

Top 3 Automotive OEM Reduces Transportation Costs by 20% While Improving Service Levels

CUSTOMER BENEFITS

- Improved material flow throughout the network
- Consolidated volumes to a core group of carriers selected based on performance and cost
- Reduced annual transportation costs by 20% while handling higher volumes
- Improved service levels
- Improved on-time service and transit time reliability
- Positioned to deploy order management system with full visibility across the network to orders, shipments, and inventory

KEY STATISTICS

- Top 3 Automotive OEM
- 4,600 global suppliers
- 20,000 shipping locations
- 4,500 dealer network
- 50 North American processing centers, warehouses and cross-docks
- 10,000 mass distributor / retail locations
- 650,000 shipments annually

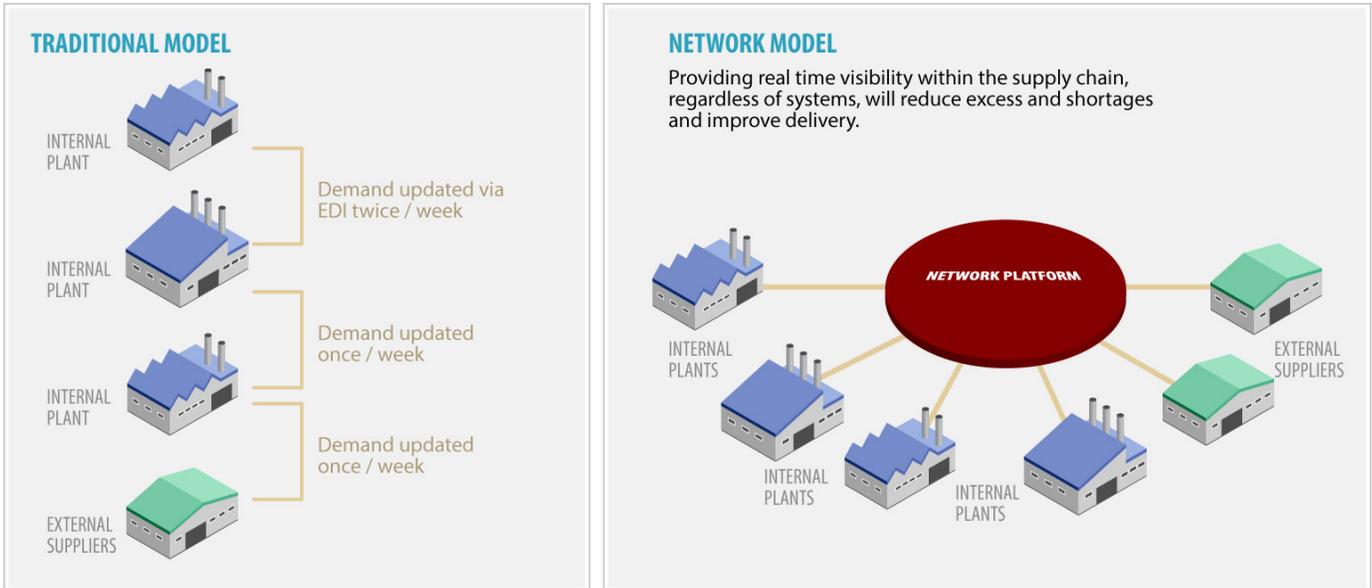
One Network (ONE), along with a trusted 3PL partner, has successfully deployed an innovative aftermarket parts distribution solution for a large North American Automotive OEM. The scope of the effort was significant including over 4600 global suppliers, 20,000 shipping locations, 4500 dealer network locations, and over 10,000 mass distributor/retail customer store locations.

From a supply perspective the network includes a combination of 50 processing centers, warehouses and managed cross-dock locations. Shipments were significant encompassing 650,000 annually across all business segments including inbound, outbound, and redistribution. In addition there are over 35,000 claims processed annually and over \$800M in annual freight spend.

