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The View from C-Level

The integration of the quote management process was well underway in 2003, with many product lifecycle management (PLM) and enterprise resource planning (ERP) software companies developing templates and solution platforms to address this key process. However, since that time fragmentation has occurred in several industries with the failure of business-to-business (B2B) exchanges to live up to expectations (like e2Open in the high tech industry and Covisint in the automotive industry). This, compounded with increased compliance issues, create new challenges in the next chapter of quote management.

As reported in 2003, the ability to respond to a request for quote is not a new problem. What is peculiar about this problem set is not the problem itself but how little attention corporate executives give this very important customer interaction. In many companies, various groups develop data across different departments and then summarize this information to create the bid response. This process in many ways has changed little since Mr. Cleaver and his colleagues responded to business opportunities in the late 1950s. Today, instead of paper, historical product and financial data are found in spreadsheets and computer-aided design (CAD) systems, all maintained by different departments, people and processes. (continued)

Not to be Misquoted

When we first covered the issue of quote management in 2003, the topic was certainly known but far from the forefront of attention of manufacturing executives. In fact, during that time, we likened bid response teams in the automotive industry to the fictional *Harry Potter* character, an unknown hero forced to live under the stairs. Out of site and out of mind, occasionally dealt with when needed.



Just like watching the movie cast of the *Harry Potter* movies grow over the years, so has the concept of quote management grown. Now this topic is top-of-mind, evolving to a point where few companies, eager to realize productivity and efficiency gains, can ignore.

I recently participated in a briefing with Saphran Solutions (www.saphran.com) and CSM, a well-known industry forecasting and strategic advisory firm. The combination of easy-to-use software with streaming industry program data makes forecasting a snap. Such integrated systems and planning environments are only wished for in high tech and consumer products industries where the only information source for value chain suppliers comes from the OEM customer.

As always I hope you find this information helpful and insightful. **MTM**

Reference

Mr. Newman is a member of the adjunct faculty for the University of Michigan Graduate School of Management, lecturing in marketing policy and product development. For more information on the program, click on the block M symbol or [here](#).



View from C-Level

The "View from C-Level" is a technology and management article published ten times annually concerning manufacturing industry, process, and organization topics for today's leading executives, directors, and global program managers.

About the Author

William D. ("Bill") Newman, CMC, ASQ, has over 20 years of experience in the development and management of strategy, process, and technology solutions for world-class manufacturing organizations such as Boeing, General Motors, Volkswagen, Northrop Grumman, Honeywell, and Intel. Mr. Newman holds a BS Aerospace Engineering with a minor in Economics from UCLA and a MBA from the Conrad Hilton School of Business from Loyola Marymount University in Los Angeles in management and international business. He was awarded the Certified Management Consultant (CMC) designation in 1995 and qualified as a process instructor from the American Society of Quality (ASQ) in 2000.

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C-Level (continued)

The Center for Automotive Research (CAR, www.cargroup.org) found in a 2005 white paper that the quote management process can yield huge discrepancies in the success rate for automotive suppliers based on their size and form of acquisition. Success rates for quoting on new business averaged 28% during the study, with success rates for quoting on Engineering Change Notices (ECNs) averaged as high as 80%. With the average cost of request for quote (RFQ) response



ranging from \$US 20,000 to \$US 60,000 based on direct and indirect costs, the chief areas of concern cited in the study are based on the inability for suppliers to have

transparency of necessary and accurate information throughout the company and the dedication of timely and qualified resources available to assemble the response based on that information. For a small company without the infrastructure or dedicated staff to pull off such velocity of quote response, the investment to secure new business could easily near \$US 1 million per year with a low average success capture of business of only \$US 600,000. This creates a potential negative cost of sales scenario.

While these results are hardly cheery, compliance issues compound this phenomenon. Often suppliers, based on the need to streamline the quote management process and to thread needed information through the product development cycle, combine quote management with Advanced Product Quality Planning (APQP), product launch, and other compliance activities in support of TREAD or Early Warning Systems (EWS). One alloy steel bearing manufacturer found benefit from information flow to bring together both ERP and PLM environments to form a multi-process information flow across many compliance areas.

This "broad bang" approach ensured data accuracy, continuity of information, and other benefits. What it has failed to achieve to date is a consistent understanding of the basic statistics of the quote management process (win/loss ratios, cost of sales, dedication efficiencies of response team members). But in today's compliance rich business environments, this information – what sales and marketing folks need to do their job – is considered a luxury.

Recent work by several market intelligence companies seek to add content to the quote management and profit planning processes. This approach has been taken before by other firms, but not with the same rigor that recent solutions have demonstrated. This could be the magical power that value chain planners have been looking for all of these years. C-L