SUPPLY CHAIN SIMPLIFICATION
« Traps, Solutions and Savings »

A business-strip created by Chorege
January, 2015
MARCH, 2012:
NEW ENGINE INDUSTRIALIZATION PHASE AT FRATRUCK...

New Engine Eco friendly Forecast

Forecast shows an increase of volumes.
Target:
- Simplify the industrialization

The case of flywheel:
The flywheel consists of two parts:
REF A + REF B
- Made in USA and Hungary
  Value: 300 € / part
  Name: MECA.HUN.Ltd
- Made in India
  Value: 30 € / part
  Name: MADUR.IND

The assembly requires time and storage space.
In order to simplify the industrialization, THE ASSEMBLY SHOULD NOT BE DONE AT THE PRODUCTION LINE.

We have two options:

Option A: Assembly at MECA.HUN.Ltd
- MADUR.IND delivers REF B to Hungary
- MECA.HUN.Ltd delivers REF A to India

After a light analysis
- Q: no risk, reliable and known supplier
- C: assembly expensive
- D: MECA.HUN.Ltd does not need time to industrialize (Has got the drawings)

Option B: Assembly at MADUR.IND

A multi-disciplinary group project meeting...

Quality: Assembly seems to be simple
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R&D: It should be easier?

Supply chain: Less reference, why not but I have a doubt...

PEOPLE INVOLVED 8

«OPTION A » ROADMAP

A&B ASSEMBLY AT MECA.HUN.Ltd

⇒ A LOGISTICAL OPTIMIZED SETUP...
AFTER REFLEXION AND FIRST ANALYSIS, THE GROUP COMES TO A PROPOSAL...
THE REPORT IS SUBMITTED TO THE SOURCING DEPARTMENT.

Two weeks later in India, the SOURCING BUYER is visiting MADUR.IND to finalize the partnership...

I will start with an audit and then we could establish the contract ...

... and then my contribution would be completed.
DECEMBER 2012: THE SOURCING BUYER QUALIFIED MADUR.IND TO ASSEMBLE PART A + PART B FOR FRATRUCK

2013: MADUR.IND AND FRATRUCK FACE ISSUES DURING THE RAMP UP...

MARCH, 2014: CONTEXT EVOLUTION PUSHED MADUR.IND’S MANAGEMENT TO GET A GLOBAL PICTURE OF THEIR BUSINESS WITH FRATRUCK

REGARDING 2014 FORECASTS, THE BUSINESS WITH FRATRUCK IS WAY LESS PROFITABLE FOR MADUR.IND THAN IT APPEARED TO BE IN 2012
AFTER A GLOBAL UNDERSTANDING OF ITS SUPPLY CHAIN, MADUR.IND CHANGES ITS ATTITUDE

MECA.HUN.Ltd:
« We face payment reception issues. We will postpone shipments to MADUR.IND until payment is received »

MADUR.IND:
« Then we will face shortages next week and will not be able to produce »

FRATRUCK (Lyon):
« Stock level at PuP is too low: around 6 production weeks. After what we will face SHORTAGE! »

APRIL 2014: CRISIS ORGANISATION IS IMMEDIATELY IMPLEMENTED AT FRATRUCK

Crisis: MADUR.IND stopped payment to MECA.HUN.Ltd
Consequence: MADUR.IND won’t deliver the quantity on time

Lot of suppliers have low stocks too
We need daily updates
We must check the suppliers thoroughly

CRISIS TEAM MEETING

From 1:30 PM (GMT +1) To 3:30 PM Freq. 5 days/w

LYON
- Supply chain
- Procurement
- Crisis team leader

Operational team
- Supplier Relationship manager
- Supplier Quality Leader
- Operationnal buyer
- Supplier Delivery Manager

Indian suppliers
- Production manager
- Quality manager
- Production planner

FOR MADUR.IND

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AWARENESS AND CONSEQUENCES START TO SPREAD AND RAISE ATTENTION OVERSEAS...
MAY 2014: AFTER A FIRST INVESTIGATION FROM FRANCE, CHOREGE MEETS SUPPLIERS

END OF APRIL: FACING ISSUES, FRATRUCK ASKS FOR CHOREGE TASKFORCE BY SUPPLIERS TO RECOVER DELIVERIES

Audit report

Delivery issue reason:
- MADUR.IND does not pay the parts due to cash unavailability

System weaknesses:
- Complexity
- Intermediaries
- Length and lack of reactivity

Conclusion:
→ New supply chain set up to build

CASH FLOW ILLUSTRATION OF THE SUPPLY CHAIN...
...MADUR.IND CARRIES TOO MUCH FINANCIAL WEIGHT
**JULY 2014: CHOREGE ASSUMES THAT DELIVERY ISSUES AT MADUR.IND ARE DUE TO SUPPLY CHAIN SETUP AND NOT PRODUCTION**

Building New supply chain setup

3 scenarios:
1. Assy at Meca.HUN.Ltd (Hungary)
2. Assy at PUP (Germany)
3. Assy at location of use

**TWO ALTERNATIVE SUPPLY CHAINS SEEMS TO BE SUITABLE TO FIT TO EACH ACTOR’S NEEDS**

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**TRANSITION SETUP – Sc. 2: CASH FLOW**

Transition setup: 7W x 30€
- Madaur Ind Cash Flow: 7W
- PuP Cash Flow: 4W
- Meca.HUN Ltd Cash Flow: 8W

Global Supply Chain: 12W

**Short term setup:**
- Supply chain gets shorter: 15 weeks saved
- More flexibility
- MADU.IND cash flow is reduced by 93%
- PuP handles 4 weeks of cash flow

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**PERMANENT SETUP – Sc. 3: CASH FLOW**

Transition setup: 7W x 30€
- Madaur Ind Cash Flow: 11W
- PuP Cash Flow: 4W x 30€
- Meca.HUN Ltd Cash Flow: 12W

Global Supply Chain: 12W

**Long term setup:**
- Supply chain gets shorter: 15 weeks saved
- More flexibility
- MADU.IND cash flow is reduced by 93%
- PuP handles 4 weeks of cash flow

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**SEPTEMBER 2014: DECISION IS TAKEN**
FRATRUCK WILL IMPLEMENT THE SHORT TERM SETUP ASAP AND WILL LAUNCH THE IMPLEMENTATION PROCESS TO GET TO THE LONG TERM SETUP ON BEGINNING OF 2015
FRATRUCK HAS LAUNCHED ACTIONS TO IMPLEMENT SHORT-TERM AND LONG-TERM SETUPS. FRATRUCK IS GLAD TO INTERNALIZE VALUED OPERATION BUT A QUESTION REMAINS UNANSWERED...

In regards to the analysis we realised that the assembly of these two parts is USELESS

These two parts can be assembled on the engine separately

As a conclusion we can deliver these two parts to the engine line

The question is: WHY DID WE NOT GET TO THIS SIMPLE SOLUTION FROM THE START?