

## **bdp Mechanical Components Deutschland GmbH**

*German quality standard and global sourcing*



### **Newsletter May 2022: Case Study - An example of project development during the pandemic**



We are ISO 9001:2015 certified, many of our producers are also IATF 16949 certified.

Since 2020, the whole world has been affected by COVID-19. Companies in the global supply chain are confronted with unknown challenges; among other things, costs for many types of metals have increased enormously, and no relief is yet visible in overseas transportation costs. Moreover, the exchange rate, e.g., EUR/CNY or EUR/USD, is unfavorable.

In terms of medical technology, more and more vaccines, medicine, etc., are being developed, manufactured, and distributed worldwide. In addition, the greatly expanded online and delivery services make daily life easier. Also, to continue to maintain international trade and multilateralism, there are a variety of approaches by companies and institutions from different industries. Regardless of the political and macro-economic processes, bdp Mechanical Components (bdp MC) presents an industry approach with a case study from practice:

The project in this case study involves five components of a hand winch. The material is cast iron. The parts weigh between 0.4 and 2.5 kg. They are to be cast, machined, and a prime coat needs to be applied. The average annual demand of the customer is 500 winches. We received the request in June 2020. It is the first project with the customer. In this article, our approaches are shown in the following aspects:

1. Offer and initial negotiations
2. Sample approval
3. Serial production.

### **1. Offer and initial negotiations**

After receiving the customer's inquiry, we contacted several producers in Eastern Europe and China who have experience with similar components. Our sourcing and/or purchasing colleagues are directly located in the sourcing countries, so good communication with our producers is ensured. This international setup as well as our network are exceptionally critical to us since, as a one-stop supplier, we offer a competitive price and be an extension of the customer's purchasing, quality, engineering, and logistics departments. Our employees in the purchasing, technology and quality departments in the respective procurement countries can coordinate with the producers in the same language and on-site on topics relating to price, technical requirements, throughput times, etc.

After comparing the supplier offers, the offer from a Chinese supplier proved to be the most suitable. The foundry, which has its own machining and finishing plants, can produce a high variety of different products, each in relatively small quantities. Usually, most producers in China prefer large batch sizes with about two tons per delivery and continuous deliveries per year. This producer had no further questions about the dimensions or the requirements in the drawings. After consulting with the producer, we proposed tolerance classes according to ISO 8062 and ISO 2768 because the drawings did not contain any guidelines on casting and machining tolerance. We submitted those together with the quotation to the customer. The customer found our offer competitive. The proposed tolerance classes were agreed on. Due to the pandemic, communication mainly was by mail and phone calls, which went smoothly. To go

into more detail about the offer and discuss the start of the cooperation, we also organized a personal meeting with the customer. After the visit and other mutual agreements, it was possible to agree on, among other things, one-off costs and terms of payment, which paved the way for the start of production.

## **2. Sample approval**

This phase started with a project kick-off meeting between bdp MC and the producer on-site. Such a face-to-face meeting is essential mainly because of the following aspects:

- Go through drawings in detail to identify possible risks in production;
- To concretize the production plan for patterns, samples, and series to make a reliable forecast;
- At the time of the nomination in 2020, it was not yet necessary, but since last year the material and transport costs have risen enormously. Since the end of 2021, the exchange rate has become less favorable, so a price review is currently necessary for each order to avoid losses on the project. Of course, this must be agreed on in advance with customers and requires continuous coordination as long as these challenges still exist.

The main challenge in this project is that the product is quite old. Therefore, the product data has not been digitized. Typically, it is optimal to summarize all ambiguities with the producer and clarify them with the customer at once. In reality, though, this project included several rounds of clarifications. When we get closer to production, we can uncover more production-specific issues that we could not discover before. This customer understood our queries because he knew that the product data in this project was not concrete enough. We have created 3D models and provided them to the producer free of charge, which increased the customer's confidence in us.

The customer was satisfied with our initial samples. All dimensions specified in the drawings were observed; a few points needed to be optimized to enable the components to interact more smoothly after assembly. These aspects could only be identified with production experience and after consultation with the customer; they were not directly apparent from the drawings. Our sales team in Germany revisited the customer on-site to better understand the situation and confirm the project's continuation. Communicating directly with customers and producers in their native languages makes the project management process very efficient. After the producer was able to identify the root causes, these defects were corrected through pattern optimization and machining adjustments.

Starting a project is not easy, especially when the customer cannot be with the producer in person. We are aware of this fact and our role as a one-stop supplier. Therefore, having professional employees on-site at the customer and producer is an essential prerequisite for us, which we attach great importance to. This is the only way that product data can be optimally specified step by step, physical samples can be produced accordingly, and mutual trust can be built up over the long term.

