

Collaborative Commerce in the Automotive Industry: Implementing Transparency On Your Terms

Automotive leaders are aggressively embracing the collaborative commerce model to satisfy customers and keep pace with competitors. But most executives resist solutions that force them to abandon existing investments in infrastructure and technology.

The good news is you don't have to. Adexa delivers a proven road map for successful collaborative commerce that builds on the as-is foundation of your business. This phased approach strengthens your daily brick-and-mortar operations, allows you to focus on core competencies, and prepares you to participate profitably in multiple industry exchanges.



Harnessing the Internet on Your Terms

As an automotive executive, you know there's truth to the argument that the Internet changes everything. The promise of the Internet is the ability to conduct transactions faster and more efficiently. By automating and optimizing key business processes, you can drive business improvements in time, quality, and cost. The danger is the severe penalty for late adopters. If you don't act quickly, you can lose competitive advantage to more Internet-ready rivals, especially within today's fast-paced automotive exchanges. The race goes to the swift.

Practically speaking, it's also true that the Internet means nothing if it can't help you assemble vehicles, integrate modules, or build parts for a living. The classic business pains you face each day are the same. Your goal is to build and deliver high-quality products while correctly estimating demand, moving materials swiftly, keeping inventories lean, and reducing costs.

Most of the pressure driving Internet adoption comes from your customers in the extended automotive supply chain. Many of them already embrace the e-business model and expect you to do the same. They want timely and precise information from you to support the delivery of your products, including status updates on raw materials, parts, and configured assemblies. They also want visibility into your core operations, including production schedules, manufacturing capacity, inventory levels, and the exact locations of in-transit materials.

***Is the Internet
everything or
nothing?
Obviously it's
both. What does
it mean to you?***

Your competitors know this, too. They're scrambling to meet the same customer requirement for transparency of supply chain information. By leveraging the Internet to mesh information flow with the flow of materials, they seek to gain an early-mover advantage over you.

The rules are changing again, driven not just by the focus your customers and competitors place on transparency of information, but also by the emergence of automotive exchanges. It's no longer enough to build a quality product and sell it for a fair price. Today, the information you supply is just as important as the products you deliver.

The question is how will you respond? How will you implement transparency through the Internet—not just tactically, to appease your customers, but also strategically, to address real-world supply chain challenges and become more competitive as a business? In short, how do you harness the Internet on your terms?

***The rules are
changing again.***

What is Collaborative Commerce?

Early on, most automotive firms looked to the e-commerce model to shrink transaction costs in areas such as procurement.

Today, a more ambitious Internet business model is gaining traction, "collaborative commerce," or "c-commerce." C-commerce is the Internet-centric approach to sourcing, manufacturing, and delivering goods based on real-time inputs from multiple players across an extended, global supply chain. By embracing the c-commerce model, automotive firms hope to profit from participation in e-marketplaces and eliminate inefficiencies in their brick-and-mortar operations .

Successful c-commerce requires implementing cascading transparency of information across your supply chain and sharing business-critical data with your customers and partners. Unfortunately, IT infrastructures and business processes differ widely from one partner to the next. To bridge these islands of information, new planning tools with sufficient speed, openness, flexibility, and scalability are needed.

Transparency: Threat or Opportunity?

Offering windows into key company data can be a risky and expensive proposition, but it doesn't have to be. Too much visibility into your supply chain operations can expose you to real risks—thinner margins, for example, if your customers can access your actual production information or procurement costs. But the greater threat is that if you don't offer some form of information transparency, your customers will impose it on you on their terms.

The solution is to implement progressive levels of transparency through the Internet—on your terms, at a pace you can afford—by building a tightly integrated supply chain that provides windows into the enterprise data you want your internal users, customers, and partners to see.

In so doing, your supply chain becomes anchored around your customers, increasing their loyalty and repeat business. Your suppliers and other partners are aligned to help you meet customer requirements. You gain stature as a leader within your extended supply chain, which collectively now exerts greater leverage in your industry. And by moving information as quickly and accurately as you move materials, you can participate profitably in multiple public exchanges and/or your own private exchange. With the right foundation of readiness in place, you can leverage these exchanges to reduce costs and win new business.

