

Supply Chain Management



Rolls-Royce operates a global purchasing organisation with a Supply Chain total spend exceeding £4.7 billion.

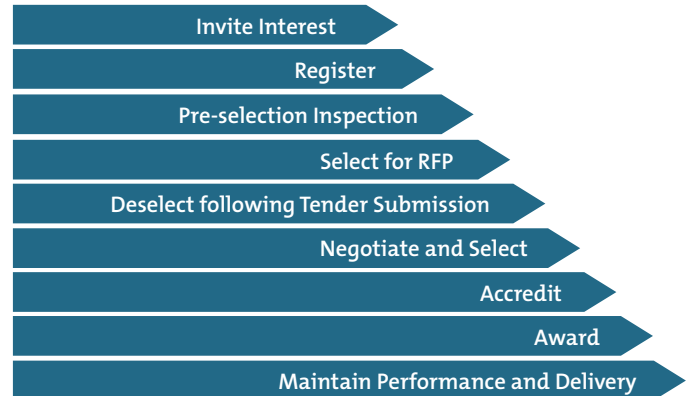
Rolls-Royce has 950 purchasing employees globally and employs 18,000 active suppliers, across a large and growing number of products and parts. This supports a diverse business purchasing portfolio embracing technology development components for manufacturing, direct finished for both MRP and project-based activities.

Purchasing is at the centre of external supply chain management in a complex international environment and is responsible for the selection and management of suppliers whilst meeting our customers' strategic requirements in quality, cost and delivery. Rolls-Royce has purchasing employees in over ten countries across Europe, Asia and North America.

Training and development is a key part of our business with 80 per cent of our employees trained to a graduate level or above, with many holding the industry accreditation of Chartered Institute of Purchasing and Supply (CIPS).

Specifically, within the Nuclear sector, Rolls-Royce has over 50 years experience in establishing, developing, maintaining and managing supply chains to support nuclear component manufacture, technology development including specialist product design applications for the UK's defence and turnkey infrastructure project-programmes.

Rolls-Royce supply chain process



Supply Chain Management

Applications:

Utilising and building upon existing resources Rolls-Royce manages an external supply chain for nuclear components. We have proven capability in:

- Optimised Supply Chain Design, Planning and Control
- Supplier Engagement, Development and Maintenance
- Strategic Sourcing
- Supply Chain Relationships
- Purchase Execution and Logistics Management
- Quality Management
- Total Cost Management
- Total Life-Cycle Management

Rolls-Royce supply chain management skills consistently deliver both on-time and high quality products to a diverse Customer base. Customer benefits include affordable unit cost supply against a background of reduced total acquisition and risk costs, driven by:

- Inventory management (storage, handling, transport, insurance, cost of damages)
- Working capital outlay
- Overheads (building, maintenance, running costs, travel costs)
- Qualified and trained Supply Chain professionals – with proven product and industry sector knowledge
- Contract negotiations (time and costs)
- Lines and breadth of communication
- Security of Intellectual Property Rights
- Focused supplier management and relationship building skills for consistent achievement of predictable on-time performance.

Tools/Equipment/Software:

Rolls-Royce has embedded an executive enterprise resource planning tool and continually invests in modern IT solutions in support of supply chain management functions. We employ web enabled sourcing software through our preferred service provider 'EXOSTAR' including the use for e-auctions and electronic request for quotes/proposal. Examples of tools adopted and implemented by Rolls-Royce include:

- Strategic Sourcing Toolset (ARIBA – Synthesis) – an on-line system facilitating the creation of commodity and supplier strategies, contract creation and negotiation (clause libraries), supplier performance management and supply chain spend analysis.

- Raw Material Planning/Supply Chain Mapping (INFOR) – an integrated software package which maps the sub tier supply chain providing demand signal visibility, risk and utilisation analysis, demand simulation and key points of failure analysis.
- An accessible web-based 'Global Supplier Portal' which enables rapid information interactions and provide valuable Supply Chain quality and performance data.

Experience/References:

In managing a global supply chain, Rolls-Royce fully utilises its resources, processes and structures, offering significant benefits to its customers.

The following table summarises the key benefits Rolls-Royce offers its customers by managing the supply chain.

Reduction of Risk due to Rolls-Royce...	Cost Opportunities due to Rolls-Royce...
Robust supply chain strategies	Providing access to new supply chains and capacity without extensive start up costs
Developed supply chain design and programme management world-class expertise	Leverage of known supply chains to establish competitive prices
In supply chain logistics management	Global objective to achieve world-class standard of staff to spend ratio of 48 FTE/\$bn
Active nuclear supply chain management programme	Reduction of interfaces (and communication complexity) by operating single point of contact
Reduce complexity by operating single point of contact	No duplication of roles
Quality resources embedded within the nuclear supply chain	Embedded total cost of acquisition models. Supplier evaluations beyond 'price'
Nuclear qualified resources throughout the purchasing life-cycle	Established elemental hedging deals that enables price viability/stability
Embedded risk management culture	Consolidated volume leading to real leverage opportunities
Developing suppliers through a robust evaluation tool that promotes continuous improvement	Innovative design to improve performance whilst reducing to total life-cycle costs

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