

Fiat Chrysler (FCA) to reform relationship with suppliers

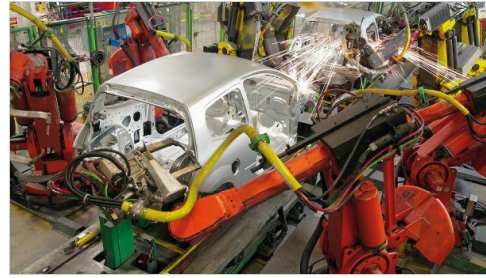
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FCA gives the Original Equipment Suppliers Association (OESA) a seat on the company's supplier council

Fiat Chrysler Automobile's (FCA) vice-president of purchasing for North America is proposing several ways for reforming supplier relationships. Along with adjusting its process so that its parts buyers will no longer be required to meet individual cost-savings goals, Tom



Finelli said the company has identified six other reforms designed to make it easier for suppliers to do business with FCA, *Automotive News* reports. During a presentation at a series of management briefing seminars in Traverse City, Michigan, United States, Finelli also said that the company has purchased more returnable containers for suppliers' parts shipments, to help address a chronic shortage. The lack has caused suppliers to have to use expendable containers, in some cases at their own expense. The second point Finelli shared in the presentation is that FCA will start compensating suppliers for tooling purchases without requiring a verification process, as long as the tooling costs less than USD5,000. FCA has also started holding weekly teleconferences with tier one vendors, to share production forecasts for each plant, enabling suppliers to arrange their own scheduling. FCA has given the Original Equipment Suppliers Association (OESA) a seat on the company's supplier council, giving the organisation a direct pipeline to FCA's purchasing executives. Finelli is quoted as saying, "We are striving to make these changes quickly." Suppliers, he said, "told us we weren't focused enough on quality while we were focused too much on cost. This triggered a huge shift in our approach to our sourcing perspective."

Significance: FCA said that its internal supplier survey in March 2014 revealed similar problems to those found by independent consulting company Planning Perspectives in its annual supplier reports. FCA is in the process of pushing a plan to reach annual sales of 7 million units by 2018, and has achieved significant sales growth in 2012 and 2013. However, it seems that some programmes are delayed, which has potential to put further strain on supplier relationships as well.

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