

RESEARCH

Supply chain complexity stokes worry among automakers: report

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The Aston Martin DB9 was recalled in 2014

By JOE MCCARTHY

Seventy-seven percent of automotive manufacturers cite the globalized nature of supply chains as their number one concern, according to research by Business Continuity Institute.

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Auto brands have a significantly fractured supply chain, with countless parts being manufactured in countless places. If one or more of the junctures become disrupted, brands can find themselves in murky territory that could entail massive recalls or a last-minute scramble for replacements.

"In the last 18-months to two years, we have seen changing attitudes from vehicle manufacturers towards the supply chain," Brad Brennan, managing director of emergency logistics specialist **Evolution Time Critical**, Bolton, Britain. "The change is to demonstrate greater awareness of the important role played by visibility and dependability, and the benefits that can be brought by robustly protecting against supply chain failure.

"Greater visibility of operations and understanding of their supply chains at each level has

meant that vehicle manufacturers are more prepared for when things go wrong, which allows a contingency to be implemented swiftly and efficiently," he said.

Business Continuity Institute provides supply chain intelligence, global supply chain verification auditing services, audit compliance and risk management software solutions and advisory services.

Lot to carry

Auto brands tend to stretch their supply chain to the limit. Intensified production schedules, increased vehicle variety and always demanding higher quality materials place pressure on suppliers that may buckle under escalating pressure.

As brands venture into new markets they sometimes have to reconfigure their supply formula, which can then lead to unexpected weaknesses.



BMW factory

Essentially, as any brand becomes bigger and extends in more directions, the causes of potential disruption rise concurrently.

Some supply chain risks identified by Business Continuity Research include anti-Western terrorism; cargo theft; corruption; counterfeit production; crime and government effectiveness; employee screen practices; environmental, health and safety; forced and child labor; human rights; man-made disruptions; natural disasters; political and economic stability; supply chain terrorism; and unmanifested cargo.

Consequently, many manufacturers have stated to proactively assess and address existing vulnerabilities to create an "emergency logistics safety net."



Aston Martin factory

Most brands know first-hand the reputational and financial harm caused by supply chain failure.

For instance, British automaker Aston Martin broadened a recent recall net due to a faulty throttle pedal, but the brand's limited production lines and the seemingly quick-fix problem allowed for a swift redressing of consumer concerns.

The 17,590 vehicles identified as jeopardized by the counterfeit plastic supplied by a Chinese company placed the brand under heightened scrutiny, but once the automaker amended the supply chain, consumer trust likely repaired. Opening a dialogue with consumers to explain the scope of the issue will also help Aston Martin overcome the setback ([see story](#)).

Playing it safe

Some brands have started to rein in the dispersed supply chains in favor of tight oversight.

Jaguar Land Rover is continuing to bolster its supply chain with a new engine manufacturing plant in Britain.

The center is the first of its kind in Britain and will establish Jaguar Land Rover as a leader in the country's automotive space. Furthermore, the many jobs that the facility creates will continue to paint the company in glowing national terms ([see story](#)).

Also, Toyota Corp.'s Lexus is prioritizing U.S. consumers by investing \$360 million in its first manufacturing plant in the country that will make its best-selling vehicle.

Lexus plans to open the plant in 2015 in Georgetown, KY, to produce ES 350 vehicles, which marks the first time it has been manufactured outside of Japan. These plans are the latest in a series of investments totaling \$2 billion in 17 months to expand Lexus' North American production ([see story](#)).

"Awareness of the crucial role played by the supply chain means that there is no reason for fear to increase," Mr. Brennan said. "In fact it should have the opposite effect, as although higher risk strategies are implemented by vehicle manufacturers, they are also

increasingly well protected against failure.

"Consciousness of supply chain activities at each supplier level breeds familiarity with operations and provides a natural contingency – the framework supporting the supply chain will continue to strengthen," he said.

Final Take

Joe McCarthy, staff reporter on Luxury Daily, New York

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