THE CHALLENGE

Although the OEM was giving its best effort to modify processes and improve execution in the face of a changing market environment, they were limited by the ability of their underlying systems to connect functional processes across multiple business segments. And naturally a system architecture that has difficulty integrating across in house business segments is not going to provide the type of infrastructure required to connect supplier networks in support of shipment creation, planning and visibility.

Further, the core logistics and transportation functionality was lacking in many important areas including the capability to support dynamic route planning and execution.



The solution is a cloud-based, real time network rather than a traditional, serial supply chain.

As logistics capabilities have evolved in recent years, visibility to orders, inventory, and shipments has taken center stage. However for this particular OEM they had limited visibility to inbound item detail flowing from suppliers to the OEM parts distribution centers or processing centers. To make matters worse they had zero ability to provide inbound item visibility-detail to either the OEM's dealers or their retail customers.

One of the limiting factors was the inability of their existing systems architecture to provide a master data model across their network of logistics partners and locations. Having the ability to persist, access, and share information based on a permissions framework across all network participants became a critical criteria. Data and information around parts, contracted carriers and rates, standard tariffs used, mileage version(s) used, facility yard profiles, dock scheduling profiles, distribution codes, business rules and reporting requirements became "must have's" as part of the game-changing design moving forward.

THE PROCESS AND SOLUTION

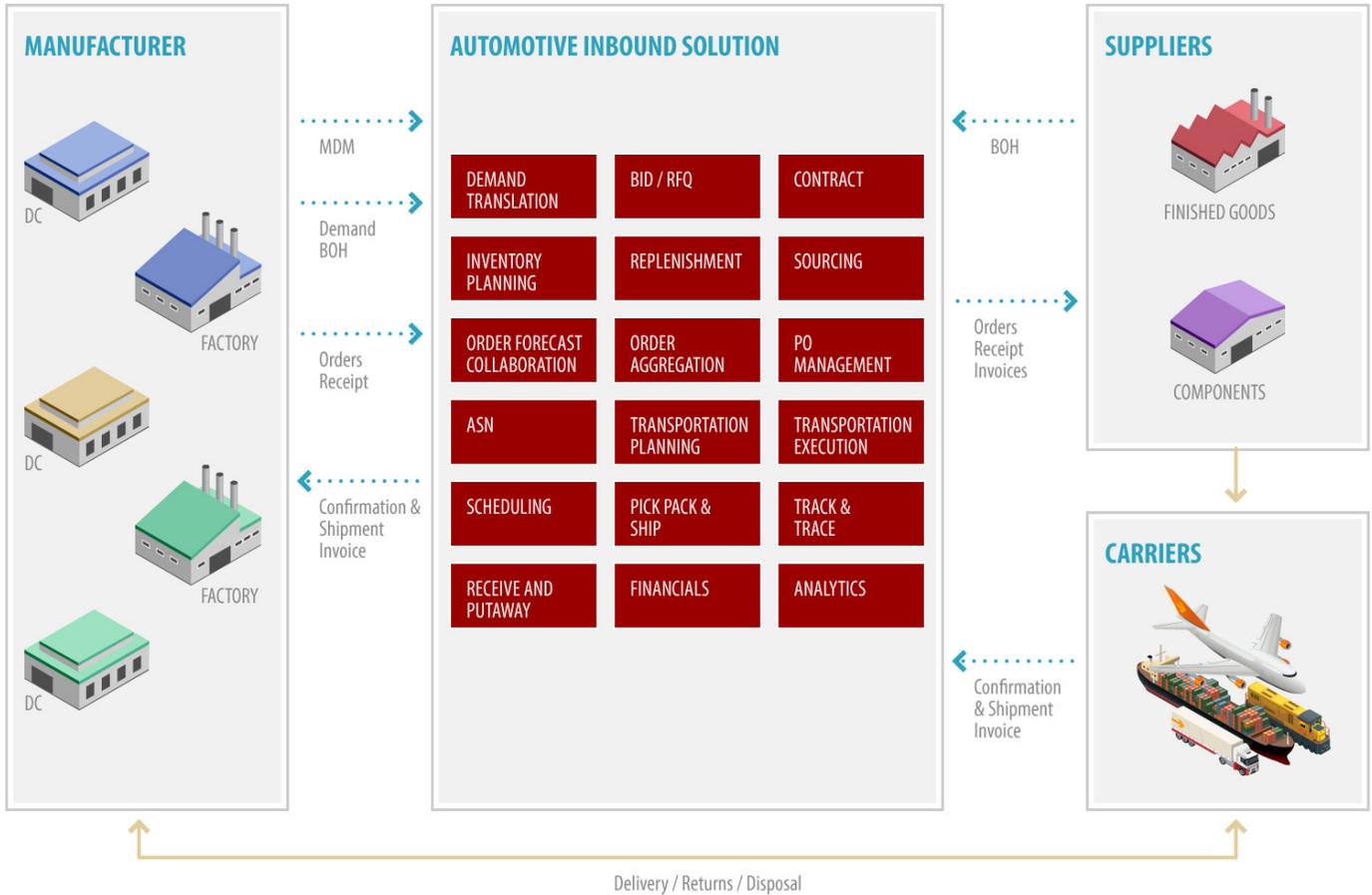
No Automotive OEM design could be complete without deep consideration being given to EDI and system integration requirements. Some of the architectural considerations included a fully loaded data warehouse with 5 years of history; order/shipment interfaces from the OEM for transactions inbound to their parts distribution and

