

Supply Chain Management Trends in the Automotive Industry and potential Impacts on Eastern Europe

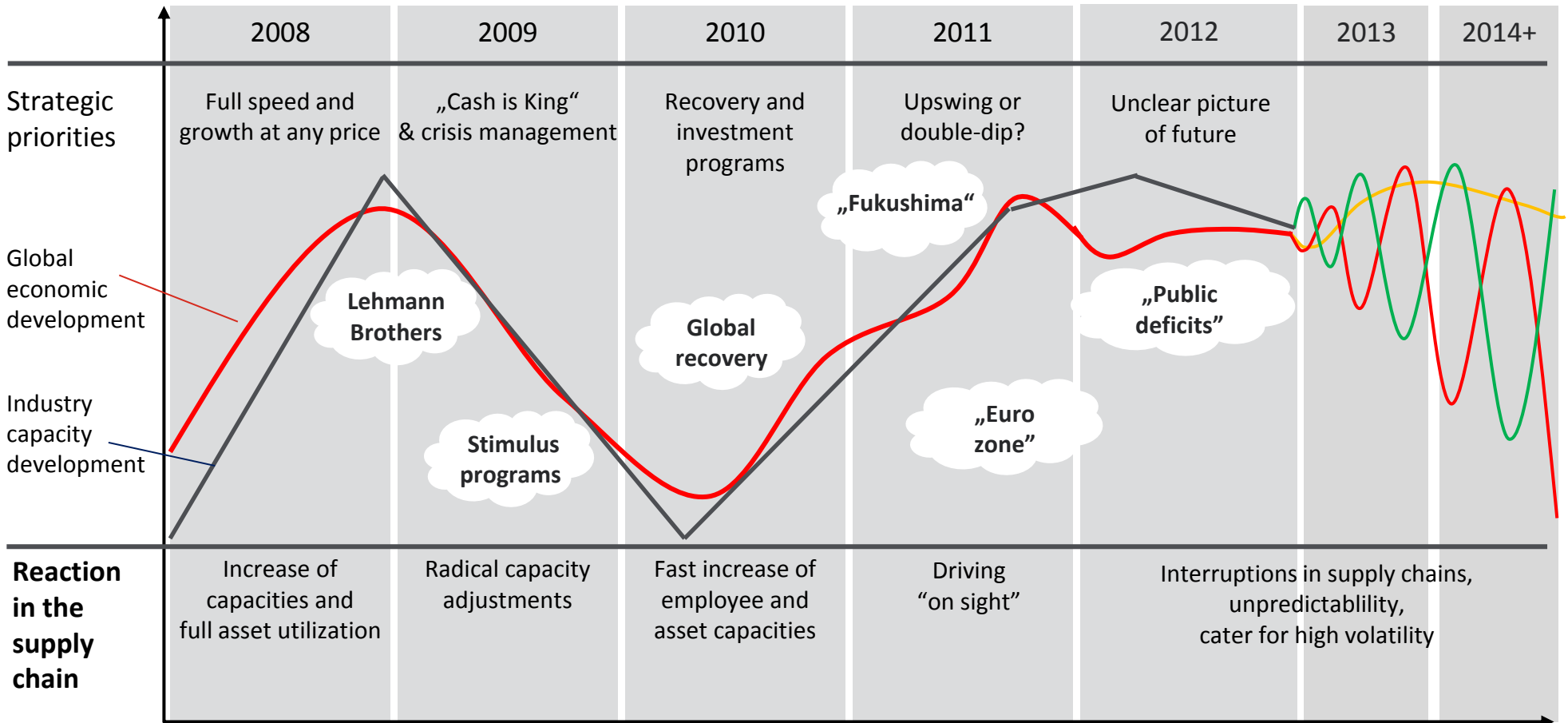


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Demand Volatility

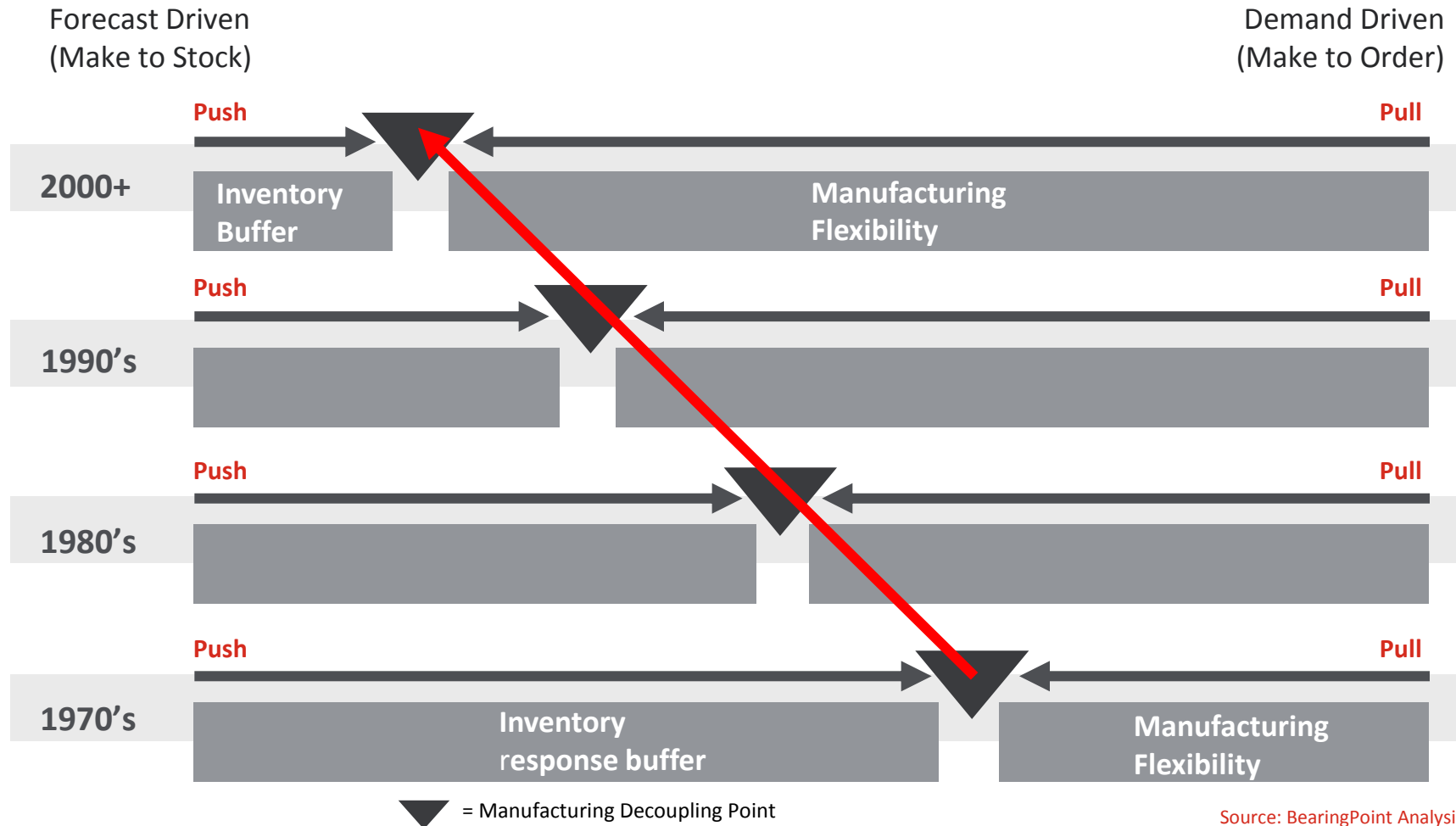
While the phenomenon of turbulence is not new, its nature and degree have changed. Volatility in sales growth and margins have increased. Companies must master the art of “adaptability”.



Sources: PRTM (“Global Supply Chain Trends - Pushing for Flexibility in a Volatile World”, 2011)

