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Logistics Leaders

May 2009



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OEMs must lead on standardisation

The more difficult times become for the automotive industry, the more the need for greater standardisation, Steve Jones of Vehnet tells *Sam Ogle*.



Steve Jones

In a period of unprecedented difficulty for the automotive industry, how pleasant it is to find a company which has been unaffected by the economic downturn. Since its

foundation in 2000, West Yorkshire-based Vehnet has become the leading name in global finished vehicle supply chain management systems, providing the industry's most advanced specialist software to major companies worldwide.

"The reasons why we haven't noticed any adverse effects are, firstly, that existing customers are investing more in Vehnet because we have been proven to save them money and, secondly, that more new customers are coming to us who have heard about our expertise and our attractive payment structure," says managing director Steve Jones. "We have the best technology and we want more people to know that our per-vehicle-based pricing – which we

have always had – is now especially relevant to them."

The Vehnet business solutions are highly configurable, integrated and flexible to use. They are driven by workflow and manage all the events in the supply chain. This allows the systems to control the activities in the following areas: Ro-Ro marine terminals, compound and yard management, vehicle holding and storage, workshop, estimating, damage appraisal, warranty, PDI, load building and dispatch. Because of the leading technology used to develop this product, linking and interfacing with other systems is made very easy.

Automotive volumes are down and the challenge for logistics service providers is to control their break-even point where their fixed costs and their variable costs are at least covered by their revenue. "What Vehnet software does, and always has done, is that it improves processes so that you need less fixed cost in your business," explains Jones. "It therefore increases the ability of our customers to survive these

difficult times. Their revenues may have dropped, but their costs can also drop because our software automates and optimises processes and effectively removes the need for people and additional systems, which also cost money, from the equation.”

Vehnet’s primary product, iTracks, is designed exclusively for application in the automotive finished vehicle sector. “It is not RFID, it is a management suite which controls all the activities associated with the life cycle of vehicles from the manufacturing plant to the dealership,” says Jones. “Our system can be set up to take information from an RFID system; that is purely a hardware technology. You always need a management system in place for RFID

to talk to. We can intelligently look at the feeds from RFID and interpret that information. For example, if a car has gone through the end of a wash lane we can send a message to the driver on a screen telling him where to drive to next and we can tell workers on the yard to bring in some more cars because we’re running short on the wash lane. This is a very typical thing we do in an automated fashion which legacy systems probably don’t do.

“We haven’t really had to change our strategy because, today, the needs of the market are even more pointed than they were before.

Processes could be more efficient. When times were good, the pressure was not on people to re-examine their processes. Now, they have to examine them even more closely. Our software has really sophisticated and expensive

optimisation and automation functioned into it, which you can’t find in the old in-house solutions. It specialises in the automotive market and it comes with a lot of knowledge and best practice baked in.

“Logistics providers are under pressure to control their costs,” he stresses. “These are incurred primarily in operational areas like fuel and running trucks. Labour is also a huge part of the cost base. Investing in RFID can only improve the process and cut the labour associated with tracing a car. Providers

should certainly invest in the kind of process automation and process optimisation software we have which can address all functions whether it is creating invoices, answering customer enquiries or deciding what car to pull from the yard. We would typically see a 15 to 25% saving in labour in any area where we apply the software.”

When volumes are down and financial controls have to be tightened there is a natural tendency for businesses to slash investment. Steve Jones believes, however, that companies should thoroughly analyse their cost base to

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establish where significant savings could be made. "You have to go through an exercise of looking at your business processes and what they cost you and how they could be improved by the installation of an RFID system with an intelligent system behind it. The two things go together, the RFID and an intelligent system like iTracks.

"Nobody can say off the top of their head how long it will take to recover the outlay, but there are some guidelines that we use which can say that there is no case to be made. Where there are very simple processes in place, or when labour is extremely cheap, or volumes are very low, we can advise whether it is likely to be worth investigating. I have advised many people to forget the idea because I know it won't work for

them but, for other people, it could be that they will recover their money in three, four or five years."

Jones likes to use a term he calls 'Software Freedom' when discussing Vehnet's solutions. "Software freedom means enjoying the best of both worlds. You no longer need to choose between developing your own system in-house and purchasing an off the peg software package. Our unique iTracks technology is modular, so we

can tailor an individual system to your precise requirements and yet you still benefit from well-proven, industry-standard, functionality. So, no more being tied into a system developed for today's business, but not necessarily sufficiently

flexible to cope with

tomorrow. No more being hampered by trying to bend your business into a shape dictated by a conventionally standard package. That's software freedom!"

Vehnet has done a lot of work with ECG, the finished vehicle industry lobby group, to promote greater standardisation within the industry. This is something of which Steve Jones is a passionate advocate. "You could not wish for a better laboratory experiment than the study of life up to last October and life since. Everything was cool and rosy and wonderful and all of a sudden it crashed. How have people survived? What

actions could we have taken

to become genuinely leaner? When people had time and money to do something about it, they talked about it and paid lip service to it. Why don't these executives understand where the costs are? All they ever look at is squeezing more cost out of the logistics providers. They never look at why they are incurring those costs. Are they incurred because all the OEMs are asking for different information about the same thing?

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automotive industry for RFID tags. The only way there will be widespread adoption of this is if OEMs show leadership. They should all, Japanese, US, Korean and European, deal with this once and for all and establish what type of tag system they want, active or passive, and go about setting a standard for it so that multiple vendors can sell their hardware to that standard. The OEMs should lead the way by attaching the tag during the manufacturing process just as they do with any other component. They could make use of it in the production process to detect when cars have left the line or gone through an exit gate as they do at Ford in Cologne, and it would be available to the rest of the supply chain to use as they wish or don't wish. There needs to be one standard because, if a vehicle processor is handling six brands using different technology, he will not be able to afford six sets of technology to read the tags."

Standardisation of damage codes has long been an issue for vehicle processors and is an area where Vehnet and ECG have made substantial progress. "A terminal at a port might be handling ten different brands of car and every one of those brands has to be handled using a different form with different codes," explains Jones. "We have been somewhat instrumental in bringing the American standards from the Automotive Industry Action Group over to Europe and there is now a global standard, at least between Europe and America, which has common codes and descriptions for damage. The OEMs have signed up to it and they will gradually move over to it."

Vehnet has expanded upon its breakthrough into the Russian market with the Rolf Group, a major car importer and distributor. "Rolf has adopted us as its standard for yard management

and marine terminal management," says Jones. "We now have two projects with them, one in Moscow and one in St. Petersburg. As Rolf expands its activities, so we will expand with them."

A breakthrough nearer home involves Peel Ports, a group which owns several ports around the UK. "They want to get into the finished vehicle market in the port of Sheerness and they have taken one of our pre-constructed solutions which encapsulates a lot of best practice and can be used pretty much out of the box to give them a low cost and very flexible solution for managing imported vehicles at the port and the vehicle processing centre," says Jones. "This is a new piece of business for them which they are excited about and they are starting small with one contract for Ssang-Yong cars. I think that we are going to see a lot of imports into Europe from other countries over the next few years which will start as relatively small volumes. To be able to take something out of the box at low cost and have it work in a very efficient way means that these low volume contracts can be taken on. If providers had to write their own software, or have it written for them, it would be very expensive and would probably mean that the IT cost would kill the attractiveness of the new business."

As far as technological innovation is concerned, Jones is unequivocal. "What we should see around the corner are electronic standards for communication where we can all use the same messages to communicate with each other point to point or through amalgamated data services." 