

EDITORIAL – Volkswagen nominates first series of FAST suppliers

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OEMs increasingly looking into suppliers' costs, technologies and sourcing capabilities, with benefits for those brought onto preferred supplier schemes



Volkswagen has nominated the first 44 suppliers who will be collaborating with the group on a new common strategic level under the carmaker's FAST initiative. The programme was launched in February 2015 with a round of performance evaluations that has led to the selection of this first set of suppliers. For those nominated, the group will be deepening top management level discussions and the respective strategies and technological orientation in the individual categories will be even more closely coordinated and aligned. Volkswagen states that the aim of the initiative is to "successfully implement joint technological innovations ever faster than in the past and to realise vehicle projects worldwide even more efficiently and effectively."

Notable suppliers on the scheme include Delphi (ADAS), MAHLE (HVAC), Brose (Door module), Sumitomo Electric (Wiring harness), Faurecia (Seat structures, instrument panel), Grupo Antolin (Headliner), ZF Friedrichshafen AG (Damper), Continental AG (Adaptive cruise control), Gestamp (Chassis subframe front), Aisin AW (Automatic transmissions), Valeo (Alternators), Honeywell (Turbo charger), Magna (Axle drives), and thyssenkrupp AG (Assembled camshafts).

The FAST initiative is one of a number of recent approved supplier schemes or 'clubs' that OEMs are creating in order to bring suppliers into the production process at an earlier stage. One of the earliest examples has been Ford with its aligned business framework, providing them with access to long-term forecasts and long-term technology roadmaps, while at the same time saying that they have preferential access to Ford's business. Suppliers that match an OEM's investments in a certain region by following with a plant of their own have a stronger chance of getting business from that OEM in that region. Around two-thirds of Ford's purchasing is made through the 110 suppliers in the aligned business framework.

The thinking within the industry is that by locking suppliers into longer-term contracts and getting them involved in the vehicle design process earlier, automakers can expect suppliers to share more technology and better processes that help save on costs. This is echoed by VW, with Dr. Francisco Javier Garcia Sanz, member of the Volkswagen Aktiengesellschaft Board of Management responsible for Procurement, commenting that "in future, it will not be the corporation with the best negotiating skills that has the advantage, but the one that has also successfully established an optimal supplier network".

GM's new parts-buying programme is said to forgo conventional supplier bidding and focus more on an analysis of the suppliers' facilities and costs. Suppliers who agree to be part of a new programme, called the One Cost Model, will receive long-term contracts from the automaker for periods ranging up to the life of a vehicle. In return for these lengthy contracts, the automaker will not seek bids from other suppliers.

For OEMs, these supplier frameworks are a way of mitigating the risk that has been created as the development of crucial new technologies has been handed over to suppliers. By bringing them on board, they can cherry-pick the best new technology and retain a degree of exclusivity on some projects. Because of this, suppliers will have to choose their projects carefully.

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