The Source for Critical Information and Insight™

# 2012 SuRe (Supplier Relationship) index

## Automotive News Europe Congress - Monaco

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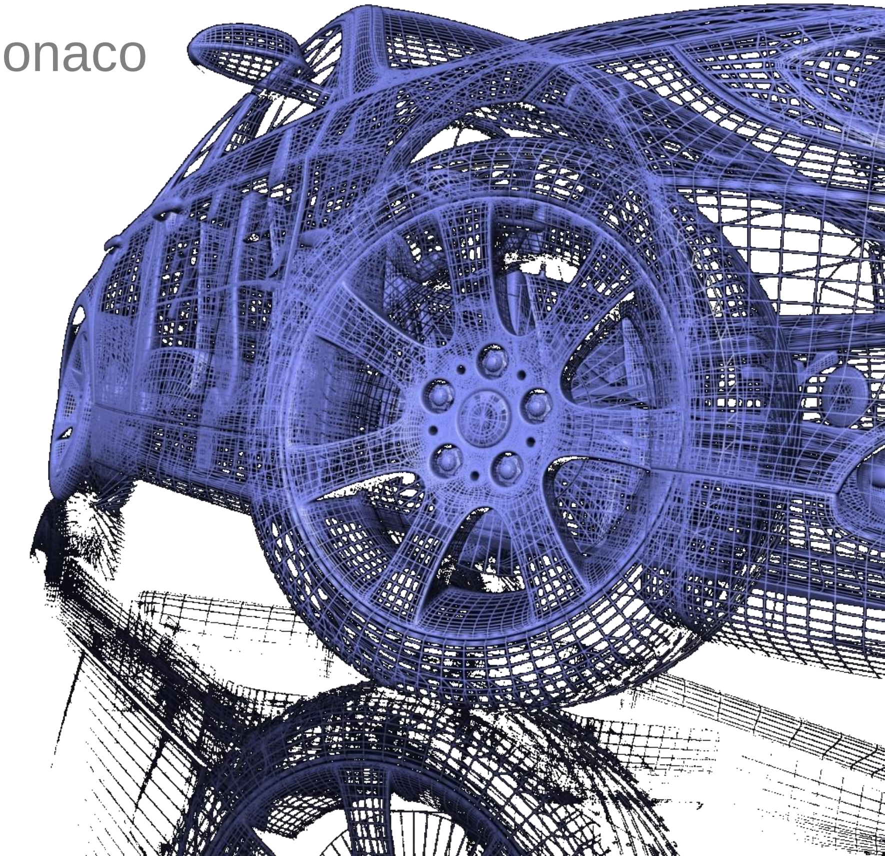


# What is the SuRe index?

- **Objective**

Benchmark of OEM working relations with their supply bases

- **How?**

Arranging the qualitative ratings suppliers give on 29 metrics (both relational and economic) as measured OEM-Supplier relations survey, in a quantitative measure

- **When?**

Annually (May-June through IHS-SupplierBusiness OEM-Supplier relations survey

- **Output**

An overall number on a 0-1000 scale plus 5 individual scores for the 5 “concepts”

# The KPIs

1. Price reduction
2. Reward cost-saving ideas
3. Management of raw material price adjustments
4. Payment of development costs
5. Tooling cost reimbursement
6. Satisfactory return on investments
7. Payment terms
8. Support in achieving cost reductions
9. Quality and stability volume planning

10. Technical Competence
11. Preparation model launch
12. Quality of communication
13. Support in improving quality
14. Management of Engineering Change Orders
15. Time-consumingness of contract negotiation
16. Redesign required

17. Shift of business to cheaper supplier
18. Protection of supplier's intellectual property
19. Keeping agreements on price