***Is transparency a
threat or
opportunity?
Obviously it's
both. How will
you respond?***

A Realistic Road Map

Implementing transparency on your terms requires a phased approach beginning at where you are and taking you where you want to go. The same applies to preparing your company to participate meaningfully in industry exchanges. Both call for a progressive strategy that builds on the as-is foundation of your supply chain as well as your investments in IT infrastructure and business processes. To get there, you need a road map that mitigates risks and offers clear incentives, milestones, and benefits.

The concept of an efficient, integrated, fully transparent global supply chain has been a long time coming. Over the last ten years, automotive companies have invested aggressively in re-engineering key business processes and implementing sophisticated enterprise systems. Still, the promise of a tightly integrated supply chain, operating as a single enterprise, seemed elusive. What was missing was a realistic roadmap for building transparency on terms companies could afford.

Many manufacturers have heard the “if only” story from vendors intent on replacing all existing systems. The “if only” theory is based on the premise that most planning and manufacturing challenges would disappear if only all organizations adopt the same enterprise resource planning solution, or join the same trading exchange.

Fortunately, there’s a real-world alternative to this one-size-fits-all mindset. Adexa offers a straightforward approach to building transparency that conforms to your own business model. This practical road map is based on one very simple premise: you can start today and progressively build a foundation that enables you to share vital information with your customers and partners, leapfrog your competition, and thrive within a variety of automotive and other industry exchanges.

Take a moment to consider this five-step strategy for implementing transparency on your terms.

***Implement
transparency on
your terms.***

Step 1: Build Internal Excellence

Building a solid foundation is the key to success for implementing transparency in today's changing Internet economy. The foundation starts with your existing investment in sophisticated operating environments and complex information technology systems, but it doesn't end there.

In most enterprises, the data in these foundation systems is less than rock solid. Few manufacturers achieve inventory accuracy above 95 percent, a figure often considered to be the minimal threshold for efficient and profitable supply chains.

You know you share that problem if you've ever heard your warehouse manager say, "I know the system says we've got that part in stock, but let me check the racks." In the Internet era, your customers, suppliers, and partners will not wait for this critical information. They expect the information right away so that they can make their own procurement, production, and other decisions.

Unfortunately, without the right planning tools, your employees have little incentive to maintain good, up-to-the-minute data. Older Manufacturing Resource Planning (MRP) technology is too slow to calculate available-to-promise (ATP) and capable-to-promise (CTP) commitments. The same is true of first-generation Advanced Planning and Scheduling (APS) systems and the additions to today's enterprise resource planning (ERP) software. These static systems take hours, even days, to run, and are incapable of accounting for up-to-the-minute changes in materials, machine breakdowns, or expedited orders.

***Better tools
enable better
performance.***

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Here's where an investment in state-of-the-art Internet collaborative planning software really pays off. By giving your employees better planning tools, you give them an incentive to maintain accurate and up-to-date data. As they gain confidence in the software, your organization can make better decisions and adjust instantly to changing events such as equipment malfunctions, capacity disruptions, and expedited orders. As a result, your commitment to internal excellence is validated along with your investments in people, processes, and technology. But above all, you're able to stay online with your customers, suppliers, and partners.

The strength of these next-generation planning tools is not just their superior planning speed and their ability to deliver the right information at the right time to the right users. It's also their open and flexible integration within the complex legacy environments of large, multi-organizational companies.

Adexa's iCollaboration suite is an open, vendor-neutral portfolio of collaboration and optimization solutions that facilitates easy integration with your existing systems. It offers highly scalable tools, built from the ground up for rapid deployment over the Internet. These tools offer tremendous real-world appeal to firms that wish to leverage their investments in legacy IT systems. By design, these tools help you focus on what matters most—improving internal data and driving operational excellence—without having to scrap existing investments in software and hardware.

***Stay online with
your customers,
suppliers, and
partners.***

Step 2: Create Visibility

Building on internal systems improvements, you can gradually open up your enterprise applications for access by key suppliers and customers. This phased approach typically begins with launching an internal portal to provide access to inventory levels, production plans, order management, and logistics. Once validated internally across your organization, the portal can then be externalized to allow key customers and suppliers to access secure data on a need-to-know basis.