From Push to Pull

The customer order is fast becoming the forecast. Therefore, the transition from push to pull supply chains is driving the need for adaptive manufacturing for most Automotive companies.



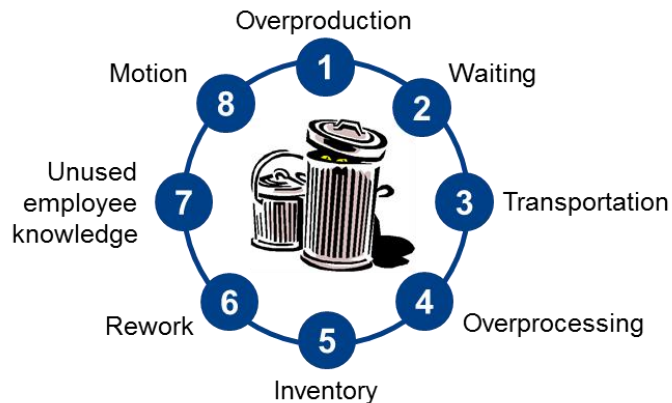
Source: BearingPoint Analysis

SCM Strategies in the Automotive Industry – “Production Systems”

Most “production systems” are addressing three core elements: “Lean”, “Six Sigma” and “ToC”. Supply Chains have to become agile in order to cope with production systems’ pull orientation.

