



Cost Management Partnership Program

This publication has been developed to assist MSA (Potential) Suppliers in understanding the MSA Cost Management Partnership Program (CMPP) and to provide examples and suggest ideas for CMPP Proposals.

MSA encourages all Suppliers to continually search for cost savings. It is a means by which Suppliers remain competitive and ensure the future growth of their business with MSA.

The CMPP is a process used by MSA and MSA's Suppliers to achieve cost reductions to increase MSA's and MSA's Suppliers competitiveness.

WHY PARTICIPATE?

A Cost Management Partnership Program (CMPP) Proposal includes any Supplier generated suggestion that results in an overall cost reduction and/or competitive advantage for MSA. The proposal should be based on strong business logic. A CMPP Proposal is intended to provide cost savings without negatively impacting quality and reliability.

Conversely, a CMPP Proposal is not intended to erode a Supplier's bottom line by sacrificing profit margins. Wide varieties of opportunities exist and are further explained in this publication, or will be during the meeting with your Global Sourcing Representative.

MSA is committed to its suppliers long term success and that's the reason why any savings generated through the CPM program will be split on a 50-50 base

Why should my company participate in MSA's CMPP?

CMPP is an important cost management program, and active participation in MSA's CMPP is a requirement for all MSA Suppliers.

MSA expects Suppliers to submit Proposals that reduce MSA cost by at least 5% of the Supplier's annual sales to MSA.

Participation in the CMPP is an indicator that a Supplier is not complacent and is pro-actively managing all aspects of the business. Cost reductions will assist in making MSA and you, the Supplier, more competitive. The bottom line: ***Suppliers who consistently and pro-actively contribute viable, creative Proposals to reduce costs will be considered for future business and long term supply agreements.***

How does a Supplier submit a CMPP Proposal?

A potential CMPP Proposal should be reviewed with and submitted to your Global Sourcing Representative using the CMPP-01 form in electronic format or a hard copy supplied by MSA Global Sourcing Group, to Global.Sourcing@MSAsafety.com

What happens when a CMPP Proposal is submitted?

MSA's Global Sourcing Group reviews the CMPP Proposal for applicability and thoroughness. If required, there is a preliminary discussion with the appropriate division(s) to determine feasibility of the suggestion and required resources. If deemed feasible, the CMPP proposal is then forwarded to the MSA CMPP Committee, and will decide whether to accept or reject the CMPP proposal

EXAMPLES

Six-Sigma

Improvements as a result of Six-Sigma projects by the Supplier can be submitted as a CMPP Proposal. Typically, Six-Sigma projects improve both cost and quality.

Reliability improvement and/or Warranty Cost Reduction

Proposals for Reliability improvement and/or Warranty Cost Reduction qualify for the CMPP. Whenever a supplier proposes a product or process modification to increase beneficial lifetime or eliminate/reduce field warranty cost, a CMPP Proposal may be submitted.

The value of the CMPP Proposal is determined using product field history and/or product test results. The affected MSA engineering group will assist in determining the overall value with input from both, warranty and After Sales / Service.

Alternative Materials

Suggestions relating to alternative materials which may be more cost effective, lighter or more robust than that specified in the original design are welcomed. Some materials, not considered initially when original design was completed, may now be affordable.

Many new materials are available in plastics, packaging materials, foams, composites, fabrics and metals that could make the product more reliable and less costly. In addition, some currently used materials may be the result of over-design or older materials and there may be less costly options available now. Lighter gauge wire, thinner gauge sheet metals and plastics, and thinner wall tubing or castings may be considered in appropriate circumstances.

Alternative Processes

Production processes and equipment are evolving rapidly. New processes developed through technology and equipment innovations should be considered on a regular basis. Business is often lost because a competing supplier utilizes newer equipment that is more efficient and provides a lower overall price to MSA. Updating production processes and equipment and sharing the cost savings can result in both keeping the current business and improving opportunities for new business.

Process Improvements

Production processes can be improved utilizing Six-Sigma tools, mistake proofing, cell development, demand flow technology and other available tools. The overall improvement can include higher yield, lower labor costs and fewer defects, all of which contribute to cost savings that can be shared with MSA. The value of the CMPP Proposal can also include reduction of MSA's costs in handling defective Supplier parts.

Over time, the demand for a given product or part may have increased. Where this occurs, there should be a review of the production processes, to determine if opportunities exist

for improvements to increase output and reduce labor content (i.e. tooled vs. non tooled assembly, increased automation, handling equipment, packaging, etc.)

