

CONFERENCE QUOTES

Jim Commiskey, global sales VP **Vector SCM**: "We think of the auto companies as being global. Really most of them are worldwide, they have a presence everywhere but their processes round the world are different region to region."

Hermann Krog, executive director logistics, **Audi**: "One thing you need to implement is a control circle for order to delivery. But if you are not working to prepare capacity in the right way, you will not be successful in the OTD process."



Hermann Krog

Mike Sturgeon, manager vehicle logistics, **Toyota**: "The last thing a sales director thinks of when he puts in a knee jerk campaign two days before the end of the month is the logistics company. It doesn't happen."

John Love, head of business consulting, **G-Log**: "There is a mismatch between the logistics requirements and the financial requirements of production moving into sales and sales moving into the national sales organization and the sales organization pushing out product."

Johannes Fritzen, president, **Volkswagen Transport**: "Last year China outperformed car sales in the US [for Volkswagen]. It will take another three to four years if everything goes well that we will sell more cars than in Germany. There's a cultural thing we have to overcome, so that we do not consider ourselves a Chinese car manufacturer with a German outlet."

Autologistics Europe 2003 conference report

Around 130 delegates attended the first Autologistics Europe conference in March. The event, held in Montreux, attracted speakers from carmakers such as Ford, BMW, Audi and GM, and suppliers such as Delphi, Robert Bosch and Cooper-Standard Automotive, as well as executives from logistics providers. Although the coverage here focuses on order-to-delivery and globalization, there were also lively sessions in areas such as finished vehicle logistics, suppliers' supply chains, plant logistics and service parts. The European Union session proved a bumpy ride for Peter Ruidisch, head of financial issues at the German Ministry of Transport, who had to bear the brunt of widespread criticism over Germany new road tax system being introduced later this year.

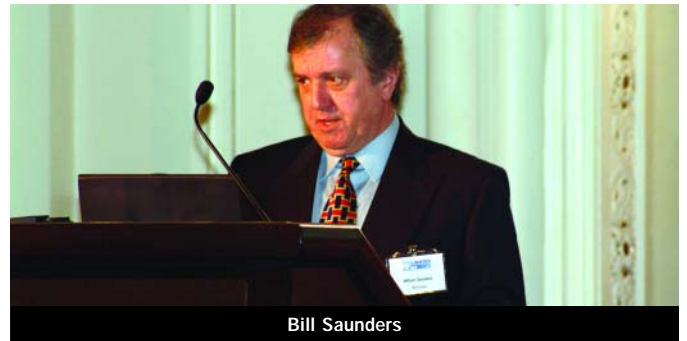


GM Europe stresses OTD improvement

General Motors Europe has started the roll-out of its order-to-delivery (OTD) process across all European operations in its bid to cut OTD times from 44 days to 20, according to logistics manager Bill Saunders. A 2001 trial at the Bochum plant in Germany, which makes the Zafira, got OTD time down to less than 30 days. While even within that plant the 20-day target has still not been hit, the experiences gained have been translated into new processes.

"Last year we hardwired some of these systems and put them into production status and rolled out to five plants," said Saunders. "Now we are ready to deploy basically the systems on a European basis in all plants, all car lines for all markets starting this year and we are looking forward to reaping the benefits."

The development of OTD is not just important in taking cost out of the chain but also in increasing margins. "There are huge rebates to shift product. There is still a lot of that going on," said Saunders. "We



Bill Saunders

make more money out of build to order and want to reduce the need for discounting."

He told the conference that while the carmaker was working hard at "trying to take huge chunks out of various parts of the process", reliability was equally important. "We did a lot of market research and people didn't want their car within three or five days," said Saunders. "The research showed that anything between three or four weeks is acceptable to most people, but that if you say they can pick up their car three weeks on Saturday, they don't want to get a call on the Friday to say we have got a problem, it's not here, come back next week or the week after. They want reliability."

On-time reliability has improved from 81% to 96%. GM's target is to take order management down from 11 days to four, order sequencing from 20 days to six and outbound logistics from 11 days to eight. "We are not there yet, but we are moving," said Saunders.