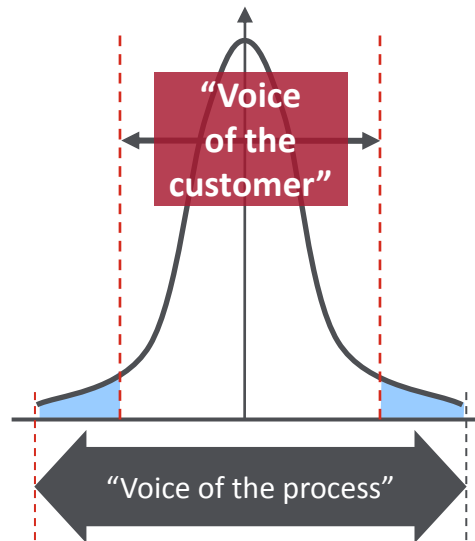
Waste (Lean Production)

Typical focus of productivity improvement



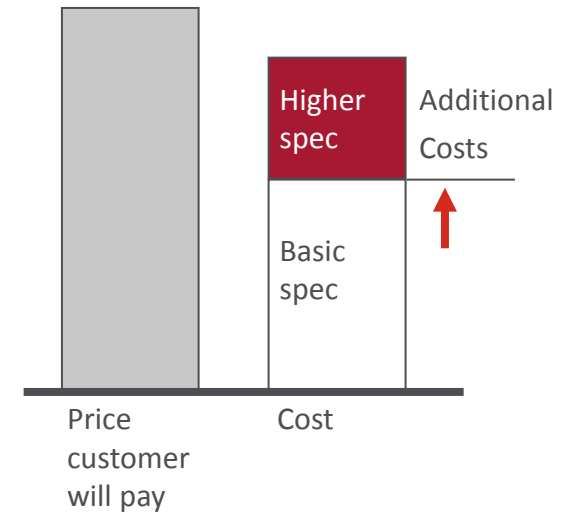
Variability (Six Sigma)

Typical focus of “six sigma” and process improvement



Inflexibility (ToC)

Typical focus of “debottlenecking” (Theory of Constraints)



Manufacturing Improvement Strategies in the Automotive Industry

Whereas traditional approaches focus either on operational excellence or on IT excellence, the future approach combines operational excellence with state-of-the-art information technology.

3 alternative approaches

Traditional Approach 1 ⚡

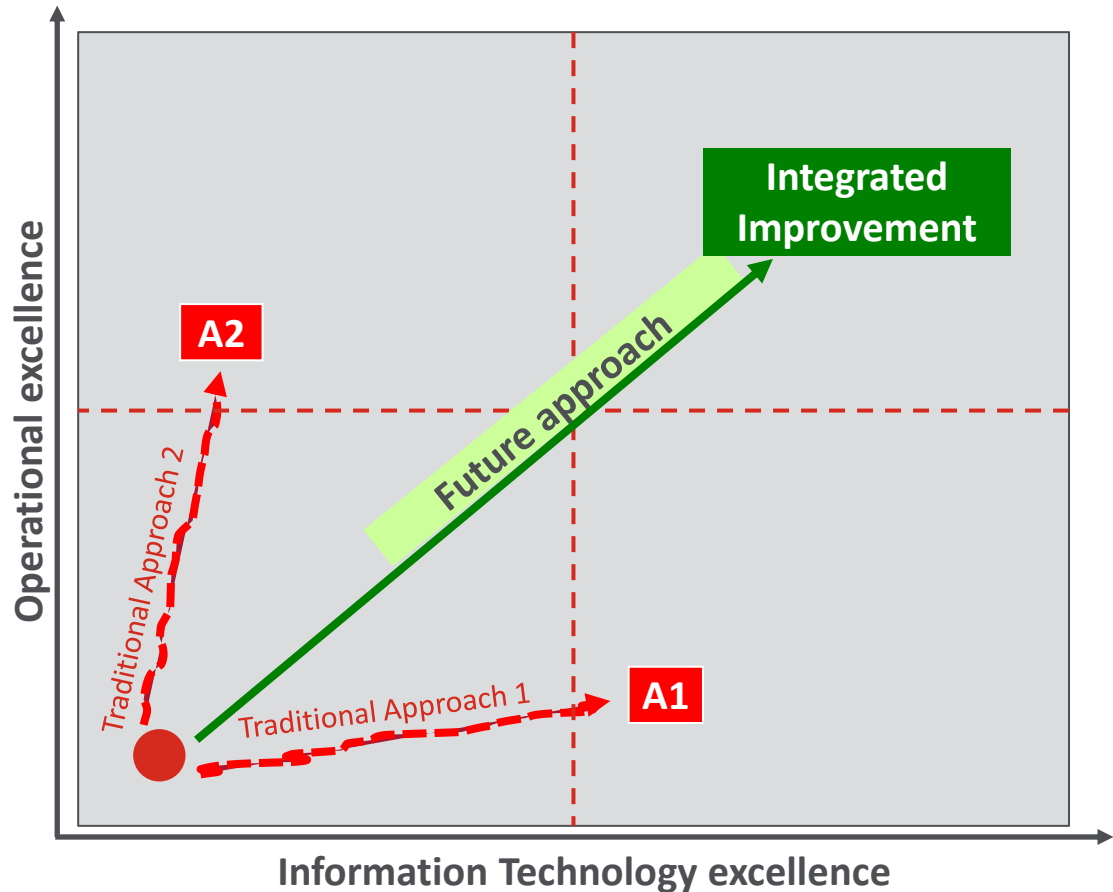
- ERP mainly to replace legacy IT systems
- lost opportunity for process improvements

