

Ford Puts Its Customers in the Driver's Seat

Capgemini worked with Ford Motor Company to improve its service parts supply chain

The Situation

The integrity of the Ford Motor Company's brand has been secured, decade after decade, by the quality of the customer experience as it applies to every aspect of ownership: product quality; routine maintenance; dealer support of customers' vehicles.

In this essential area of the customer relationship, parts supply to the dealers has a vital role to play. In reviewing its service parts supply chain, Ford's goal was to deliver best-in-class performance. One major question was: What could be done to improve performance significantly in the short term, while planning for change on a larger scale took place?

The Solution

Capgemini worked with Ford to develop a plan that included a blend of technology, process improvements, new metrics and human skills, aimed at finding pragmatic and achievable ways to gain more from

installed systems while also preparing for the future systems.

The Result

Improvements include increased customer fill rates, reduced open customer back-order lines and reduced inventory value, all leading to higher customer satisfaction.

How Ford and Capgemini Worked Together

Parts supply is, by its very nature, an unusually complex matter. The Ford Customer Service Division (FCSD) supplies service parts to more than 10,000 dealerships throughout the world. As a matter of routine, over 500,000 unique part numbers are supplied on the network to dealers and the customer demand volatility level in this process is remarkable.

“The project was delivered nearly flawlessly—to schedule and within prescribed financial and other process/system boundaries”

- Ford executive



It is clear that many aspects of parts supply are unpredictable, because no one can say for certain which parts will be required for any given service or repair. As a result, variation from the average level of requirement for any given part can range from as low as 30% per time period to as high as 400%+ per time period. Yet somehow the delivery system has to take all of this volatility into account and provide virtually on-demand availability for each service or repair.

In reviewing its service parts supply chain, Ford's goal was simple: to deliver best-in-class performance. In an increasingly competitive market, this meant planning for significant improvement of support levels. Some legacy systems would need to be replaced, while others upgraded. As a relatively long-term effort, this prompted one major question: What could be done to improve performance significantly in the short term, while planning for larger-scale change?

Capgemini, an adviser to different parts of the Ford Motor Company for several years, was invited to review the challenge and suggest how to meet it. Precise targets included reducing inventory levels, improving customer fill rates and reducing customer back order lines.

A key aspect of the solutions delivered under the plans facilitated by Capgemini was the way that consultants and client staff formed themselves into a single, focused team. The result was added speed and efficiency in achieving near-term improvements, while delivering a high level of skills and knowledge transfer to the FCSD staff.

Specific solution ideas focused on the need to improve aspects of the current legacy systems in order to achieve much greater efficiency. These included software tools to improve Distribution Resource Planning in order to improve forecasting and improve inventory visibility throughout the supply chain.

Other tools were developed to measure volatility and streamline inventory flow, thus shortening supply-chain lead times. Capgemini brought its unique levels of supply chain expertise to bear

on planning, developing and helping FCSD deploy a wide range of high-impact solutions.

Some very clear results have been achieved by the joint efforts of the many dedicated FCSD and Capgemini people who have worked so hard on this project. The work was performed in parallel with process improvements being implemented by FCSD in its supply base and in the FCSD Parts Depot network. A few statistics summarize the impact of all of these improvements:

- Customer fill rates (the percentage of customer lines completely filled on time) were 93% in the US and 93.6% in Europe. After the project, the numbers are respectively 98% (an improvement of five points) and 96.8% (an improvement of 3.2 points).

- Open customer back-order lines were over a full day's business in both the US and in Europe. The figures now are respectively less than 15% of a day's business in the US (85% reduction) and less than 40% of a day's business in Europe (60% reduction).

- Inventory value was \$1,045 million in the US and Europe. The figure today is reduced to \$838 million (an improvement of \$207 million).

In terms of speed and efficiency, these are remarkable enough achievements, but when translated into higher customer satisfaction and thus increased brand loyalty, the true significance of the project becomes clear. Ford Motor Company is now approaching best-in-class levels and the upcoming strategic changes to systems and processes will extend Ford's lead over its competitors.



About Capgemini and the Collaborative Business Experience

Capgemini, one of the world's foremost providers of Consulting, Technology and Outsourcing services, has a unique way of working with its clients, called the Collaborative Business Experience. Backed by over three decades of industry and service experience, the Collaborative Business Experience is designed to help our clients achieve better, faster, more sustainable results through

seamless access to our network of world-leading technology partners and collaboration-focused methods and tools. Through commitment to mutual success and the achievement of tangible value, we help businesses implement growth strategies, leverage technology, and thrive through the power of collaboration. Capgemini employs approximately 61,000 people worldwide and reported 2005 global revenues of 6,954 million euros.

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Approved by:
Jim Sources, Vice President, Americas
Automotive Sector Leader, Capgemini

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