



# Supply Chain Optimization

## A Global Automotive Manufacturer

Case  
Studies

### **Abstract**

As the North American vehicle market demand decreased, a major OEM was under pressure to consolidate suppliers and the associated product volumes to minimize costs associated with manufacturing, distribution, and transportation in order to optimize the robust, sustainable portion of their current supply chain.

### **Challenge**

The decreasing product demand levels were driving reductions in plant asset utilization and triggering bankruptcies within the supply base. The OEM utilized an excess of 250 commodity-specific suppliers to support its North American vehicle production. Our strategic sourcing methodologies were engaged to determine which suppliers' were the best performing and aligned for future OEM programs, thus achieving short-term impact and long-term sustainability.

### **Execution**

TPS developed a supplier database encompassing all OEM vehicle programs, purchasing contract terms, and geographical alignment to assembly facilities; focusing on each product and its value stream. By analyzing each supplier individually, our team had the ability to determine which suppliers to maintain partnerships with or exit. Our deciding layer of valuation focused on current operational and financial performance, following the OEM's supply chain business strategy. Teams were engaged to analyze OEM-owned production equipment and tools in the hands of suppliers that were impractical partners for future business. An additional group was engaged to analyze each retained supplier and their production assets to determine actual capacities, niche processes, and performance to better understand the extent of their current capabilities. The information collected was employed for expedited resourcing, as the OEM could then proactively integrate the work to viable contenders.

### **Result**

The commodity specific programs' along with the associated product, tooling, and equipment was transitioned to the best performing suppliers' increasing their total spend and asset capacity. The supply base was reduced by 48% without any reported assembly center production interruptions.