



Case Study

SOLUTIONS FOR EMERGING MARKETS

Supply chain cost containment and transparency puts American automaker on the road in China

Automotive

Challenge

- Support lean manufacturing strategy in new geographies
- Provide needed infrastructure in emerging markets
- Enable gradual migration to localized supply
- Provide process control and cost transparency

Solution

- Materials management and inventory planning
- Supplier management and training
- Domestic and international transportation
- Consolidation and deconsolidation
- Customs brokerage
- Trade financing
- Standardize international logistics processes

Results

- 60% Supplier accounts receivables
- 30% Import tariffs
- 100% Foreign investment in infrastructure
- Supply chain cost with no hidden mark ups



Like any major manufacturer, carmakers are always looking for new markets for their vehicles. A successful expansion takes a smart approach to producing vehicles in the new market.

When one of the world's pre-eminent automobile manufacturers introduced some of its more popular U.S. car models into Chinese and Taiwanese markets, they set up local assembly capabilities through joint ventures and contract manufacturing relationships.

To drive this initiative, the automaker brought together an internal team to identify and evaluate supply chain requirements for entering these fast-growing, competitive markets.

The team quickly determined that market entry could be accelerated by collaborating with a global supply chain provider with trade financing knowledge, a strong logistics infrastructure in Asia Pacific and experience in global sourcing solutions. An experienced partner could also ensure compliance with strict local trade ordinances and government import regulations, as well as navigate the maze of legal, cultural and logistical details critical to success. Exel's expertise in emerging markets made it a clear choice.

→ The Challenge

"Competitive pricing was critical to the company's success in China and Taiwan. Vehicle launch costs had to be rigorously managed and balanced with China's strict 40 percent local manufacturing content requirement," said Gary Allen, vice president of solutions for Exel's Automotive business unit. "Failing to do so would add a 30 percent tariff to the finished vehicle cost, effectively pricing the company out of the market."

Supplier capabilities and strategic sourcing relationships were not well developed in the region. A key challenge for the automaker was to leverage existing North American suppliers to accelerate market entry while enabling a gradual migration to local production sources.

The right solution would provide the visibility required to balance production requirements and capabilities against cost containment and service goals. This would ensure cost effective supply of components with the right domestic content.

To make this solution operate at peak efficiency, Exel identified four critical success factors:

- Quickly find and evaluate financially viable component suppliers in China
- Develop processes to avoid customs delays and regulatory penalties
- Establish an effective quality and claims process for defective or damaged material
- Adopt a lean manufacturing strategy

→ The Solution

From piece price quotations to inventory planning, Exel coordinated comprehensive costs analyses and other key activities to determine the best solution. But more important, Exel brought the systems and know-how to manage relationships with suppliers and the



Solutions for Emerging Markets

“A nimble and experienced team worked diligently to establish commercial agreements in North America, China and Taiwan delivering a scalable and repeatable supply chain solution. The program is a tested blueprint for expanding into new, high-growth markets.”

-John Aben,
director of business
development for Exel's
Automotive business unit

manufacturer, which ensured the program met all stakeholder requirements and delivered the desired results.

Exel's design, solutions, operations and business development teams engineered a solution that was achievable, flexible and could be implemented quickly. The solution addressed each of the critical factors including supplier and order management, materials management, domestic and international transportation, U.S. inventory consolidation, customs brokerage and inventory financing services.

“The success of this program depended on the expertise of our people to assemble the right partners,” Allen continued. “We invested a significant amount of time and effort integrating the incumbent North American suppliers, as well as training suppliers on both continents how the program worked. The trade financing partner we selected seamlessly managed the buy/sell transactions — including inventory financing — between suppliers. And, Exel's own International Services team in Detroit closely managed every detail of the implementation.”

→ The Results

The solution fully complied with the manufacturer's launch schedule for pilots and ongoing production operations. In short, it standardized, streamlined and enhanced the manufacturer's international supply chain processes — a key to successfully entering distant markets.

The market-entry solution delivered the desired results. The customer:

- Avoided China's 30 percent import tariff by working cooperatively with local manufacturers and establishing sourcing relationships with sub-component manufacturers
- Gained emerging-market expertise quickly without the cost of building its own infrastructure in each market
- Rapidly deployed a predictable and controlled supply chain using proven systems and operational processes
- Provided complete cost transparency across the supply value chain
- Established component suppliers for the program without incurring additional administrative set-up costs
- Improved supplier account receivables from 75 days or more to only 30 days; resulted in a 60 percent reduction of working capital
- Developed valuable business partnerships in new and emerging markets



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Raising expectations.

In today's business climate, emerging markets offer tremendous growth opportunities. But they also bring significant challenges, especially when it comes to local trade ordinances and government regulations.

If you are looking to take your business into emerging markets, contact us to discuss how we can help strengthen your global supply chain capabilities.