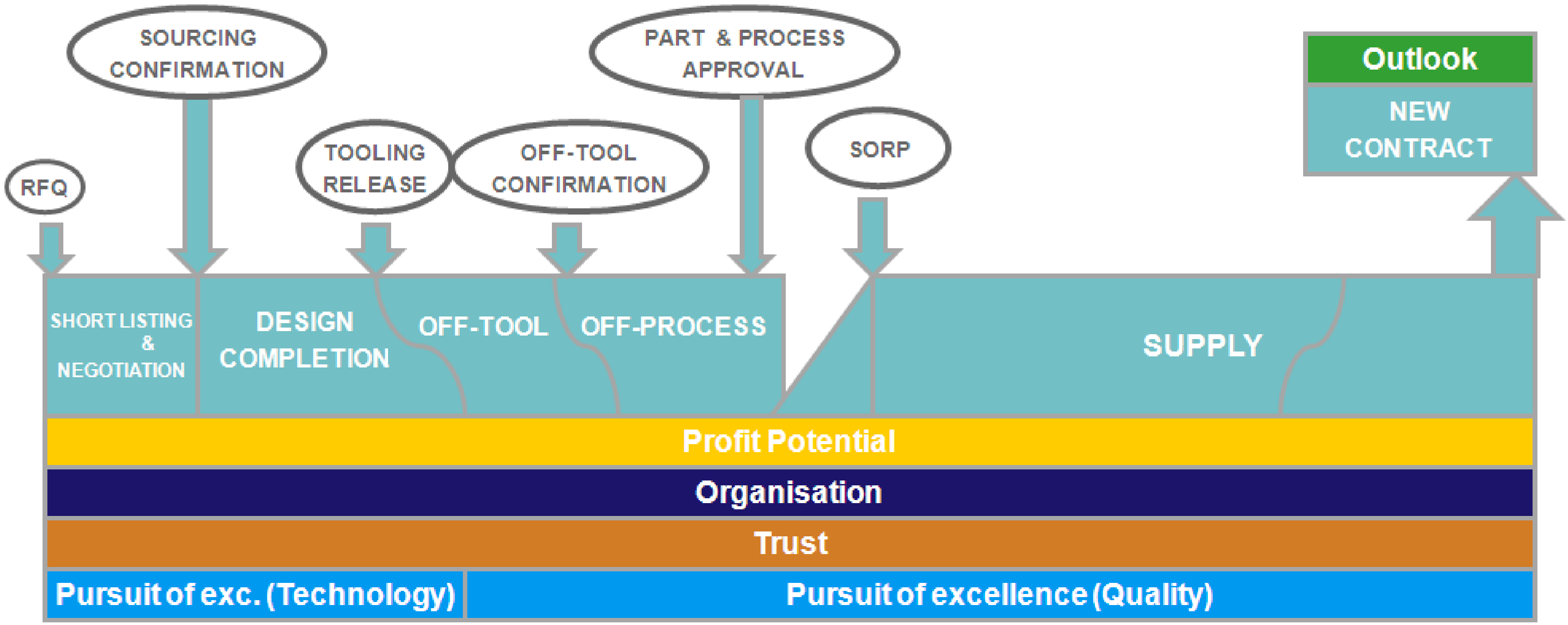
20. Demands to achieve high quality
21. Demands for best product technology
22. Demands for better logistics
23. Demands for product liability guarantees
24. Demands test and validation
25. Responsiveness to supplier innovation

26. Attractiveness
27. Long-term prospects
28. Opportunities for new or increased business
29. Openness in accepting new suppliers

# Categories

| | | |
|---|---|---|
| Limited | Profit Potential | Substantial |
| Unhelpful | Organisation | Supportive |
| Untrustworthy | Trust | Reliable |
| Unambitious | Pursuit of excellence | Ambitious |
| Negative | Outlook | Positive |
| 0 | SuRe | 1,000 |

# Categories




| | |
|---|---|
| <400 | Critical area |
| <450 | Lower threshold |
| ≈550 | Average |
| >650 | Somewhat satisfactory |
| >700 | Outstanding achievement |

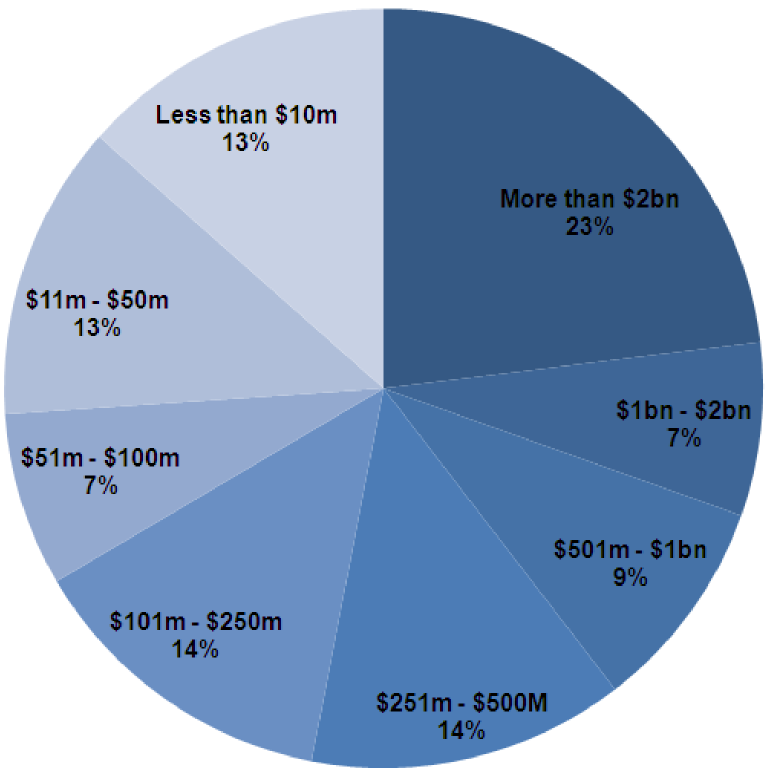
# What does it mean to have a high SuRe?

