FORD MOTOR COMPANY

DRIVING INNOVATION IN SERVICE PARTS PLANNING

QUICK FACTS

Industry
Automotive

Revenue
US$118 billion

Employees
Approximately 198,000 (worldwide)

Headquarters
Dearborn, Michigan

Web Site
www.ford.com

SAP® Solutions and Services
SAP® Service Parts Planning for Automotive package (one of seven packages tailored for specific industries), SAP MaxAttention™ support

Implementation Partners
SAP Consulting, Deloitte

When Ford Motor Company decided to overhaul its service parts management systems, the auto giant teamed up with SAP to develop a world-class service parts planning solution. Ford has already implemented this software in its European operations as part of a global, multiphase project. As a result, the company has enhanced the quality of its customer service with improved planning capabilities.

Key Challenges

- Establish common global processes
- Replace solutions that are outdated, regional, and based on batch processing
- Provide better integration and visibility across a global supply chain
- Improve forecasting and planning activities
- Maintain highest levels of customer service
- Implement a platform that supports future business growth and process improvement

Why SAP Was Selected

- SAP best positioned to codevelop required SPP system
- Broadest solution portfolio with best fit for process requirements
- Superior functional integration
- Understanding of the auto industry
- SAP's holistic application lifecycle management strategy
- SAP executive commitment

Implementation Best Practices

- Collaborated with SAP in codevelopment
- Set up multitiered governance structure
- Phased implementations to mitigate business risk
- Piloted service parts planning (SPP) solution with limited number of parts and suppliers
- Used ASAP methodology and Ford templates
- Focused on effective change management
- Involved both business owners and IT

Low Total Cost of Ownership

- Project to retire 130 legacy systems
- Global templates to guide local implementations
- SAP® MaxAttention™ support that accelerates adoption of application lifecycle management tools and best practices
- SPP that enables centralization of European planning activities
- Focus on standard global functionality strictly limits regional customizations

Financial and Strategic Benefits

- Common platform for worldwide service parts management
- Real-time visibility to parts in a global supply chain
- More accurate forecasting – particularly for seasonal and slow-moving parts
- Improved safety stock planning
- Fair share allocation of parts across depots
- Improved collaboration with suppliers
- Reduced back orders

Operational Benefits

Key Performance Indicator	Impact
Service parts inventories	-10%
Obsolescence	-10%
Fill rate	+0.5% (current rate is 97%)
Forecasting accuracy	+20%

"We believe that Ford Motor Company has helped develop a service parts planning platform that is state of the art in respect to ensuring high parts availability and effective inventory management."

Raymond Damerow, Director of Service Parts Supply and Logistics, Ford Customer Service Division Europe

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Ford Motor Company – Pioneer Past and Present

Since Model T days, Ford Motor Company has been an innovator. So when the automaker needed to replace its aging and fragmented service parts management systems, Ford sought a cutting-edge solution. "We wanted to integrate three key functions across the entire global supply chain – service parts planning, warehouse management, and supporting commercial operations such as order processing," explains Helmut Nittmann, Ford's director of service parts supply and logistics in North America. But the exact solution Ford was looking for just didn't exist.

Ford started its search by partnering with other leading companies to identify best practices that ensure world-class service parts management. Then project leaders evaluated software from various vendors. After extensive demonstrations, Ford decided that SAP offered the most integrated portfolio – yet some specific service planning functionality was still lacking. The solution? Ford and SAP worked together to fill in the missing pieces. Their collaboration included the development of the SAP® Service Parts Planning for Automotive package – one of seven industry packages offered by SAP.

Phased Implementations Help Ensure Success

Ford's total system overhaul of its worldwide service parts activities is a multiyear project. Guided by a governance structure that operates on both global and regional levels – and assisted by SAP MaxAttention™ support – the company is taking a phased approach to the implementation to mitigate any business disruption. Ford, however, has already met an important program objective: rolling out the service parts planning software in Europe while consolidating regional planning to a central location in Cologne, Germany.

The Benefits of Leadership

Once again, innovation is paying off at Ford. "Today, we ensure that 70% to 80% of the spare parts that a dealer frequently needs are available on the dealer premises," says Günther Baermann, program manager at Ford. "Ninety-three percent will be delivered the next day, and 98% can be supplied within the week. In emergency situations, a delivery will happen the same day from anywhere in the network to the dealer." That's particularly impressive when you consider that in Europe alone, Ford manages a quarter of a million different spare parts.

In addition to more satisfied customers and dealers, Ford also enjoys real-time visibility into its extensive supply chain. Now when a part is sold in France, for example, it is immediately visible to planners in Cologne. This global view is coupled with better succession planning and more accurate forecasting capabilities – particularly for harder-to-predict items such as seasonal and slow-moving parts. The benefits include inventory reductions up to 10%, lower obsolescence costs, and a more balanced fill rate across European warehouses. In fact, even in an economy disruptive to supplier stability, Ford is not only maintaining its historically high fill rates but is actually boosting the percentages.

The new solution is also improving collaboration between Ford and its estimated 2,000 European suppliers. Ready access to Web-based information gives vendors insight into parts demand, which helps reduce back orders. And greater visibility into the entire supplier network lets Ford react quickly to supply chain concerns.

Down the Road

Other program milestones lie just ahead for Ford. The company is extending its new planning and warehouse functionality to the United States and to other strategic sourcing depots in Europe. As Nittmann points out, "Ford now has a spare parts solution that the company can use around the world to achieve the highest levels of customer service – from order to delivery."

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