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Changing the Finished Vehicle Supply Chain Paradigm

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So let's ponder for a moment the opportunity to change the paradigm for moving finished vehicles through a complex supply chain network and determine whether we could come out ahead if we cause a shift. More specifically, if at any one time we have approximately \$2 to \$10 billion dollars of inventory in transit, is it conceivable to impact either the time it takes to move vehicles through the supply chain or tactically affect the handling of inventory in the supply chain? To prove out our theory, we will use our time together to apply a tool that we will code name "AutoHawk," which will positively alter both the time and potential pitfalls of operating the finished vehicle supply chain.

To begin with, it would help in evaluating alterations to the supply chain paradigm by creating two lists that we can agree have an affect on the distribution network. The first list, which we will title Supply Chain Reality, provides us items that are basic facts regarding the finished vehicle supply chain. The second list, which we will title Supply Chain Challenge, provides us those items that can impact the structure and/or operation of the supply chain.

For purposes of this article, let's agree that the supply chain begins with the exit of a vehicle from the production line and extends to the delivery of a vehicle to a dealership.

Now that we have tackled the hard stuff, we are ready to attack the first list – Supply Chain Reality. While this list will not be comprehensive in any way, shape, or form, let's acquaint ourselves with some facts that represent the Reality of the supply chain. Value of the Inventory leads our list, and the value, as stated in the opening of our discussion, can be quite substantial. Second on our list are Costs for all of the services and components required to operate the supply chain that are, well, enormous, confirmed by almost anyone you ask. Next on our list is Floor Plan expense, which represents the costs that manufacturers reimburse to dealers for carrying the finished goods inventory in the supply chain. Completing our list are the actual costs relating to Inventory Turnover (or lack thereof).

With the Supply Chain Reality out of the way, we will switch our focus to the Supply Chain Challenges. No different than the Realities, our list of Challenges will not be comprehensive and will only include enough so that we can adequately determine if it is possible to shift our current paradigm. Heading our list of Challenges is the ever present Risk of Damage to finished goods while in-transit; the leading cause of damage is the handling associated with moving the vehicle through the supply chain, with the rule of thumb being the more handling - the more damage. Second on our list are the factors that result in Catastrophic Service Failures, which include resource shortages, bottlenecks, service disruptions, weather, misships, and poor inventory management by suppliers. Lastly, we complete our list with the Needs of the Business to prioritize or expedite orders, divert shipments, or stop shipments due to product warranty concerns.

Now that we can confidently say that we have a good list



of Realities and Challenges that comprise the paradigm for moving finished vehicles, is it possible to alter the paradigm? To accomplish this, we will utilize a simple but extremely powerful tool that we will code name AutoHawk.

Let's define AutoHawk as just one proactive component of a robust vehicle management system that actively accumulates messaging from the various components of the finished vehicle supply chain in order to provide complete visibility of the supply chain. Now, while we can hear the skeptics shouting at this point, we must take one more step so that we understand what AutoHawk brings to the table and how it may relate to positive outcomes in the distribution paradigm. For purposes of our discussion, we will define AutoHawk as a tool that searches the vehicle supply chain for anomalies, automatically communicates with the components of the supply chain to resolve issues, and monitors and measures compliance. With the introduction of a tool that impacts the supply chain network, it also causes us to think about how else this tool could be used to enable effective supply chain execution of business priorities, however, we will leave this for another discussion.

Now that we are all on the edge of our seats, let's bring this to a conclusion. We have identified an active management tool that can automatically alter the operation of the supply chain and we have identified the Realities and Challenges of the supply chain. By marrying the Reality and Challenge components of the supply chain with a tool that can alter how the supply chain operates, it is fairly easy for us to draw a basic conclusion. The application of a proactive management tool like AutoHawk is capable of altering both the Realities and Challenges of the finished vehicle supply chain paradigm to benefit auto manufacturers or anyone shipping large volumes of vehicles.

About the author: William Wax is General Director of Insight Network Logistics. In this role, he actively works with his organization to bring fundamental improvements to the logistics industry by leveraging an extensive background in managing and consulting to logistics operations. Mr. Wax holds a master's degree in Operations from Loyola University and received his bachelor's degree from Texas Christian University.

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