Traditional Approach 2 ⚡

- Isolated operational excellence „islands“
- Lack of process standardization

Future Approach ✓

1. Make use of ERP's global reach to promote operational excellence in entire company
2. Utilize lean production to inform ERP process design



What are the Implications for Eastern Europe?

Due to production cost advantages, many players in the Automotive Industry consider a further shift of value adding activities from Western to Eastern Europe.



The journey just started...

The potential for development of the automotive industry is higher in Romania than the other countries of Central and Eastern Europe



The production of cars per 1,000 people is 10 times lower in Romania than in Slovakia and three times lower than in Hungary

Source: The U.S. Commercial Service, Romania: Automotive Market Overview, Corina Gheorghisor, September 2011

Conclusions and Implications for Eastern Europe

The future developments in the Automotive Industry bear both risks and opportunities for Eastern European economies in general and companies in particular.

In future years, the Automotive industry calls for a **shift of value adding activities**

- from OEM's to suppliers and
- from Western to Eastern Europe

=> The **potential for significant growth** of the Romanian Automotive Industry is huge

Automotive production / logistics strategies imply a **shift from "push" to "pull"** supply chains with a great emphasis on "Just in Time and "Just in Sequence"

=> Eastern European supply chains need to be **quicker, more agile and more reliable**

For eastern European countries, **infrastructure (transport and IT)** will become the "**order qualifier**" for taking advantage of the huge potential

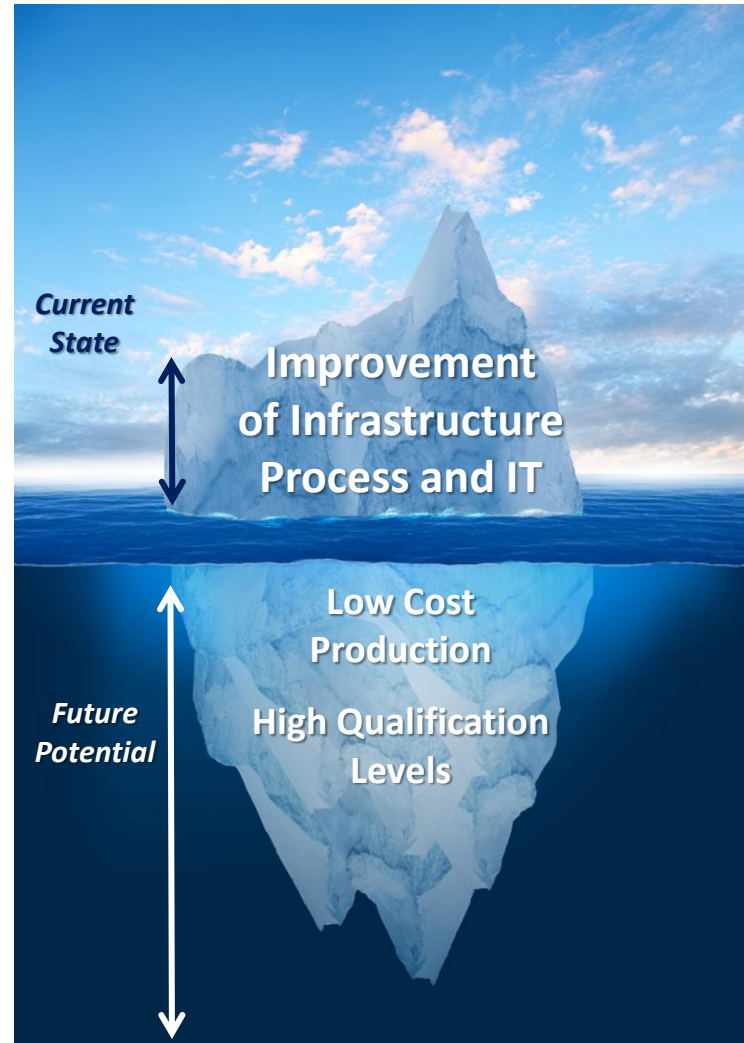
=> **The Government lays the foundation**

For eastern European companies, **process and system excellence**, will become "**order winner**" between success and failure

=> **Companies will drive the growth**

The future Potential of Romania is huge...

The future Automotive Industry potential of Romania is much higher compared to the current state. From an SCM perspective, the key is Infrastructure, Processes and IT.



Business card

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