Abstract
As the North American vehicle market demand decreased for a major OEM, company leadership was under pressure to place their long-term business into a smaller number of strategic supplier locations. The goal was to ensure the longer-term viability of these suppliers as partners to the OEM as well as to minimize raw material and finished part logistics costs.

Challenge
The decreasing product demand levels were driving reductions in plant asset utilization for core OEM suppliers. The OEM had sourced in excess of 250 commodity-specific suppliers to support its North American vehicle production and felt a sizable reduction in that number was required. TPS worked in tandem with the OEM to determine which suppliers were the best performing and lowest cost, therefore best aligned for future OEM programs. The eventual reduction in the numbers of suppliers provided a short-term cost impetus as well as long-term sustainability.

Execution
TPS developed a supplier database encompassing all OEM vehicle programs, purchasing contract terms, and geographical alignment to assembly facilities. Every supplier was analyzed based on product volumes, complexity and the duration of time their programs were set to run into the future. TPS reported the results of the analysis to the OEM so that a business case could be established on each supplier under review. The final analysis included the supplier’s current operational and financial performance.

During the second phase of the optimization project, teams were engaged to physically analyze OEM-owned production equipment and in-house supplier tools that were scheduled to be phased out. At the same time a separate team was deployed in order to analyze each retained supplier. We reviewed their production equipment and assets; niche processes and their performance in these areas to better understand the extent of their current capabilities. The supplemental information collected was used to establish resourcing priorities.

Result
Each of the “grow” suppliers were awarded enough transfer business to ensure volume and profitability over the next 24 months. The OEM generated a major reduction in transportation costs as well. This resulted in a 48% reduction in the size of the supply footprint across the commodity for the OEM.