

## ZF FRIEDRICHSHAFEN RELIES ON SUPPLYON IN THE AREA OF SUPPLIER ASSESSMENT

ZF Friedrichshafen AG is one of the leading lights of the German automotive industry. The Group's key products in the areas of driveline and chassis technologies make it the market leader in Europe and one of the top manufacturers worldwide. There are many reasons for the company's innovative strength and global competitiveness. One key factor in this success is supplier management and this is an area in which ZF pursues a strategic and long-term approach – with the support of SupplyOn.



ZF Friedrichshafen AG is one of the world's largest suppliers of automotive components. With its consistent strategy of innovation and efficiency and high standards of quality, the company has managed to successfully achieve and reaffirm its position among the global market leaders. A key element of this success is the company's supplier management strategy. ZF is only able to fulfill the high demands of its customers if quality management does not fall below the company's own exacting standards, as Berthold Schuster, Head of eBusiness Solutions at ZF, explains: "Every gap between the delivery reliability of our suppliers and our own delivery reliability must be bridged at all costs – because if our customers' production lines can not run smoothly, the overall damages could be significant." The optimal-cost approaches pursued by ZF in the areas of sourcing and production may quickly be put at risk in the event of faulty components or delays or deviations in quantity to deliveries made.

leaders with their products in the fields of technology, quality, logistics and sourcing. Only suppliers that fulfill these criteria are taken into consideration for long-term cooperation, new contracts or development partnerships.

The selection of partners is with a long-term view in mind. The key strategy for sourcing is based on a system of control that includes the selection, classification, assessment and development of suppliers. Each element is a multistage process – for example the selection of suppliers can be broken down into the stages of preselection, risk analysis, production feasibility analysis and bid evaluation. One particularly important process is the assessment of suppliers and this is a permanently ongoing process.

### Key process 'supplier assessment'

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Berthold Schuster, Head of eBusiness Solutions at ZF Friedrichshafen

ZF therefore pursues a cooperative and strategic approach to supplier management. The primary targets of this approach are mutual cost optimization, long-term contracts, optimization of the entire SCM process, early inclusion in development projects and preventative quality assurance. ZF works very closely with selected strategic suppliers who are

the Group guidelines", explains Schuster. Among others, ZF uses as its measurable key figure for quality the PPM (parts per million) value, which is calculated on the basis of the number of faulty components delivered in relation to the overall number of components delivered. Simultaneously the logistical efficiency is assessed on the basis of adherence

to the scheduled delivery deadlines and volumes. The percentage delivery value, i.e. the delivery reliability, is calculated on the basis of the relation between correct deliveries and the overall number of deliveries. Together these criteria form an efficiency rating of the supplier and are the basis for his overall performance assessment.

With regard to delivery reliability, ZF pursues an ambitious target: "Today the delivery reliability of our suppliers lies at 75 percent", reports Schuster. "In five years time we want this figure to exceed 90 percent, therefore going a significant way to bridging the cost-intensive gap between the delivery reliability of our suppliers and our own delivery reliability to our customers, which currently stands at over 95 percent." However, this target is only attainable if improvement processes can be initiated directly at the supplier on the basis of our assessment results. The prerequisite for this is current, valid and transparent data that is usable by both ZF and its suppliers.

**Supplier management is going digital**  
ZF has introduced a Group-wide IT system with the SupplyOn Performance Monitor being one of the core elements. Assessment data from incoming goods at ZF locations is entered into the central SAP Business Warehouse and automatically transferred to SupplyOn and made available to the suppliers. The assessment data is updated on a monthly basis and stored in the Performance Monitor at the latest by the tenth working day of the following month. Suppliers receive an automatic e-mail as soon as new assessment data is available. The data is shown in tabular format as 'current month' and also as 'historical values' in the form of either a table or a graphic. This data can be

downloaded, copied, exported as a CSV file or printed.

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SupplyOn solves this problem: in order to support the supplier and focus rapidly on problem areas, the solution offers a traffic light function on every data plane. Each individual assessment is classified on the basis of predefined logic and allocated a traffic light color. The assessment data can be searched and analyzed for critical values using the various filter functions. A series of additional filter functions allow the evaluation of the data pursuant to numerous criteria and the presentation of the data from various levels of detail.

The possibility of comparing historical values is extremely important for the recognition of trends: "Our approach is to develop our suppliers on the basis of long-term cooperation and sustainability. In this regard, the supplier requires a tool in order to enable him to quickly recognize whether his quality and delivery reliability is continuously improving and not whether the data for a particular month is merely a rogue result."

#### **Effective management instead of a pile of paper**

One further advantage in comparison to a more traditional approach is the possibility of carrying out retrospective recalculation of data, which is simply not possible with a paper-based process.

When looking for the cause of an error, there is always a need to carry out corrections, for example when a delay to a delivery is not the fault of the supplier or when an analysis of the cause behind a customer complaint requires several weeks or months. This function not only ensures the validity of the data, it also significantly increases the acceptance and commitment of the suppliers. Schuster also sees significant added value in the solution, because the system animates the suppliers to involve themselves in the data. "They are able to work effectively with our data and also use the data for their own internal processes without any effort whatsoever. This is not even remotely possible with a pile of paperwork. Furthermore, the self-administration of access rights to the assessment data by the suppliers themselves enables the effective handling of the data. There is no longer a need for time-consuming copying and distribution within the company and the management teams of our suppliers have a rapid overview of the situation. For the suppliers SupplyOn constitutes a very comprehensive management tool."

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