Outbound performance will be improved over the coming year partially through new visibility provided by GM's 4PL provider Vector SCM. Saunders also said that "a tremendous amount of money" could be saved by lowering finished vehicle inventory in Europe. "We hold too many vehicles. In the past it has been around 300,000 in Europe, we want half of that."

Call for manufacturers to have a strategic vision

Carmakers need to present a common face across their worldwide operations to fix the “disconnect” that threatens to impede progress with global logistics providers, according to Exel automotive president Leigh Pomlett.

“Vehicle manufacturers may want global players – and we are working with companies that want those players – but there’s a strategic disconnect sometimes between wanting that and buying that,” said Pomlett. “What you find is that having created this global supply chain capability, that’s not necessarily what the purchasers in the organization are going to buy. The challenge I throw out to manufacturers is that we will support you in terms of global supply chain management but there has to be a strategy for logistics from the global manufacturers where all departments of the vehicle manufacturers think in terms of the same strategic issues.”

Thomas Blank, senior VP of global accounts for Panalpina, said that the disconnect comes from carmakers buying services for various parts of the supply chain in “bite size chunks”.

He also criticized carmakers from missing out on the opportunity of using logistics companies’ expertise in their globalization efforts. “OEMs are sometimes not helping us to keep up with the pace that they go into virgin markets, by not having logistics providers in on such projects from the

beginning. Logistics providers could play a similar role to management consultants in making strategic decisions for globalization,” commented Blank.

A change in this area could also help logistics companies answer the tricky question of when to invest in emerging markets. Johannes Fritzen, president of Volkswagen Transport, said: “It’s difficult to be a forerunner as logistics provider. It’s about the right timing to follow the customer and trying to help.”

Blank said that around 15% of Panalpina’s investment in emerging markets was speculative, but added: “We are not opening up branches in countries for the fun of it. We have to make money at the end of the day.”

Paulo Saccomano, business and project development director for TNT Automotive Logistics, said



Thomas Blank

that one of the biggest challenges for logistics companies was to be flexible.

“In many cases when carmakers open a new plant in an emerging market they don’t have all the good capabilities of managing the supply chain from the beginning in this market. And also they start to ramp up volumes. In many cases new plants start by importing a large part of the components, sometimes in the form of a kit, CKD, then move to sourcing of these parts individually as the plant becomes more skilled in managing complex bill of materials. Eventually they source most of the components locally,” said Saccomano.

“This means that the mix and nature of globalization is changing over time quite rapidly. There is a need to adapt quite rapidly to shifting material flow patterns. For example, if you are operating a CKD operation for a manufacturer you can witness from one year to the other a change in volumes of 50% if the manufacturer has gone through the process to sourcing locally.”

Blank said that the key to globalization was the fast deployment and redeployment of people and systems. “The scalability of these operations is crucial to success. It’s a constant battle for logistics providers to scale up and down at the same time when volumes are being shifted for increased productivity of cost savings,” he said.

Leigh Pomlett, automotive president, **Exel**: “We are probably wasting €300,000-€400,000 maybe even €0.5m a year in responding to tenders. We have a pretty strict process about which tenders we choose to respond to, and the incidence of not responding to tenders increases as each year goes by.”



Leigh Pomlett

Winfried Feldkamp, consultant: “One of the most for fundamental aspects for OTD is how to get streamlined, lean and harmonized processes and how to apply this with synchronised execution.”

David Henderson: European logistics manager, **Cooper-Standard Automotive**: “We have heard a lot of words about global logistics providers and their ability to manage global supply chains. That’s something I am very much in need of at the moment.”

David Henderson: European logistics manager, **Cooper-Standard Automotive**: “We sold 400,000 hydraulic sets for cabriolets in Europe. I think about five of them went to the UK.”

Bert Bong, manager, vehicle logistics, **Ford**: “My real worry is that the railways will use this [German road tax increase] to increase their prices as well.”

John Merry, chief executive, **Autologic**: “We need to segregate the cars that are sold and required and focus with a very high degree of accuracy on these; 95% [ontime delivery] is not good enough.”