Design Alternatives

In many cases, there are design alternatives that could result in cost savings.

Many successful CMPP Proposals have been design related. Elimination of unused holes, modified construction to eliminate process steps, alternative plating or top coats, alternative fasteners to improve assembly, different bend radii to prevent rejects due to cracking, and revised draft angles to speed removal of a part from an assembly tool are just a few of the design related changes that have yielded production cost savings. Other design alternatives have yielded defect reductions, improved field reliability, improved appearance, and assembly time reduction. All of these results can lead to successful CMPP Proposals.

Assembly Time Reduction

MSA's assembly time is key to us.

Because of this, we encourage you to submit CMPP's aimed at reducing our assembly time. A value is given to the amount of time saved and annualized to determine the total value of the CMPP Proposal.

Inventory Reduction

A supplier may submit a CMPP Proposal to reduce MSA's inventory.

Lower Tier Supplier Parts

Tier II and III Suppliers may present many cost savings opportunities to you.

As the 1 Supplier to MSA, we invite you to include proposals of improvement from your suppliers as part of our CMPP.

Pre-Assembly, Kitting and Line Sequencing

Pre-Assembly, kitting and line sequencing can be offered as CMPP Proposals if the net effect is an overall cost reduction to MSA. Suppliers are encouraged to test this potential business opportunity, which is evaluated on a case-by-case basis.

Packaging Cost Savings

Cost saving opportunities in this area are often overlooked, although packaging technologies and materials have advanced considerably in the last decade.

Alternative packing of parts can reduce internal handling, material costs, improve protection eliminating damage, provide easier removal, and reduce waste.

Use of returnable containers and bulk packaging versus single pack may also be considered. Packaging Cost Savings which reduce waste, but continue to ensure clean, undamaged products and contribute to the cleanliness of our premises are welcomed. Packaging

Transportation & Handling Costs

A CMPP Proposal is also appropriate where there are opportunities to reduce transportation costs. Improvements to products, packaging or services provided by the Supplier, which reduce MSA's handling costs, will be welcomed as a CMPP Proposal.

Value-Added Proposals

Supplier Proposals which provide value added elements to MSA's assembly operations are welcome. Assembly activities can be part of your CMPP proposal.

Synergy to MSA locations

Suppliers are encouraged to submit CMPP proposals designed to lower total costs by standardization of parts between the different products within the MSA locations e.g. Murrysville, Cranberry, Jacksonville, Berlin.

Geographic relocation

Suppliers are encouraged to reduce total cost. For products with a high labor content reallocation to lower labor cost regions can be considered. Since MSA's requirements on Quality, Logistics and Total Price must be maintained, the net savings resulting from such a move may result in a CMPP Proposal.

Open Bid

If a Supplier can deliver a cost saving by means of providing an alternative process or technology to produce a component currently provided by another Supplier, a CMPP Proposal can be submitted. Like all other CMPP proposals, CMPP Savings are to be considered as a total net cost saving, including

test/validation, tooling etc. A Supplier may identify this type of opportunity during a plant tour or by examining a MSA product, during a MSA CMPP Session, or in the field. Suppliers are encouraged to use this approach and are challenged to look for additional business opportunities with our products and in our plants.

Part Number Elimination / Reduction

Potential CMPP suggestions could include the recommendation of a slight design modification, resulting in only one part being used for several applications (standardization / modularization). By eliminating one part number and increasing the usage of the other, there may be a cost saving and a CMPP Proposal can be submitted.

Suppliers of Services

MSA has carefully selected Suppliers that provide a wide portfolio of specialized Services. These Suppliers operate closely with MSA and many times offer their Services on a day to day basis on our premises. The Suppliers of Services are challenged, within their expertise areas, to critically review the applied processes and working methods within MSA. Your wide experience could lead to CMPP suggestions that for example help to simplify the processes by eliminating waste or non-value added activities. Any opportunity to obtain more effectiveness and efficiency is a potential for CMPP. A major guideline that can help you in generating CMPP ideas is to always question yourself "Five times WHY", for all the activities you perform. Moreover it is important to have your personnel, who are regularly working for MSA, involved in the CMPP process.

As you see, a wide range of suggestions of CMPP Cost Savings can be generated by you, our (potential) Supplier. Again, a CMPP Proposal is intended to provide cost savings without negatively impacting quality and reliability.

If you have a CMPP proposal or any question to the above, please contact your Global Sourcing Representative
