

EXPEDITORS | AUTOMOTIVE & MOBILITY

Consolidation Program for an Automotive Parts Supplier

An automotive tier one parts supplier sourcing components internationally for a major Korean OEM was faced with excessive unplanned airfreight due to a lack of visibility to in-transit item data. Given a high degree of variability in component lead times, the customer was adding additional safety stock of parts at their plants to compensate. Due to poor visibility and inefficient origin processes, the customer was also experiencing sub-optimal container utilization and using LCL options that were costing the company additional money in transportation spend.





THE OPPORTUNITY

The customer did not have a clear line of sight to parts moving from the supplier to the delivery location. Teams were manually cross-referencing released quantities to the packing list provided by suppliers to the reporting received from the freight forwarder. When this process got behind or when mistakes were made, problems were not fully understood until it was too late in the process to react appropriately and make the most economical decision. High demands for the company's products further exacerbated unfortunate situations such as these. This created situations of unplanned airfreight and unnecessary diversions. None of the parties involved in the process had part level data necessary to make decisions, to determine exceptions, and to act upon them.

The customer was also experiencing sub-optimal consolidation that resulted in additional transportation spend. The suppliers, who were shipping under FOB terms, were resistant to moving goods through a consolidation hub given they foresaw that their local costs would increase. Since the customer had excessive inventory on hand, they were willing to review which products had the appropriate amount of stock on hand at destination and warranted holding some supply at an origin consolidation point.



THE SOLUTION

Expeditors provided online visibility to suppliers of weekly booking quantities expected, as well as upcoming weekly estimates to assist with production planning. Origin processes were streamlined to align order ship dates with carrier cutoffs and to ensure better predictability. There was now one point of control to address critical issues across the inbound supply chain. Local, dedicated staff at the destination tracked and assured timely customs release, as well as on time delivery to final warehouse. Expeditors also provided multiple carrier and sailing options to accommodate for changes in market conditions to minimize impact on the supply chain and on time delivery to destination.



THE RESULTS

Expeditors' solutions reduced overall transportation spend through mode optimization, improved routing of cargo, and higher container utilization. Suppliers' improved production planning led to significant improvements in the predictability of inbound material flows. Safety stock levels in plants were reduced from four to one week. The customer also had the part level visibility they needed to make informed decisions.