By design, your portal should be flexible enough to support multiple communications standards—including XML, EDI, secure browser access, and e-mail—based on the content preferences and viewing requirements of various internal and external users. By creating a collaborative environment supporting multiple modes of information delivery, you can communicate information in the forms different stakeholders expect and can handle.

From a purely technical standpoint, most early adopters find that creating this type of flexible visibility isn't that difficult. Thanks to powerful new tools, the technical process of opening up system access is relatively straightforward. What's not so straightforward is the process of overcoming cultural biases. In most enterprises, there is a strong resistance to providing customers and partners with operational data that had rarely been shared before.

After these initial steps, experience shows that collaborating with customers and suppliers on demand planning and other business processes becomes much easier. By that point, the advantages of collaboration become apparent to all participants.

***Creating
visibility
delivers big
payoffs in
improved
customer service,
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revenues, and
lower costs.***

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Once supply chain participants gain confidence in the ability of their suppliers to deliver the right product at the right time, they quickly slash inventory buffers. As a result, inventory reductions ranging from 30 to 90 percent become commonplace. The bottom-line benefit becomes immediately evident. Such savings have often been the promise of ERP systems, but seldom delivered.

Another strength of Adexa's collaborative planning solutions is their ability to orchestrate the movement of raw materials, components and assemblies throughout the production process. Powerful planning algorithms help ensure that the right materials arrive at the right place at the right time for maximum asset utilization and factory throughput.

Taking the lead in creating visibility satisfies customer and supplier demands for increased transparency of supply chain information and provides you with valuable insight into the business processes and benefits available through collaborative commerce.

***Orchestrate the
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throughout your
supply chain.***

Step 3: Mentor Suppliers

Not all suppliers have the computer systems, business processes, or expertise to embrace the automotive industry's emerging collaborative commerce model. At the job shop end of the supply chain, the relatively small information technology budgets are one of the primary constraints to progress. At the Tier 1 level, the IT challenge isn't only budgetary. Even the largest global suppliers are hard-pressed to keep up with the demands on internal IT resources.

These challenges are not just your suppliers' challenges—they are yours. In today's complex global economy, the real competition isn't manufacturer against manufacturer. It's supply chain against supply chain. The supply chain that wins improves on-time delivery, minimizes inventory buffers, and maximizes asset utilization. New collaborative planning software from Adexa helps facilitate that initiative with standards-based system-to-system integration and sophisticated workflow-enabled tools.

Many leading automotive firms already assist their suppliers with production and sourcing issues. Improvement teams frequently work closely with purchasing departments to implement quality improvements in the supply base. Your outreach program must extend to improving information flow through your supply chain, based on the lessons learned in the first two steps of Adexa's implementation road map.

With a helping hand from you, your supply chain partners can adopt these collaborative planning tools to leverage and improve their existing transaction and execution systems. By assuming this proactive role, you maintain your position as the leader of your supply chain—supplying both material and information. And by forging strong online partnerships with your suppliers, you strengthen the collective power of your extended supply chain against competing supply chains

***You are the
leader of your
supply chain.
What's your
plan?***

Step 4: Automate Transactions

Building on prior steps, you can begin automating routine and progressively more sophisticated business-to-business processes using intelligent business agents. Behind the scenes, these tools dynamically monitor your production processes, adjust plans on the fly, and expedite procurement. Automated alerts, via e-mail, fax, or wireless device, keep all parties informed when plans change.

By leveraging these tools, you position your company to keep pace with the growing speed, volume, and complexity of online transactions with your customers and suppliers, especially within automotive industry exchanges. You also improve efficiency in your internal operations, slashing cycle times by as much as 50 to 100 percent and cutting work-in-progress by 10 percent or more.

Above all, you gain real-time transparency of information and real-time automation of critical supply chain processes. As needed, Adexa's software automatically triggers inventory replenishment, communicates order status, and plans future production. If plans change, because of equipment malfunctions, late deliveries, or transportation problems, the software automatically issues alerts to all relevant parties—helping to keep the production process moving.

