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Siemens to bundle and focus procurement more intensively

CEO Löscher: "We intend to improve long-term cooperation with our suppliers"

Siemens has launched a new supply chain management initiative to significantly improve the efficiency of its cooperation with suppliers. "We've been forcefully driving the company's transformation in order to make Siemens fit for the future. Customers are already seeing the benefits. Now, we intend to improve long-term cooperation with our suppliers," said Peter Löscher, Siemens President and CEO. As Barbara Kux, head of Supply Chain Management and member of Siemens' Managing Board, explained, "The internal targets set by our supply chain management initiative are ambitious. But our approach is different from that of our competitors. Our purchasing managers will be measured against the savings targets – this doesn't have to take place in public. In price poker, you don't want anyone to see your cards."

The main aim of the Siemens supply chain management initiative is to safeguard profitability. The company intends to bundle and focus procurement more intensively in the future in order to obtain lower prices through bulk purchasing. By 2010, Siemens' approximately 4,000 purchasing managers are expected to have negotiated conditions on a cross-Sector basis for products and services with a value of some €19 billion. This target volume corresponds to an increase of 60 percent in comparison to fiscal 2008. In the medium term, Siemens also intends to reduce the total number of its suppliers by 20 percent and intensify cooperation with its key suppliers.

"We want to sit at the table with the best players in the market. The best suppliers also have the best sub-suppliers. An international network of this kind is indispensable," said Barbara Kux. In addition, Siemens wants to procure more products in target markets that are generating high growth and in which the company already has a high level of production knowhow. The aim is to develop local value chains encompassing procurement, development, production and service and to increase the share of global value sourcing in emerging countries in the medium term from the current level of 20 percent to over 25 percent in order to achieve a better balance between revenue

volume and procurement volume. To date, Siemens has defined more than 1,000 measures for improving its supply chain. These measures will be implemented by 2010.

In fiscal 2008, Siemens' procurement volume totaled roughly €40 billion. Production material purchased decentrally by the three Siemens Sectors Energy, Industry and Healthcare accounted for about €21.2 billion of this amount. Production material that was negotiated and procured on a cross-Sector basis accounted for some €6.8 billion. These materials include, for example, steel and steel components. Roughly €12 billion went for materials and services – such as office supplies, power supplies, travel services, PCs and software – that were only indirectly connected with production.

Siemens AG (Berlin and Munich) is a global powerhouse in electronics and electrical engineering, operating in the industry, energy and healthcare sectors. The company has around 430,000 employees (in continuing operations) working to develop and manufacture products, design and install complex systems and projects, and tailor a wide range of solutions for individual requirements. For over 160 years, Siemens has stood for technical achievements, innovation, quality, reliability and internationality. In fiscal 2008, Siemens had revenue of €77.3 billion and a net income of €5.9 billion (IFRS). Further information is available on the Internet at: www.siemens.com.

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