

Aftermarket Parts Case Study



Delphi Products & Services Solutions – North America

Delphi is a world leader in vehicle electronics and transportation components, integrated vehicle sub-systems and modules.

Headquartered in Troy, Michigan, USA, it is a Fortune 100 company with \$28 billion in sales and a global manufacturing footprint.

Project & Objectives

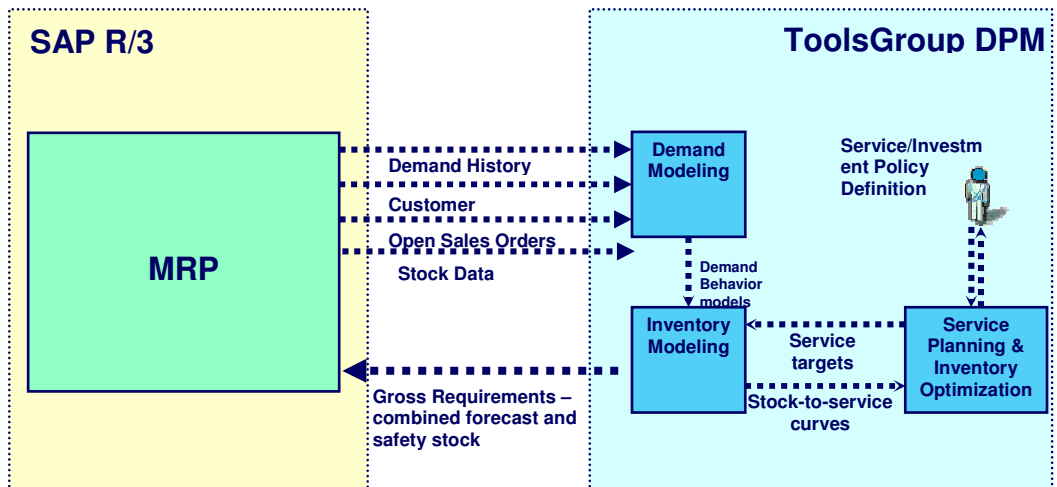
Delphi's aftermarket parts business operates in a challenging environment. Their market expects customer service levels in the high 90s with serviceability of products extending back 15 years. The supply chain management team was under increasing pressure to pull inventory out of the business and achieve high service levels with less safety stock.

This needed to be achieved in a large scale environment. The business has 59,000 stocked SKUs, receives about 17,000 order lines per day, and has more than 700 suppliers.

... Day to Day

In 2004, Delphi North America implemented a "service-driven" inventory optimization system that allows them to achieve efficient stock utilization and planned service targets. This inventory planning and optimization system is provided by ToolsGroup's DPM, and includes 30 Delphi users worldwide.

The system is integrated with SAP R/3. DPM receives demand history and stock data, and sends back "gross requirements" a combination of forecast and time-phased safety stock levels. R/3 then nets requirements against inventory quantity and generates new replenishment orders.





DPM analyzes and adjusts for a wide variety of factors such as seasonality, unreliable supply, variations in demand, and product life cycles (launch, established, declining).

Results & Benefits

The system was first introduced in February of 2004, but due to staffing and data quality, required a longer than usual period of getting a team trained and the project fully executed.

Starting in early 2005, the team began to generate sustainable results. Customer service levels were improved by 6-7%, from 91-92% up to 98%. At the same time, inventory was reduced from \$46 million at the beginning of the project to \$38 million by February of 2006, an \$8 million reduction in about a year. This was followed by an additional \$2 million improvement in 2006.

