

# Challenges facing the automotive supply chain in 2011

There have already been a number of important and encouraging automotive announcements this year – from Nissan, Jaguar Land Rover, Vauxhall and BMW amongst others. Some experts are talking about the annual volume of cars climbing back to over 2 million within a few years; but what do these developments mean for the UK automotive supply chain? The output from the vehicle manufacturers is already on a healthy upward climb out of the recession but the growth in the supply chain output has been rather more modest.



Of course, the pattern of supply is constantly evolving and we sometimes forget that the automotive supply chain isn't just manufacturing. It increasingly involves a set of expanding and successful business services firms and indeed Industry Forum would place itself amongst these. The numbers here are harder to estimate, but we do know that the whole business services sector has doubled its exports in the last decade and this trend is set to continue with smaller UK owned specialist services firms developing an even broader customer footprint across the global automotive scene – a classic example of knowledge based competitiveness.

A good example of changing patterns of supply, as the auto sector evolves, is the position of Lotus Cars in the



manufacture of the high performance electric sports vehicles produced for Tesla in California. The Tesla Roadster is the first production automobile to use lithium-ion battery cells and the first production battery all-electric to travel more than 200 miles per charge. Tesla's contract with Lotus Cars to provide 2,400 Elise gliders expires at the end of this year at which point the Roadster production will come to an end.

Some analysts are even saying that by 2020 the procurement function as such will no longer exist in VMs and supply chain relations will be serviced by common 'cloud' software applications that will yield

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total supply chain transparency. However, the supply chain data specialists, Supplier Business, tell a different with their latest report, out in July 2011.

Their study, which measures the performance of global carmakers in managing their relationships with their supply base, shows that ratings have fallen by 7.6% on average between 2010 and 2011. This marks a return to those levels achieved in 2009, indicating a general deterioration of relations between suppliers and automakers on a global basis over the last twelve months and comes after 2 years of marked improvements when the index increased by 3% and 3.6% respectively. Does the uncertain path of the expansion of the global economy mean that we are going back to price-down warfare that marked some of the most dramatic periods in the sector's history over the last two decades?



Here at Industry Forum we take the view that good supply chain relationships are based on certain fundamentals which are easy enough to describe but require care and discipline to put into practice. At the heart are seven powerful measures which capture the essence of Quality, Cost and Delivery. In the past decade we have proved our approach in the auto and aero sectors in a number of substantial projects. Case studies on our web site. [www.industryforum.co.uk](http://www.industryforum.co.uk), illustrate this approach in depth. We also teach a number of powerful Quality Management Systems, drawn from across the world, which can help primes to build up a well founded confidence in the supply chain. We do not see these fundamentals disappearing and indeed, if the UK vehicle output grows as some predict, they will become more important than ever.

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