| | For the OEM | For the SUPPLIER |
|---|---|---|
| **Costs/ Competition** | Supplier more willing to “open books” | Savings achieved concertedly and with the support of the OEM, Healthy margins at arm’s length |
| | Supplier unlikely to claim inflated additional costs | No threat of retaliation from the OEM |
| **Development** | Supplier more likely to respect OEM deadlines in development | OEM’s personnel support the supplier in the different phases from contract negotiation to the actual supply period |
| | Lower risk of being overcharged in the event of Engineering Change Orders or in tooling costs claims | Communication is clear and effective |
| **Quality & Technology** | The OEM and supplier committed to achieve best-in class performance for quality and technology | Negotiation more technology-driven than price-driven |
| | The carmaker has preferential access to suppliers’ innovation | More protection for the supplier’s intellectual property |

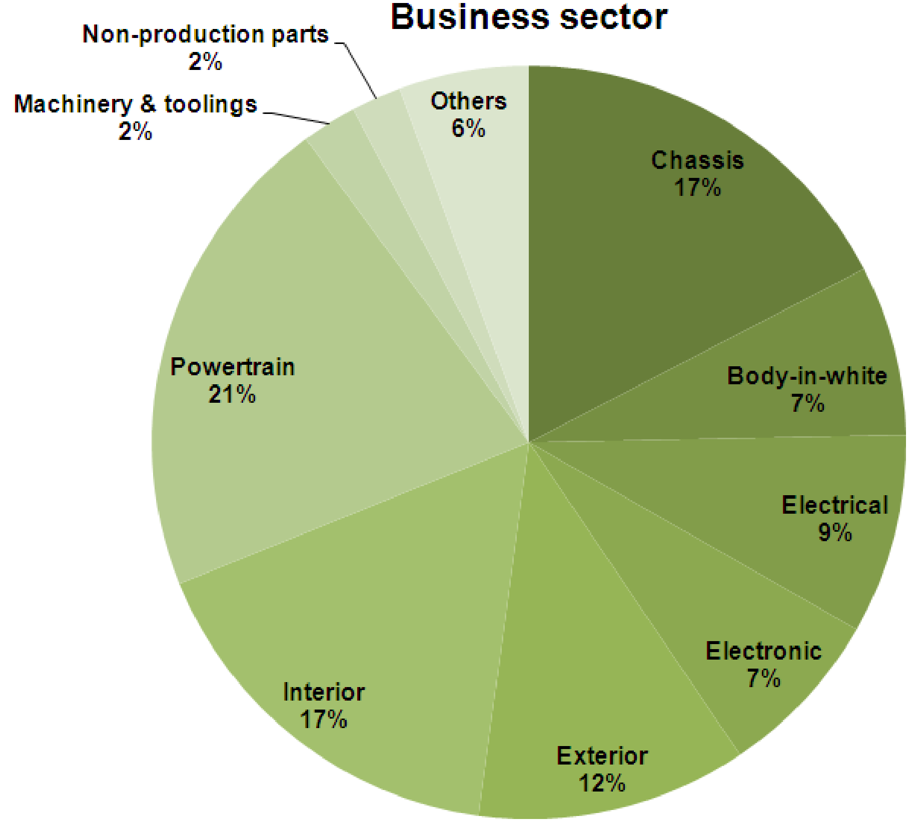
# Underlying survey demographics

**230 respondents**
**≈ 6,450 contracts**

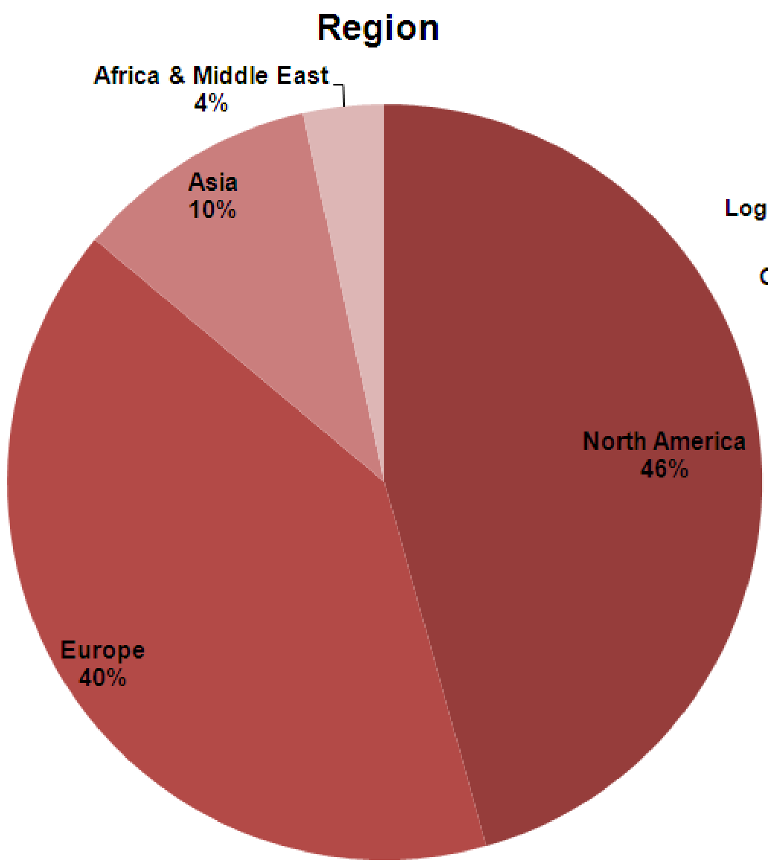
Company size

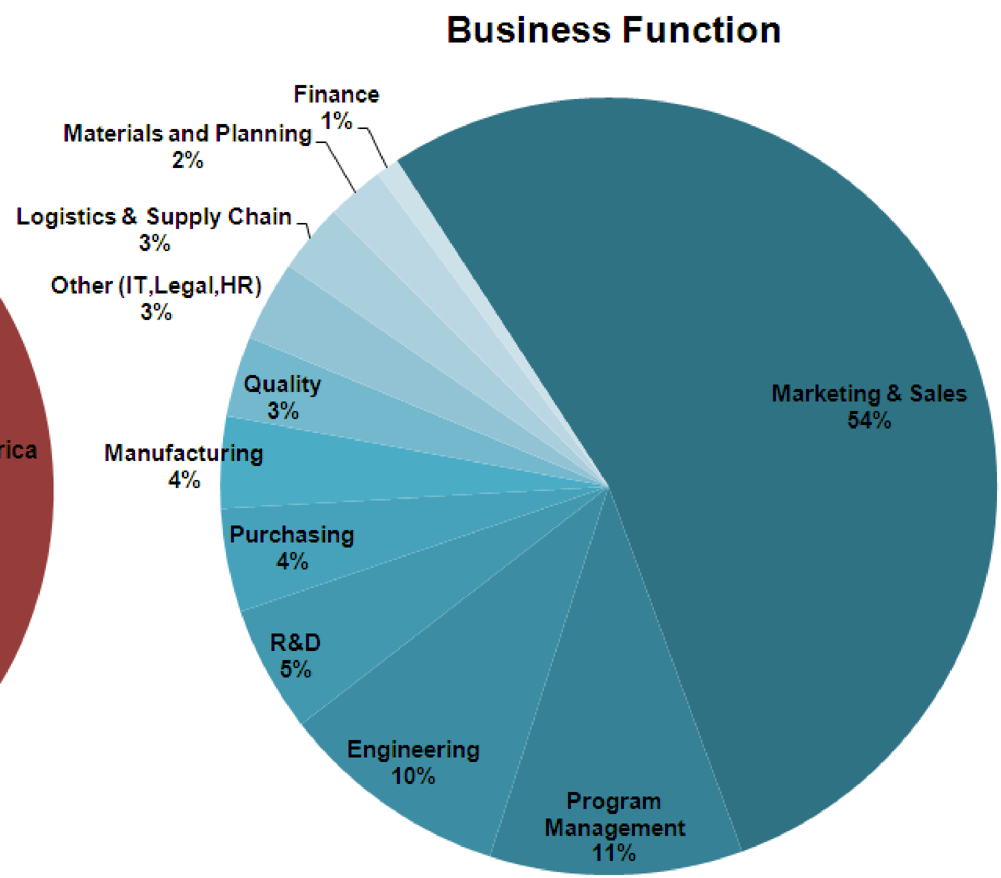



