Down in the polls

German software provider Inform caught our eye recently after their in-depth study revealed that 72% of automotive companies are unsatisfied with their current IT arrangements. Rob Corson took a look at the research and interviewed Matthias Berlit, Vice President Manufacturing Logistics Division, to find out more.

The industry study from Inform explored the status of IT in Finished Vehicle Logistics (FVL), which covers the movement of vehicles from the assembly line to the dealers, and the management of vehicle handling and storage. 118 respondents from within the marketplace gave answers revealing the main weaknesses of FVL software, included usability and reporting capabilities (33%), lack of a web portal (29%), automated decision support and functionality (25%) and easier integration of new customer data and business processes (24%).

I wanted Berlit to give some insight into why the research was carried out. “Personally, I am very interested in the whole finished vehicle market since I moved over from working on the inbound side. I was Project Manager for a large project in Mexico with Volkswagen, which was the start for Inform in FVL.

"With this study we were trying to find out what is needed, what are the crucial benefits for the market. Besides lots of meetings and conference we thought that such a study would also help and used our contacts we have to ask a wider variety of people – OEMS, carriers, compound operators, everyone involved in handling the vehicles.”

There were some surprises in the results of the study. 72% admitted to being unsatisfied with their IT systems, but 39% believe the replacement of existing systems is not important even though fully 96% recognise IT as being critical to competitive advantage.

I asked Berlit to explain these figures. Why don’t people want to replace their poor IT solutions with something better? “I was a little bit surprised about how price sensitive this IT market is,” he said. “I think this is one of the major results of the study. The costs and the unawareness of a potential business case are an issue – the barrier is too high to cross.

We need to work more on bringing the message that you can reduce waste in the distribution network by implementing more advanced technology. There is also missing knowledge of the benefits – if the cost of implementation is 1 million but you save 2 million per year there is no question of whether to do it or not.”

There is also the problem that many of the systems currently used in this niche marketplace were developed in-house because major software providers did not create solutions until recent times. According to Berlit it is also very important for vendors to get the
message across that there are now existing, tried-and-tested solutions.

But it is the cost barrier on top of the lack of information that is preventing companies from purchasing a better software solution, rather than the upheaval caused by implementation. Existing suites are not being updated. “Most of the time potential customers are just delaying decisions, especially in Europe due to the weak European market. Decisions are put on hold rather than that they are extending their existing systems.

“Those who are unsatisfied should take a look at their business processes and check if IT can help at various points to do things more efficiently. Most obviously the load building - putting the vehicles on the truck - is done to a high degree manually or with very simple solutions with Excel. We have taken the optimizer for vehicle routing and adapted it for vehicle loading. This tool can reduce the transport budget by 8-12%, which easily makes the business case for the new system. We offer a central solution, which is used mainly by OEMs or by 4PLs where you can start with the strategic network planning, going down to the operation of the network, tracking the status of each car. Then we have also a management system specifically for automotive compounds."

As far as cost goes, rapid implementation is helping to bring this down. “It's fantastic how fast you can implement a system anywhere in the world now, 90% pre-configured, not programming as in the past, and how fast it is to adapt to new needs. This means a much faster time-to-market, getting customers a jump ahead in competitiveness. When our client ICO had a new customer, it took them 2 days to set up business processes for them, which in the past would have taken two months. The initial investment can also be reduced. We prefer to work in an agile implementation process with the customer.”

With the right kind of niche solution now developed and available, and the cost barrier overcome, there is likely to be steady growth in this software niche. Already for the last 2 years there has been great interest from the Asia pacific region where they are building new facilities and new factories, and lots of OEMs are just building up their distribution network. In Europe Inform already have some good customers like ICO and Ford, but investment has been hobbled due to dropping volumes. Now Berlit is hopeful “I think we will see a big increase in spending on IT in Europe. Companies with in-house systems fear losing their programmers who are now coming up to retirement, so they are looking at solutions. And as the volumes are also coming back, these decisions are easier to make,” he concludes.