

PRESS RELEASE



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Ricardo white paper shows automakers must adapt strategy for aftermarket profitability

With the average age of vehicles on the road increasing and automotive manufacturers allocating production capacity to new models and technologies, the ability to support lifetime service parts requirements will need special consideration – according to report published today by Ricardo

In a report released today, consultants from Ricardo highlight the market forces that challenge automakers' ability to service customers in the aftermarket - a core business segment that can generate up to one-third of an automaker's revenue and one-half of its profits.

The aftermarket supply/demand dynamic has been altered from historical norms, and automakers are now finding that traditional production-to-aftermarket transition strategies may be putting them in a precarious position with regards to aftermarket requirements. Changes in consumer behaviour are resulting in a longer length of ownership for vehicles and an increase in the average age of cars on the road today. New powertrain technologies required to meet increasingly stringent emission standards and a growing demand for new vehicles are resulting in shorter product lifecycles, thereby putting pressure on automakers' existing manufacturing capacity to accommodate newer models at an accelerated clip. These factors, coupled with an increasing presence in the powertrain remanufacturing market, have created a scenario where automakers are working to analyse and predict lifetime requirements for service parts in an increasingly complex and challenging environment.



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The results of lifetime demand forecasting errors are often significant re-launch investments to remedy the critical part shortages. Automakers are forced to redesign, resource, retool and revalidate components for low-volume service. This leaves both automaker profits and consumer satisfaction at risk.

The report outlines the new operational and technical challenges that are experienced in transition manufacturing for critical aftermarket parts, including: identifying inventory and supply limitations, redesigning components for economical low volume manufacturing and re-sourcing activities that may include identification of new vendors, manufacturing processes and materials. These operational, engineering and purchasing competencies may be in short supply within the automaker's organization, and are often focused on new products from a supply chain that produces higher volumes than required for aftermarket needs, as well as the usual day to day business.

Ricardo uses a recent case study to describe how a special support team used a unique combination of skills to successfully put into place best practices for production-to-service transition for transmissions at an automaker, thereby avoiding the looming aftermarket risk. Operations experts audit the inventory situation and identify a solution, and work with technical engineering experts to develop components – taking new designs, materials and manufacturing processes into consideration. Then, low volume purchasing experts source the necessary materials or suppliers, while operations engineers support the launch of the transition to aftermarket production.

“This unique cross-functional team approach to aftermarket transition manufacturing allows us to improve the ability to tailor both design and manufacturing requirements with aftermarket volumes, identify cost reduction opportunities, and prevent part shortage risks much earlier in the process,” says Derek Schlonsky, vice president at Ricardo Strategic Consulting. “The goal is to accelerate the resolution of potential inventory problems and safeguard the automaker's profitability and the happiness of a loyal consumer – with the appropriate inventory for timely repairs when they are needed.”

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NOTES TO EDITORS:

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