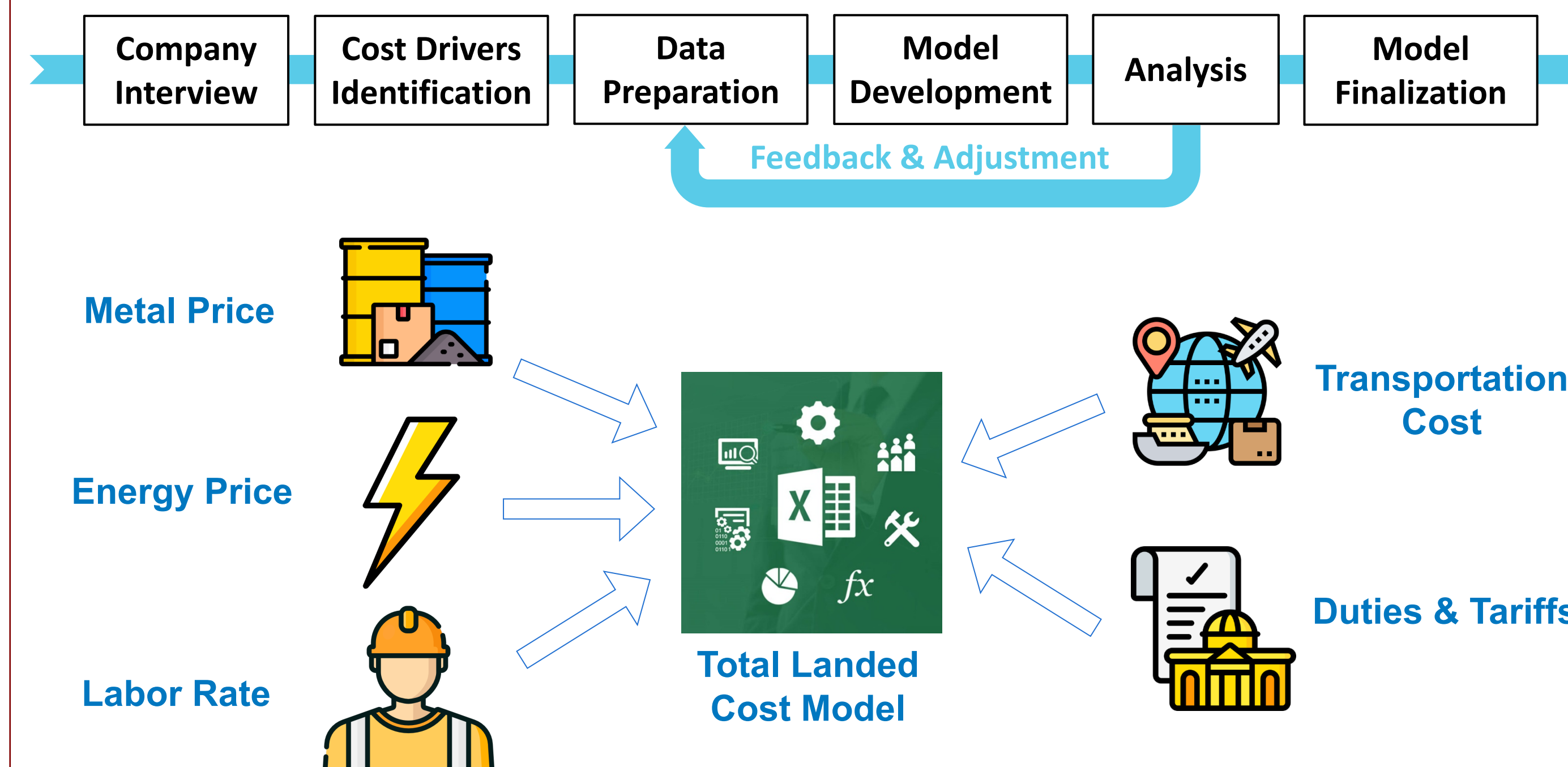
- Feller, B. (2008). Development of A Total Landed Cost and Risk Analysis Model for Global Strategic Sourcing.
- Vu, T.T.M. and More, P.R. (2017). Identifying the Best-Cost Countries for Sourcing SKF's Direct Materials. Chalmers University of Technology.

GE: Hey Siri, tell me **Where to Source from?**
 Siri: There's a Capstone Project from MIT SCM...



Methodology

How do various dependencies and data sources feed in Total Landed Cost?



Insights



- For the sample commodity, TLC model suggested countries (1st: Bosnia and Herzegovina) with cost difference of up to 18%
- TLC is sensitive to changes in transportation and energy costs
- Procurement professionals need to monitor oil price as it impacts transportation and metal prices

Contributions

- A model to conclude the best-cost country to source depending on different procurement parameters
- Identification of sensitive cost drivers that needs GE to focus on monitoring and contingency planning
- Automation that synchronizes inputs with public data sources like country labor rates, metal prices, etc.

Sohaib Chaudhry



Kun-Zhe (Jerry) Lee