The concepts of both collaborative planning and business process automation involve a huge cultural leap for most companies: entrusting software to make decisions typically made by humans. After all, the idea of accepting orders, scheduling production, and purchasing raw materials without human supervision or intervention is a scary proposition. Your challenge is to build confidence among your people that you have good tools, good business processes, and good data to work with.

***Accelerate the
velocity of your
business by
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Adexa's technology is proven. So is its value in slashing expenses, shrinking lead times and enhancing customer service. Today's challenge is the ability and willingness of organizations to embrace it. It requires implementing tools that automate machine -to-machine transactions and involve machine -to-human interaction only for exceptions based on rules you define. The beauty of Adexa's road map is that you gain confidence in machine-to-machine automation because of the groundwork laid in Steps 1 through 3 and the lessons you learn from these steps.

***The lessons
learned in earlier
steps prepare you
for automating
transactions.***

Step 5: Embrace Exchanges

Trading exchanges offer golden opportunities to win new business and grow revenues, but only if you prepare for the increasing pace and complexity of buyer-seller transactions within these environments. After getting internal systems in order, and building the necessary transparency of information within your company and between your customers and partners, you're able to make accurate, informed decisions within various exchanges. This requires you to complete meaningful work in steps one through four of the Adexa road map. Only then can you sort through the win-lose opportunities each exchange offers.

Different exchanges take different forms depending on where you're positioned in the global supply chain. Some exchanges will be buyer-driven, others supplier-driven. There are also a variety of after-market automotive exchanges. If you are a Tier n supplier, you very likely serve other verticals besides automotive. These verticals offer their own unique industry exchanges.

In some exchanges, you may exert power as a buyer or a seller. In others, you may have to dance to someone else's tune. But by developing and fine-tuning your internal processes and technology, you can stay ahead of your competitors within each exchange environment. Used correctly, these exchanges can become the most powerful sales reps you'll ever have.

You can use exchanges to win new business, slash costs, and increase revenues. Are you ready?

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However, without the right planning tools, you won't be able to intelligently respond to these fleeting, now-or-never opportunities. The opportunities offered by exchanges can pose significant business risks. For example, you may win a contract through an exchange that requires you to deliver 10,000 units in 60 days. If you later discover that your available capacity is only 8,500 units, you may be forced to choose between incurring expensive overtime or earning a poor vendor rating within that exchange.

But if your systems give you instant available -to-promise, capable -to-promise, and profit -to-promise visibility across your extended supply chain, you have the information you need to make intelligent decisions at Internet speed. Properly managed, these exchanges can help you reduce costs, grow revenues, and increase customer loyalty and repeat business.

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Why the Road Map Works

Is the Internet everything, or is it nothing? If you make vehicles or build parts for a living, both perspectives are true. The five steps in Adexa's road map enable you to embrace the Internet not only to meet your customers' expectations for information transparency, but also to improve your daily brick-and-mortar operations. Building on this foundation, you can improve customer service by moving the right information as swiftly and accurately as you move materials. You can forge strong online relationships with your suppliers, helping them while helping yourself. As a result, you strengthen your leadership position in your extended supply chain, sharpening its combined competitive edge.

If you make the right investments in these steps, you can position yourself to compete more effectively within a wide array of automotive and other industry exchanges. Again, the race goes to the swift. An effective collaborative commerce strategy takes into account all five steps, and has meaningful work completed in each one.

Adexa's pragmatic approach works because it's supported by proven technology that maps to each step and delivers measurable benefits at each milestone.

We've walked through the five steps with companies around the world in industries as diverse as automotive, high tech, electronics, semiconductors, and textiles and apparel. Our road map assumes that your technical infrastructure is highly complex and consists of heterogeneous applications, operating systems, databases and networks. We work with you to build on that as-is foundation to prepare your enterprise for the world of business-to-business commerce through the Internet—without disrupting your core business.

To learn more about how to implement transparency on your terms for greater competitive advantage in the global automotive industry, call us at 888-475-2409 or log on to adexa.com.

***Start today. Use
the road map to
implement
transparency on
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