

Slashing Cost Whilst Improving Customer Service In The Automotive Industry

Background

The business is the £110million turnover UK subsidiary of a privately owned German global first tier automotive manufacturer. From the UK it supplies Jaguar, Rover, Volvo and Ford UK/Spain.

However they had major delivery issues with the result that costs for couriers and urgent transport needs (special transport) had escalated from a budget of £200,000 to £1.2Million the previous financial year and was on track to equal or exceed it this financial year. On top of this the customers were very unhappy with the service they were receiving and were threatening to de-list the business.

Deliverables

The brief for the Interim Executive included

- To eliminate the delivery issues, reduce the special transports costs and control them within budget.
- Review the Logistics function and make recommendations for the future.

Actions

A review of the whole logistics function established that:

The Logistics team were housed in three different locations across the factory.

The Logistics function had split responsibility: To the Production Director for production planning, and to the incumbent Logistics Manager for the receipt and storage of components and the on time delivery to the customers of finished parts. This resulted in:

- Confusion within the area, and processes not being followed or ignored.
- No teamwork
- No leadership within or ownership of the Logistics function.
- Communication between the three logistics areas and production was limited with the result that there was no ownership of problems, and a culture of blame was evident.
- A mindset of fire fighting, not planning.
- Special transport being approved by all members of the Logistics team, and some members of the production team, and there was evidence of misuse.

The storage of components was in a third party warehouse five miles away, and there were problems with receipt, storage and issue to the production line, and nobody appeared to own the problems.

Two production meetings took place each day, to establish what could or couldn't be built, the reasons for this and the implications for the customer, but once again the problems were not being resolved.

It was agreed with the MD that the Logistics team would be responsible to one person, the Logistics Manager, and the responsibility for production planning would pass to him.

The Logistics team were moved to one location which they shared with Production Management; this was done to aid communication both within the Logistics team and also with the production team.

Weekly one on one meetings were set up with all members of the Logistics team to establish roles and responsibilities, set objectives and monitor progress.

Authorisation of the use of emergency transport was removed from everybody with the exception of the Logistics Manager and Directors.

Daily meetings within the Logistics team were instigated to establish the problems, with ownership of these problems allocated to members of the team for resolution within 24 hours.

All the processes were mapped out, amended where necessary, training given, and then implemented. Audits were conducted to ensure compliance.

A small team made up of people from the business and the third party warehouse was established to investigate the problems at the warehouse and quickly report on solutions. Once the report was received, actions were agreed and allocated for rapid implementation. Service Level Agreements (SLAs) were then agreed with the third Party warehouse, and audited.

The arrangements and agreements for special transport were reviewed and improved terms and prices negotiated.

The Logistics Manager resigned and a replacement recruited.

Outcome

Special transport costs were brought back within budget, a reduction of £700,000 in the current financial year.

Audited robust processes were in place within the Logistics function.

The problems within the warehouse had been resolved and Audited SLAs were in place.

Delivery issues were drastically reduced, with the result that customers were looking to place more business and not de-list.

The Logistics function worked as a team, there was communication between Logistics and production and there was ownership of problems. The blame culture had been eradicated.

Fire fighting was a thing of the past

A high calibre Logistics Manager had been recruited to move the function forward.