

Alstom Operations and Cost Reduction Improvements



Alstom are a renowned global manufacturer of trains who acquired Bombardier Transportation globally. Alstom is the UK & Ireland's leading supplier of new trains, train services, and signaling equipment. The Derby rolling stock facility is currently producing the Avenra class train for several British train operators.

OVERVIEW

€3.3b | Annual Spend

85 | UK Suppliers

6 | Avenra Orders

£100m | Programme cost reduction

22 | Commodities

150+ | Stakeholders

20% | Material Availability Increase

THE CHALLENGE

Alstom (previously Bombardier Transportation) had won six major bids to supply new trains, based on its successful Avenra platform, within the space of just three years. The orders were for the delivery of 2,660 cars (carriages) between 2017 and 2022.

While this was obviously good news, the business recognised that in order to meet some incredibly challenging delivery targets, it needed to achieve tough material availability targets and ensure sufficient supplies were available to keep production moving. Vendigital was invited to support the business to meet these targets, while also reviewing the structure and improving the capability of the onsite procurement & supply chain (P&SC) team.

Adding another layer to the challenge, Vendigital was also tasked with identifying and recommending cost reductions to support the delivery of targets set by the Group's Cost on Track programme.

THE SOLUTION

A four-phase plan was implemented across all five projects on the Avenra platform:

- i.** Review of Procurement & Supply Chain functional structure and capability, and implementation plan to re-organise, restructure and realign the team around shared objectives. This included physically relocating teams, improving visual reporting and recruiting new talent.
- ii.** Immediate managed objectives were introduced and aligned with the company's priorities to address the issue of material availability and improvement of operational KPIs.
- iii.** Support for the delivery of 'Cost on Track' savings targets - Vendigital provided at elbow support to onsite engineers, procurement, and services to review and prioritise over 100 individual cost reduction opportunities. Priority opportunities were then implemented, delivering design-to-cost, strategic sourcing and claims efficiencies.



Working with Vendigital to deliver this complex, multi-layered cost reduction and change project was a positive experience, despite the incredibly challenging circumstances. We shared the same vision of the structural changes we needed to make and Vendigital's team of consultants worked with our onsite teams to get the job done. As well as exceeding our original cost reduction targets, Vendigital has helped to bake in ways of working and learnings that will continue to deliver value in the future.

Miles Hatton, Head of UK Procurement and Supply Chain at Alstom UK



With such a daunting task, it was critical that we worked closely with the Alstom leadership we were able to respond to the changing needs of the programme. I am immensely proud of the Vendigital team who worked tirelessly to deliver as a combined team such significant improvements and bottom line savings. This was crucial as commercially we put skin in the game, finding innovative ways to link our fees to the outcomes delivered.

Phil Bulman, Partner, Transport & Infrastructure at Vendigital

THE SOLUTION (CONTINUED)

iv. Vendigital worked with the Head of Procurement to enhance the capability of the P&SC function. This included the delivery of a new strategic sourcing process, 28 teaching sessions and a week-long buyer bootcamp for senior buyers to hone their skills.

THE RESULTS

The P&SC function was transformed, with improved efficiency, communication and accountability. A full suite of 20 KPIs (covering quality, delivery and cost) and reporting tools were implemented to improve the P&SC function's accountability and visibility within the business. By June 2020 material availability had increased by 20% and it continued to improve. Production rates across the five programmes also increased significantly to 96%.

The cost reduction opportunities identified and implemented by Vendigital and the new P&SC function, in support of the company's Cost on Track programme, represented almost £60m of the programme's overall £100m target. Vendigital also supported the business in applying a design-to-cost strategy, which resulted in significant savings of >£10m. Learnings were shared with the onsite team, helping to bake in improved ways of working.

The capability workstream enabled the transitioning of key Vendigital roles in operations, cost reduction and 'design-to-cost', and has enabled the P&SC function to continue the performance improvement journey beyond the term of Vendigital's support.

Overall, this was a complex, multi-layered project that brought out the best in Vendigital's team of engineers and consultants and succeeded in delivering over and above the objectives set by the company. A senior client contact described Vendigital as the 'glue' that supported the business in delivering its 2020 cost reduction target, setting it up for success in 2021.

Cost on Track Programme Savings (£m)