Business sector

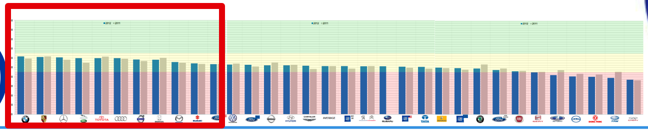


# Underlying survey demographics (2)

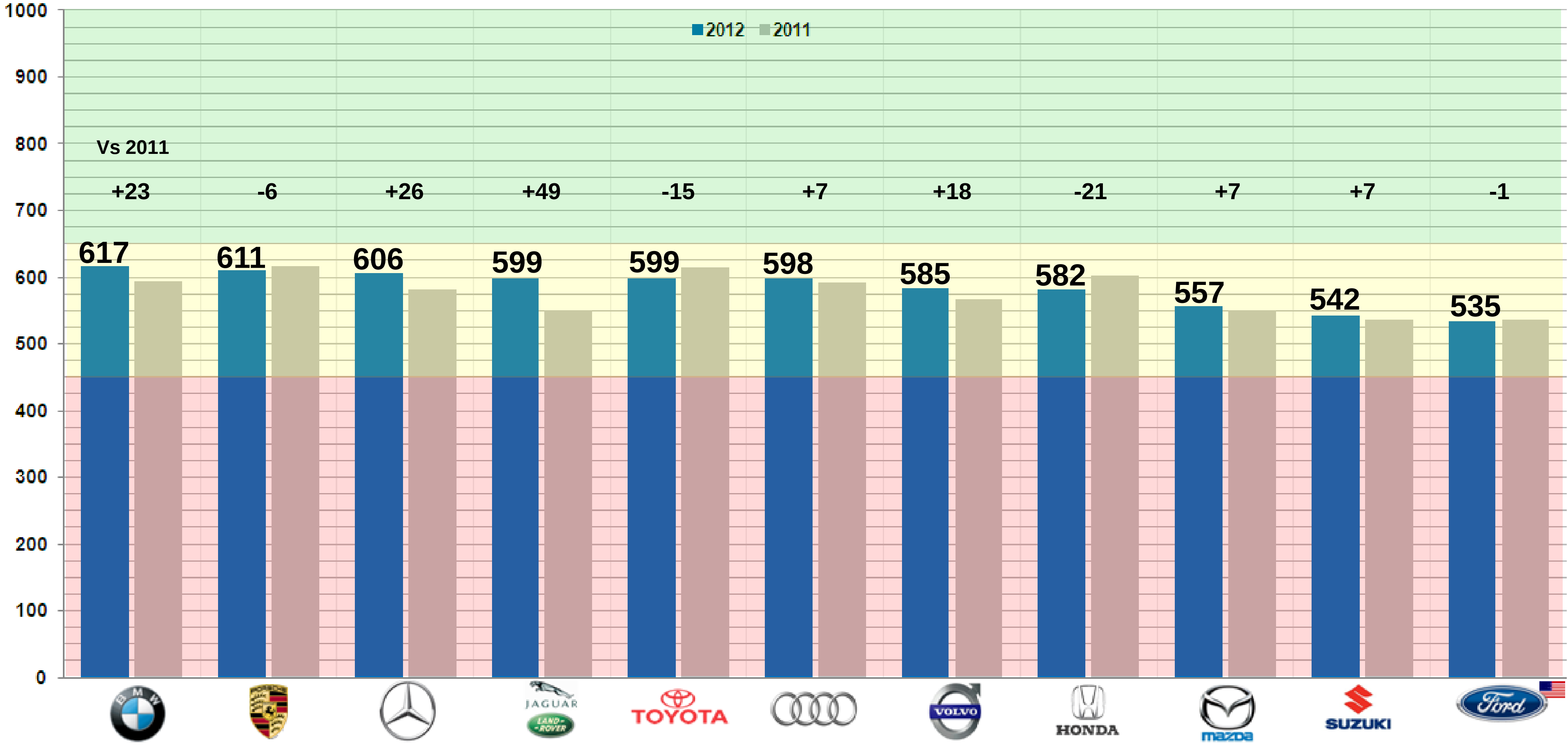


# 2012 SuRe index – Global(1)

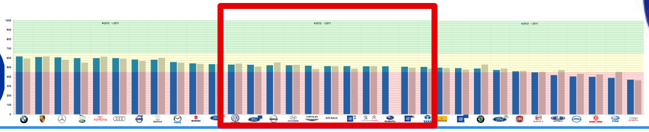


## TOP OF THE RANKING

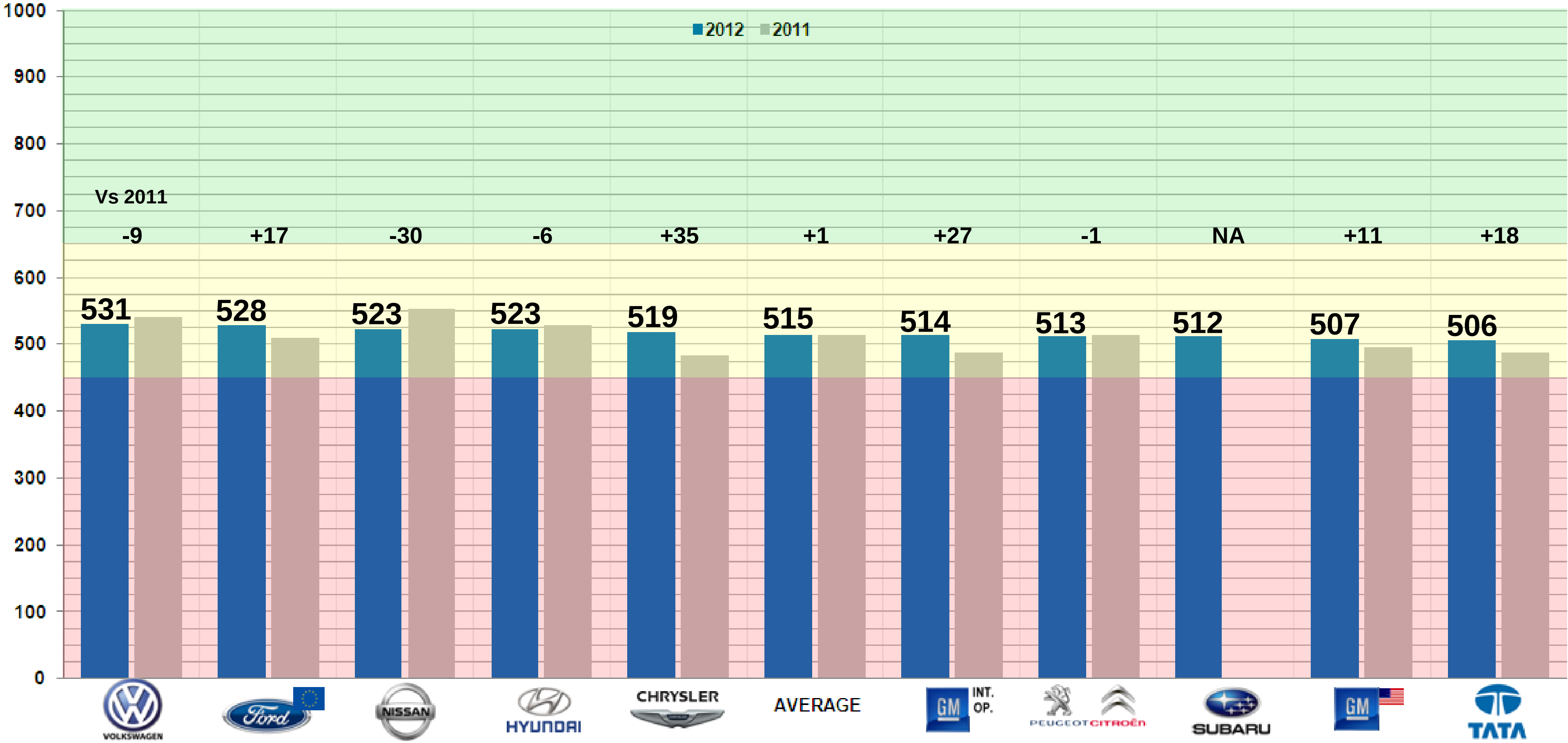



| | | | | | |
|---|---|---|---|---|---|
| Top SuRe index | 617 | Average SuRe index | 515 | Bottom SuRe index | 370 |