processing sites; order/shipment interface from the OEM for transactions outbound from the OEM processing sites; a master locations file including both customers and suppliers; an item master interface from the OEM; EDI integrations (204, 211) along with 997; EDI 214 to the OEM facilities; EDI integrations (990, 214, 210) along with 997; and EDI 856 from the OEM.

As in many of these types of solution deployments, there are legacy system integration activities. In this case the freight payment information was integrated to Oracle financials and payment notification information integrated back out of Oracle Financials.

In order to execute this new aftermarket parts solution, ONE participated with the OEM and their 3PL partner in establishing a cohesive vision, mission and five-year supply chain cost-reduction strategy with a target savings goal of 25% of annual logistics spend.

In order to develop a detailed deployment plan, an assessment and analysis of the current state of the client's domestic transportation network was developed. The effort created a baseline view of transportation cost and service metrics.



A Complete Automotive Inbound Solution

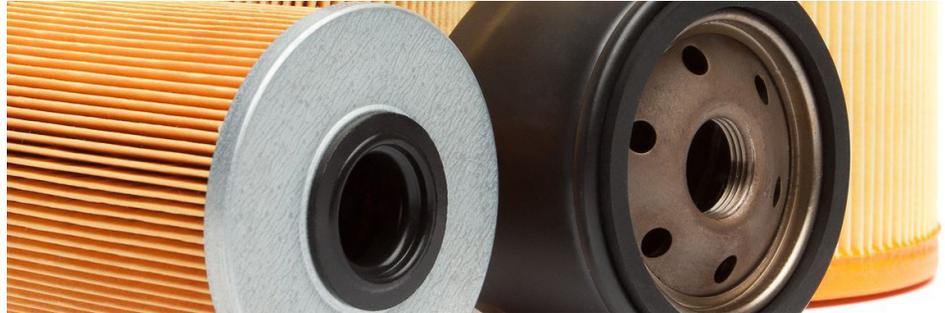
Employing lean practices, the team conducted a series of Kaizen events to identify critical nodes and areas of waste in the current network. From that exercise emerged the framework of an improved core carrier program.

Using sophisticated modeling and optimization tools, the team was able to redesign the network to reduce costs and improve the speed of material flow, consolidating volumes among a core group of carriers measured and selected based on a scoring matrix which weighted both qualitative performance as well as quantitative costing metrics.

THE RESULTS

The core carrier program has reduced annual domestic transportation costs by 20 percent while handling higher volumes and improving on-time service and transit time reliability — key ingredients for supporting the client’s emerging lean material flow strategies.

The next step is to move the solution forward by incorporating ONE’s order management capability thus bringing to life our goal of full visibility across the network including orders, shipments, and inventory. This will provide the infrastructure to achieve the original 25% target and beyond.



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