



Case example

Automotive manufacturer

<p>Client Situation</p>	<ul style="list-style-type: none"> • Recently demerged vehicle OEM, key engineers have left leaving significant holes in design and development • Sales 3 billion Euros (mainly Europe) • Small player globally, loss maker, still acting like a large OEM • High pressure to reduce direct and indirect costs by reducing part count but without loss of brand values • No strategic link with major OEM in place • Outsourcing still only in its infancy
<p>Important Issues</p>	<ul style="list-style-type: none"> • Cars still being made largely from components • Distrust between OEM and suppliers • Lack of platform sharing hinders understanding of need to change • Adversarial relationships between internal departments, particularly engineering/purchasing restricting possibilities of partnering with suppliers • Costing of overheads and fixed/variable split misunderstood • 450 suppliers (double similar competitors) supplying 2000 parts
<p>Activities</p>	<ul style="list-style-type: none"> • Identified competence of Tier 1 suppliers to supply 30 major modules • Carried out training to senior engineering team on benefits of modular approach • From clean sheet defined modular split of future vehicle • Studied world trends and best supply chain practice including taking Board members to visit Spanish OEM, mature in practical use of modules in factory supply chain environment • Worked with Tier 1s to arrive at modular interfaces, defined Bill of Materials, and requested quotes
<p>Benefits Delivered</p>	<ul style="list-style-type: none"> • Proved significant cost reductions possible with Total Cost approach of moving to modules • Proved dramatic savings in overhead areas (component engineering, purchasing, logistics, and manufacturing) by moving to purchase of a few large modules • 50% savings feasible in manufacturing space gives huge opportunity for additional / 3rd party vehicle manufacture