# 2012 SuRe index – Global(2)



## MIDDLE OF THE RANKING




| | | | | | |
|---|---|---|---|---|---|
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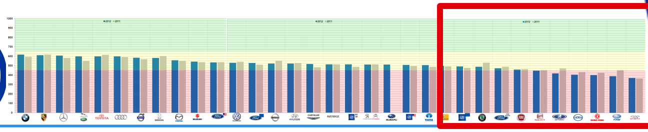
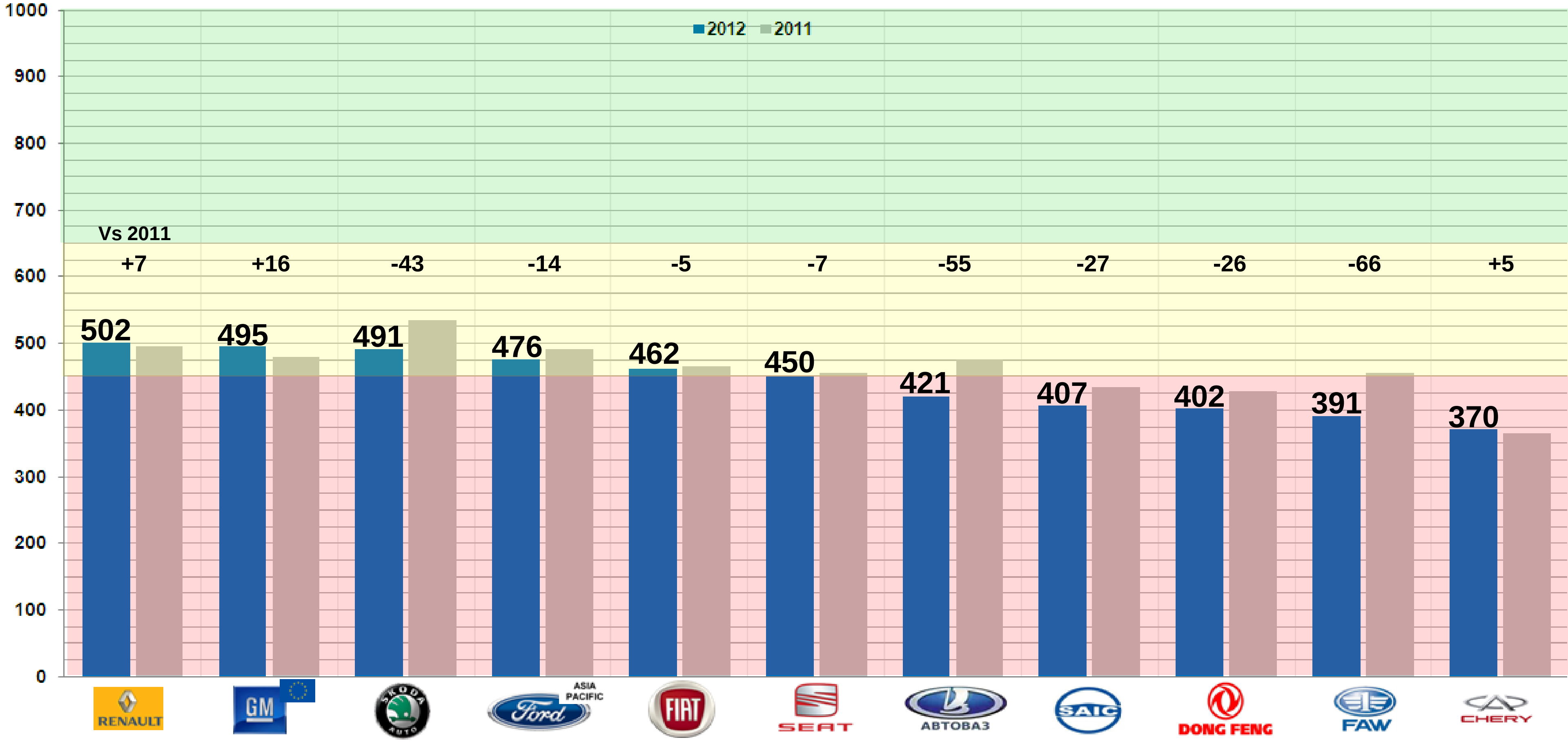
Subaru not surveyed in previous years; Hyundai includes Kia

# 2012 SuRe index – Global(3)



## BOTTOM RANKING




| Top SuRe index | 617 | Average SuRe index | 515 | Bottom SuRe index | 370 |
|---|---|---|---|---|---|



BYD and Changan not included due to insufficient sample size

# SuRe index 2012-2011 % change

| OEM | SuRe index Δ2012-2011 |
|---|---|
| **Jaguar/Land Rover** | **+49** |
| Chrysler | +35 |
| GM International Operations | +27 |
| Daimler | +26 |
| BMW | +23 |
| Tata | +18 |
| Volvo | +18 |
| Ford Europe | +17 |
| GM Europe | +16 |
| GM North America | +11 |
| Renault | +7 |
| Suzuki | +7 |
| Mazda | +7 |
| Audi | +7 |
| Chery | +5 |
| Average | +1 |
| Ford North America | -1 |
| PSA | -1 |
| Fiat | -5 |
| Hyundai/Kia | -6 |
| Porsche | -6 |
| SEAT | -7 |
| Volkswagen | -9 |
| Ford Asia Pacific - RoW | -14 |
| Toyota | -15 |
| Honda | -21 |
| Dongfeng | -26 |
| SAIC | -27 |
| Nissan | -30 |
| Skoda | -43 |
| Avtovaz | -55 |
| FAW | -66 |
| Subaru | NA |

- **Steady improvement since 2010, jump compared to 2011 (+9% compared to 2011)**
- **Price less important factor than for all other automakers**
- **Is it due to the expansion spree and ramp-up in demand?**

# SuRe index 2012-2011 % change

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| Jaguar/Land Rover | +49 |
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- **Relations improving for the 4th year in a row**
- **Ratings rise across the board by between 7% and 9%**

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- **All regional purchasing divisions improve**
- **Regional differences persist**

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- **Ratings more in line with Ford North America**
- **Purchasing organisation closer to becoming a "One Ford" in the eyes of suppliers**
- **Improvement particularly in terms of trust as perceived by suppliers**

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- **Offers the lowest profit potential among European OEMs**
- **Dichotomy with Chrysler's relationship style more and more evident, even with an aligned organization...**

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- **Deterioration in 4 out of 5 concepts**
- **Decoupling from Toyota?**
- **“Organisation” one of its historical strengths is recording the highest drop (particularly booming redesign demands...)**

