

Reaching down the supply chain

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Round 1 of the Automotive Supply Chain Development Program (ASCDP) finished on 31 December, so it is an excellent time to reflect on the past 20 months.

The ASEA team is completing closeout meetings for the last few remaining projects undertaken since March 2010. As well as completing many internal

projects, participating companies will have completed 152 projects with ASEA, all of which were identified during the company-wide Initial Assessment and were detailed in the Benchmark Report and Improvement Plan Book.

The comprehensive assessment process used by ASEA to identify where improvement opportunities exist for participating organisations is also used to document where there are best practices in place. ASEA greatly appreciates it when those companies agree to share their best practices with their peers. We have been honoured to host Best Practice Visits (BPVs) at Australian Arrow, Bosch - Clayton, Bosch Chassis Systems, Continental, FMP Bendix, and Unidrive in Victoria, and at Hirotec and Toyota Gosei in South Australia.

With funding now approved and announced for Round 2 of the ASCDP (which actually commenced on 1 July 2011), the ASEA team has been doubly busy with not only completing the Round 1 activities and milestones, but with simultaneously ramping-up Round 2.

As part of Round 2 of the ASCDP, ASEA has recently undertaken some very interesting work to try and better understand the complex linkages and intricacies of the Australian automotive supply chain, and try to identify potential "key" Tier Two and Three suppliers.

Tier One suppliers were asked to confidentially provide ASEA with the names of and size of purchase from their Top 10 Australian based suppliers, which could be for product, services or tooling.

The thought process was to consolidate the purchase amounts by Tier 2/3 companies and to generate a pareto listing from maximum to minimum dollar amount of product/service supplied to the Tier One companies with those at the top being "key".

Research reveals supplier scenario

However as the information began flowing in, a second picture began to appear. It became more and more obvious that a small number of Tier 2/3 suppliers were supplying a number of Tier One companies, and were equally (if not more) "key" than those supplying large dollar amounts.

Mapping the connections between companies within the supply chain also identified a considerable overlap between Tier 1 and Tier 2 providers, with many Tier 1 companies also being important Tier 2 suppliers. Due to the confidential nature of the data provided, I cannot share the details, but the consolidated results were too good not to share.

If we examine the data and look at the number of Tier 1 companies supplied by each Tier 2/3 company, the results become even more segmented. A whopping 75% of the Tier 2/3 companies listed supply only one Tier 1 company and an incredible 89% supply two or less Tier 1 companies. Conversely, there are a handful of companies that supply 7 or more Tier 1s, which by default makes them "key" to the industry.

Looking at the consolidated results of the information received in this study by dollar amount, we find that of the 274 different Tier 2/3 suppliers listed, only 12 supply more than \$10 million to the Tier Ones. A huge 163 (59%) supply less than \$1 million. Unfortunately, due to a few Tier Ones that did not provide dollar amounts, there are 24 that we do not know about. However, by far the majority of the Tier 2/3 suppliers (72%) supply less than \$2 million to the Tier 1 companies.

The ASEA Team are looking forward to cascading the Round 2 program further down the supply chain, by working with more Tier 2 and 3 suppliers over the next 18 months.

