

Study Case: Sourcing Strategy at EuroTech Components

Course: Production Management and Logistic Systems [10592713]

Economia e management (Latina Campus)

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Background

EuroTech Components is a mid-sized electronics manufacturing company based in Italy. It specializes in producing precision electronic modules for the automotive and medical device sectors. Due to rising labor and energy costs in Europe, the company's leadership has asked the operations team to reassess the sourcing strategy for a new product line: a **smart sensor module** used in electric vehicles (EVs).

The module consists of:

- A microprocessor (high-tech, high value)
- A plastic casing (low-tech, standardized)
- Final assembly, testing, and packaging

The company currently has:

- In-house capacity for final assembly, though not fully automated
- No plastic injection molding facilities
- Strong relationships with European and Asian electronics suppliers

Management must decide:

- Whether to make or buy each component
- Whether to offshore the plastic casing or microprocessor sourcing
- How to structure the supplier portfolio and evaluate trade-offs

Case Questions (1 of 4)

Section A: Make-or-Buy and TCO (30 points)

1. Perform a **make-or-buy analysis** for each of the three elements (microprocessor, casing, final assembly).
 - Use questions such as: Is this a core competency? What is the market availability?
 - What are the risks of outsourcing or offshoring?
2. Create a **TCO estimation** table comparing:
 - In-house assembly vs. outsourcing to an Eastern European partner
 - Local casing production vs. sourcing from Vietnam
 - Include: unit cost, logistics, lead time, quality risk, customs/duties

Case Questions (2 of 4)

Section B: Supplier Segmentation and Portfolio (20 points)

3. Use a **Kraljic matrix (portfolio analysis)** to categorize:

- Microprocessors
- Plastic casings
- Assembly services

Justify each placement (e.g., strategic, leverage, bottleneck, non-critical).

4. Propose a **segmented sourcing strategy** based on the supplier's importance and availability.

Case Questions (3 of 4)

Section C: CSR and Risk (20 points)

5. One Vietnamese supplier has poor environmental certifications, though their price is 20% lower.

- The Italian government offers tax breaks for sustainable sourcing.
- What CSR and sustainability issues should be evaluated?
- Should EuroTech prioritize cost or compliance? Justify your decision.

Case Questions (4 of 4)

Section D: Digital Procurement and Negotiation (30 points)

6. EuroTech is considering using a **reverse auction** to select the casing supplier.
- What are the pros and cons of this method in this situation?
7. Prepare a **negotiation plan** using the *principled negotiation* approach for dealing with the microprocessor supplier.
- Identify interests, possible mutual gains, and objective criteria.

Case Questions (4 of 4)

Component	In-House Cost	Outsourced Cost	Lead Time	Quality Risk	Other Costs
Final Assembly	€4.50/unit	€3.80/unit	6 days	Medium	Setup €50K, Training
Plastic Casing (IT)	€1.20/unit	–	–	–	Tooling €100K
Plastic Casing (VN)	–	€0.75/unit	15 days	High	€0.10/unit shipping
Microprocessor (EU)	€15.00/unit	–	–	Low	Stable lead time
Microprocessor (CN)	–	€12.00/unit	25 days	Medium	Customs + €1.00/unit