

Topic 3 – Break Out Session

Vehicle Manufacturers & Tires



Hans Hygrell
Vice President VCCS China
Volvo Cars Corporation

**Local Distribution Centers (LDC) – Increasing service level
todealers**

Devising a customer responsive parts logistics strategy



Volvo car group

Hans Hygrell

**Vice President Parts Supply & Logistics
Customer Service, China**



HUMAN CENTRIC – SINCE 1927

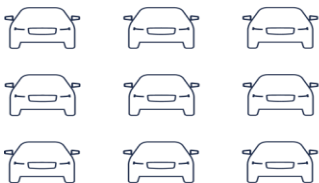
"Cars are driven by people. The guiding principle behind everything we make at Volvo, therefore is – and must remain – safety."

Assar Gabrielsson & Gustaf Larson,
the founders of Volvo



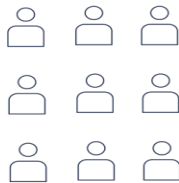
Designed Around You – Since 1927

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503 127

Cars sold 2015



28 485

Employees (2015)



2 300

Retailers in 100
countries (2015)

Customer Service

The ambition

We strive for simplicity,
to make life less complicated for people



We work in a competitive & free market



The competition intensifies, not least following legal developments

- Information is available to anyone
- Independents are consolidating into effective workshop chains
- Leasing and insurance companies leverage on their purchasing power
- Car manufacturers are investing in customer service and the customer experience





Focus on Customers

- Don't waste my time
- Solve my problem
- Give me exactly what I want
- Deliver value when and where I want it
- Reduce the number of decisions I have to take to solve my problem

TRUST creates LOYALTY



The customer service plan



Create the most effective and attractive workshops in the automotive industry



Efficient CRM/Communication, My Volvo (Owner Pages), Connected car



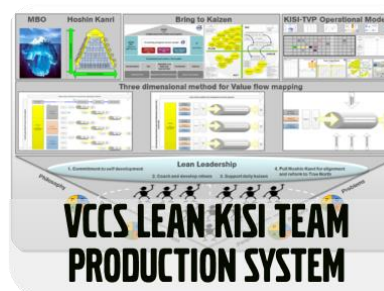
A complete offer portfolio that can be marketed nationally; easy to offer, sell and buy



Built on the 6Ps Product, Price, Promotion, Place, People and Process



Local Distribution Centres – delivering parts faster to real demands for satisfied customers



Lean Leadership, Value Chain Mapping, KISI-VP Operational Model and Setting Target Condition

Workshop production system



Situation

- Workshop production is still based on pre-industry logic
- Inefficiencies can't be hidden by increased labor rates

We want to

Create the most effective and attractive workshops in the automotive sector based upon

- Lean Leadership
- Multi-skilled Team
- Personal Service Technician



Volvo Personal Service –

Volvo Cars way to effective and attractive workshops



Parts Supply & Logistics



Our global network





Traditional warehouse reality

We know we have 97% availability and focus how we can get to 97,5% and increase TOR



Dealers parts reality

More complex parts situation
but they always think they
have 95% parts availability

Local Distribution centers and Volvo Managed Inventory – concepts with dealer focus



Strategic concepts for VCC that focus dealer availability

- We take responsibility for the full dealer logistic value chain – all the way out to the technician in the workshop
- The dealers availability is in focus
- Gives the dealer opportunity to focus on customer and additional sales

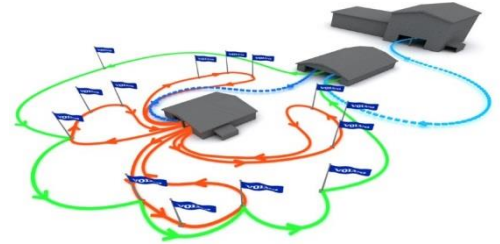
Supporting end Customer Satisfaction, dealer loyalty & business growth

LDC – reduction of dealer stock to a minimum with increased parts availability



The Volvo LDC System is based on:

- 2 - 3 deliveries per day to dealers
- Pre-planned parts, packed per car repair delivered overnight
- A small safety stock at the dealer
- 3-hour lead times for “unplanned” parts
- Access to 18 000 part nbr. daily = 75% reduced dealer stock



Increased Parts Availability at the dealer



Dealer carries typically
max 1 000 parts in
own stock.
LDC carries 18 000
parts in stock.

Pre-planning
integrated in the
LDC process.

Dealer

Dealer

Non LDC

LDC

Workshop Parts demand - Pre-planned Parts

30%

45%

Workshop Parts demand - Same day

70%

55%

Fill rate (parts availability same day)

65%

95%

Total parts availability (Same day)

76%

97%

summary



- Traditional Stock management & facing fill focus will most likely NOT give you better Customer Satisfaction.
- Understanding your dealer processes is key to understand where to improve.
- Distribution includes planning and delivering all the way to the technician in the workshop.

Parts Logistics is not a cost center – it's a business opportunity & supports creating true Customer Satisfaction – if you do it right!

We are not in the parts business - we are in the service business.