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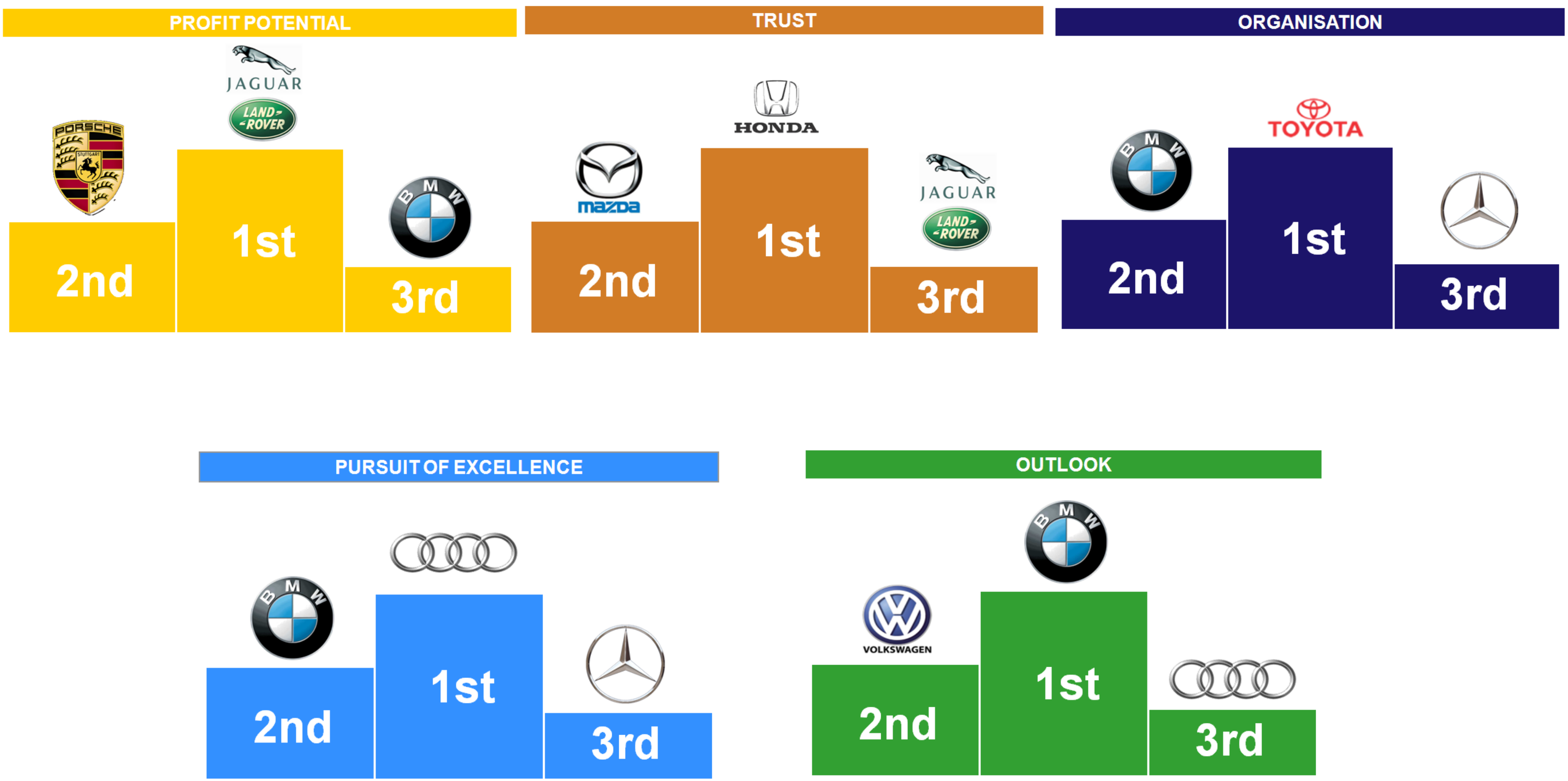
- **Marked drop in ratings mainly due to greater price focus**
- **"5% a year price reduction is a way of life"**

# Top three by category



# IHS Services

- IHS offers further in-depth analysis of OEM-supplier relations by
  - Sector (e.g. Chassis, Interior)
  - Sub-sector/ system (e.g. Braking, Seating)
  - Region (e.g. North America, Europe, Asia)
  - Country (e.g. France, US)
  - Supplier Company size (e.g. More than USD$2bn automotive sales, less than USD$10m)

- Other potential analyses based on the SuRe index include assessments on:
  - **PROCUREMENT PERSONNEL PERFORMANCE**
  - **OEM NEGOTIATION STYLES**
  - **COST COMPETITIVENESS**
  - **SUPPLY CHAIN RISK EVALUATION**
  - **INNOVATION SOURCING/SCOUTING**
  - **RELATIONSHIP MANAGEMENT**
  - **STRATEGIC OEM-SUPPLIER PARTNERSHIPS and more…**

**Please get in touch to know more about our services**

# Thank You!

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