

Will the European Industry ever build a 3 Day Car?



Introduction

- Why is building-to-order attractive - to customers and to the industry?
- Where is the European industry at present - how does it schedule, build and deliver?
- How far is it, both practically and theoretically, from a full build-to-order system?
- Summary of the 3 Day Car research carried out to date

Why build to order?

- Cost of finished stock sitting at OEM and dealer
- Too many customers given incentives to take a car specification alternative to the one desired
- Loss of customers due to wrong spec and/or failure to quote accurate delivery time
- Current system keeps product mix low (Europe)
- Changes to distribution will equalise prices between regions *and* consumers - so OEMs need another way to maximise price

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Why build to order? - OEM benefits

- Radically reduce level of finished cars
- Minimise model obsolescence - both with annual spec. changes and with model changeover
- Changes relationship with supply base - transparency and instant information ends complaints about inaccurate forecasts, scheduling unreliability
- Marketing advantages maximise pricing.....

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Why build to order? - marketing benefits

- Customer gets exact specification, views car as custom made, encouraged to up specification
- Totally reliable delivery times
- Changes problematic relationship with dealers - no push and less price negotiation?
- With price equalisation inevitable in Europe, allows OEM to re-segment market

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The industry at present

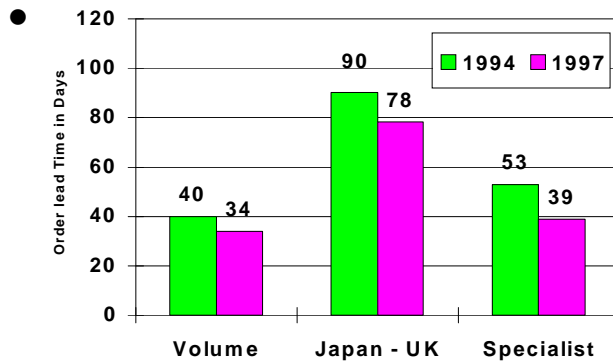
- Research to date shows a multitude of different forecasting, scheduling and delivery systems
- Most a complex mix of old practices, various IT systems, only semi-successful initiatives etc.
- Little attempt to understand the link between scheduling and transaction price in the market
- Some lead times too long for customers to wait
- Some systems cannot build a car to order at all!

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The industry at present (II)

- Order lead times vary between segments

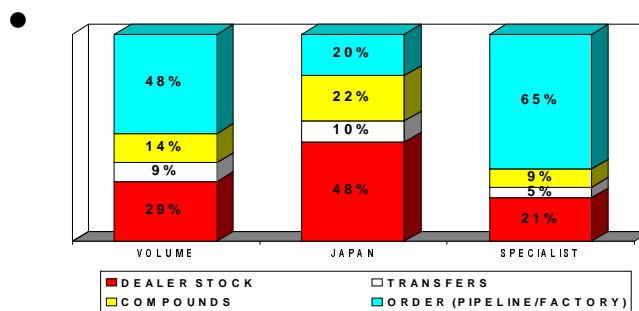


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The industry at present (III)

- Sales sourcing (1997 - volume orders may not be customer allocated)



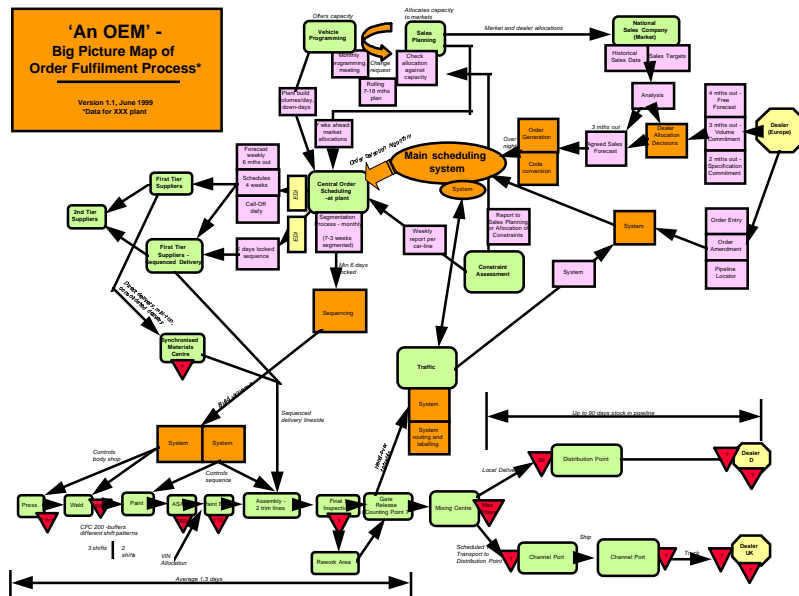
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The industry at present (IV)

- To understand more about this inflexibility, 3 Day Car researchers have 'big picture mapped' all the sponsor OEMs - travelling to suppliers, assembly plants, head offices, national sales organisations, dealers
- Research reveals an incredibly complex set of arrangements with little or no link to market
- Complaints and failings at every level!

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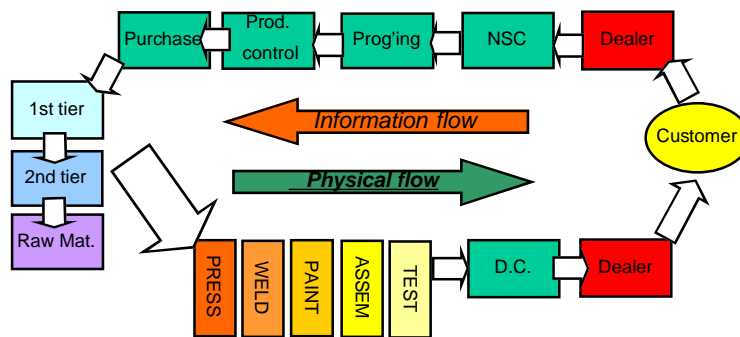
Moving to build-to-order

- We are trying to understand the objectives, motivations and role of each part of the extended organisation
- We've identified some of the factors - both constraints and incentives - that support the current system
- Research is focusing on these factors - with detailed value stream mapping and specific issue-based work

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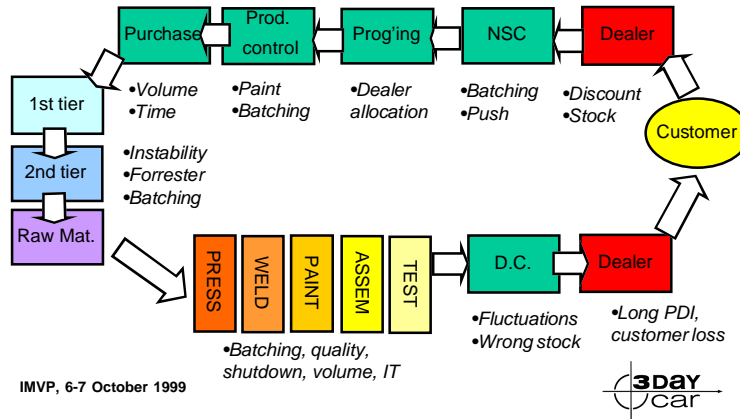
The basic auto supply chain



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Constraints on lead time reduction in the supply chain



Summary of research to date

- Big picture mapping of all sponsor OEMs
- Detailed value stream mapping of constraints - focusing on product variety funnel and supply chain responsiveness
- Specific issue-based research and papers on:
 - paint plant
 - alternative design and assembly (spaceframe)
 - marketing and customer wants
 - IT

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