

CASE STUDY

# Automotive Supplier

## Background

- \$200 million high tech
- 90% automotive
- Chrysler moving to China
- Very tight cash, no control

## Operations Assessment (5 weeks)

Segmented the business into the several basic markets with volume and price/cost relationships for each

Developed a 13 week cash flow to understand cash leaks

Mapped capacity utilization which was found to be very low

Mapped inventory flow

## Supply Chain Modeling (4 weeks)

Identified high inventory levels/waste using models

Calculated WIP cycle time improvement opportunities

Developed the relationship between inventory and the forecasts given by Chrysler, Bose and Panasonic, the top three customers who accounted for 75% of revenue and 80% of inventory

Rate based scheduling

## Cost and Pricing Analysis (4 weeks)

Developed a basic but reliable cost estimating algorithm

Calculated product line profitability

Determined what products were used under priced and what markets were over priced

## Results

WIP reduced to 10 days process from over 5 weeks

Cash flow improved over \$20M in WIP and FG inventory reduction

Low margin products rationalized

The extremely high margin Chrysler product protected

New markets sought