### **3. Serial production**

The serial production started in 2021. The biggest challenge was that the impact of fluctuations in material costs, transport costs, and the exchange rate began to show their effects. Thus, we had to increase prices and adjust them for each delivery to cover the effects of the fluctuations.

No customer in the world accepts price increases outright. Several negotiations and compromises between the customer, bdp MC, and producer, from the end of 2021 until the beginning of January 2022, were necessary until all parties accepted a solution. As a sign of goodwill, the producer gave a discount on material costs because more projects should follow from this customer. The transport costs were shared between the customer and us. The price for each delivery is still adjusted individually concerning the exchange rate because the fluctuations continue to be unpredictable.

### **Outlook**

Project management is not easy. The pandemic brings even more challenges. For this case study's fairly straightforward project, almost two years were needed. However, it is possible with enough dedication, ambition, and patience. With our competent colleagues and through international networking, we can contribute to the success of global supply chains. We support our customers efficiently and sustainably in finding suitable procurement options and handling international projects successfully.

**Text**



**Xiuguo Dong**  
**Senior Technical Sales, bdp Mechanical Components Germany**

Mr. Dong (Master of Industrial Engineering, TU Kaiserslautern) grew up in Beijing and has lived in Germany now for more than 20 years. At bdp Mechanical Components, his focus is on technical analyses, offers, sales, and project management.

### **About bdp Mechanical Components**

Founded in 1982, today's bdp Mechanical Components is headquartered in Berlin and has 14 other offices in Germany, China, Poland, Spain, Bulgaria, and Switzerland. bdp Mechanical Components is a specialized provider in the field of international sourcing of castings and forgings for customers who do not have a detailed overview of the most suitable suppliers for their products, especially in Asia (China), Turkey and Eastern Europe. And of course, also for customers who cannot accompany corresponding project start-ups closely on site with the suppliers and monitor the ongoing production.

For more professional advice, please follow us on WeChat: public number bdp-Group-1992, or scan the QR code below to follow us.



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### **Headquarter**

Berlin  
bdp Mechanical Components Deutschland GmbH  
Danziger Straße 64  
10435 Berlin  
Postal code: 10435  
Tel.: +49 (0) 30 4433 610  
Fax: +49 (0) 30 4433 6154  
info@bdp-mc.com  
www.bdp-mc.com

**Sourcing center**

## Shanghai

bdp Mechanical Components (Shanghai) Co., Ltd.

Room 759, Building 3, German Center, No. 88 Keyuan Rd. Pudong, Shanghai, China

Postal code: 201203

Tel.: +86 (0) 21 6878 0138

Fax: +86 (0) 21 6878 2638

info@bdp-mc.com

www.bdp-mc.com

## Qingdao

bdp Mechanical Components (Shanghai) Co., Ltd., Qingdao Büro

Room 27A, 27th Floor, Building C. JINDU Garden. No.37 Donghai West Road, Qingdao, China

Postal code: 266071

Tel.: 86 (0) 532 - 6675 9663

info@bdp-mc.com

www.bdp-mc.com

## Tianjin

bdp Mechanical Components (Shanghai) Co., Ltd., Tianjin Büro

Room K, 20th Floor, Teda Building No. 256 Jiefang South Road, Hexi District, Tianjin, China

Postal code: 300042

Tel.: +86 (0) 22 – 5995 9243

Fax: +86 (0) 22 – 5995 9243 805

info@bdp-mc.com

www.bdp-mc.com

## Warsaw

bdp Mechanical Components Warsaw

Ul. Klarysewska 50

02-926 Warszawa

Tel: +48 (0) 513 0305 06

info@bdp-mc.com

www.bdp-mc.com

## Sofia

bdp Mechanical Components Bulgaria

Bratja Miladinovi Str. 16, Etage 2, Büro 3

1301 Sofia, Bulgaria

Tel: +35988 7318 134

info@bdp-mc.com

www.bdp-mc.com

### **Sales team**

Hamburg

bdp Mechanical Components Hamburg

Haus am Hafen, Steinhöft 5-7

20459 Hamburg

Tel: +49 (0) 40 3099 360

Fax: +49 (0) 40 3099 3660

info@bdp-mc.com

www.bdp-mc.com

Frankfurt

bdp Mechanical Components Frankfurt

Frankfurter Landstraße 2-4

61440 Oberursel

Tel: +49 (0) 6171 5868 805

info@bdp-mc.com

www.bdp-mc.com

Marbella

Mechanical Components España bdp, S.L.

Urb. Marbella Hill Village, Casa 6 Sur

29602 Marbella/Málaga, España

Tel: +34 (0) 952 7663 00/01

Fax: +34 (0) 952 7663 02

info@bdp-mc.com

www.bdp-mc.com

Zürich

bdp Mechanical Components Switzerland

Stockerstraße 41

CH-8002 Zürich

Tel: +41 (0) 58 4007 070

info@bdp-mc.com

www.bdp-mc.com