

# The role of forecasting in rebuilding European finished vehicle logistics networks

Ben Waller, Associate Director  
Forecasting Methodology presentation  
to ECG Spring meeting

Slides for a 15  
min slot



# We conducted research in 2019 for ECG that laid the foundations for a better approach to finished vehicle logistics forecasting...and the turmoil and changes since prompted a revisit



- Phase 1: research
- Phase 2: pilots
- Standard v.1 released May 2019

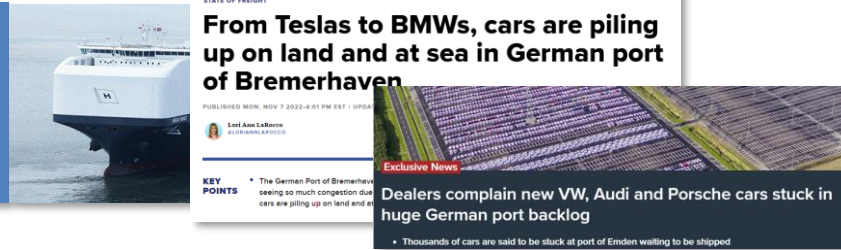
Covid plant closures, dealer closures, stock build up



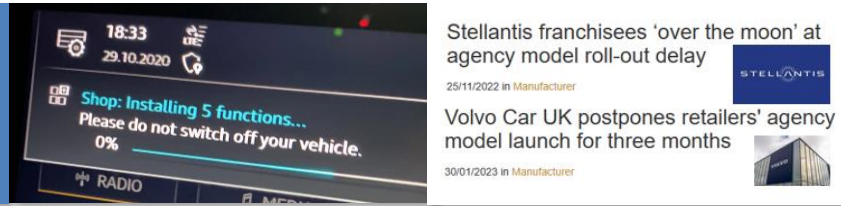
Bullwhip shortage of chips, WIP cars and production instability



The outbound capacity crisis emerges as supply recovers



Digitalisation and reform to sales channels changing OEM needs



What changed, where are we now and what can be learnt?

Light update to understand current issues and best practices

Qualitative interviews with:

7 OEMs including 2 new entrants

6 LSPs across all modes

Update to ECG standard will follow

# Fixing the planning process is a key part of addressing the capacity crisis

Planning processes broke down during covid, and provision of useful forecasts have been slow to return at many OEMs

"After while everyone recognised the forecast provided no valid information and then the process stopped" *LSP*

"Best OEM offered daily and hourly production data, updated every four hours, although system collapsed during covid and has not recovered" *LSP*



Loss of volumes and lack of adequate planning information over the last few years has had long term impacts, including smaller more fragmented supply base

- Reduced volumes and poor information
- LSPs cut capacity and investment
- Road relied on Tier 2 for flexibility, also cut
- OEMs now going to the spot market
- Empty running, less consolidation, higher costs and emissions
- High BTO rates have exposed lack of buffers

"Confirmation is difficult: OEMs don't realise we can only confirm with balancing and backhaul on all legs" *LSP*

Challenge now is to address "broken" forecasting and contracting cycles at many OEM

"We are paying the price now of too much influence by purchasing over the years" *OEM*

"We have got to stop taking capacity out of the market through the spot market; unless we are to become LSPs, we need successful tier one FVL LSP" *OEM*

"A new central team creates delivery leg forecasts, using modelling tools, based on latest – and verified - information from sales and production" *OEM*

# What should be the key enhancements for ECG forecasting methodology and standards?

...at the policy level

Commitment to quality in finished vehicle logistics, as valued in inbound

Reinforce the need to prioritise stable processes and communication

Build implications of OEM changes of direction into long term FVL planning (e.g. agency)

Consider external forum for network development and revising best practice

...at the operational level

Emphasise use of templates to standardise data, reduce rework, and process for regular dialogue

Use of scenario and process modelling tools by the OEM to optimise flows and bottlenecks

Digitalise process, templates, and data flows, but build for sustainable and flexible networks

Require stable processes for exceptions (runner, repeater, stranger, and treat differently)

# What can OEMs and LSPs do to start the journey towards a more stable planning process and sustainable relationship?



OEMs should implement FVL forecasting specialist function as centre of process excellence



LSPs demand approaches to communication and process that reflect lean principles

Make use of ECG best practice guidance

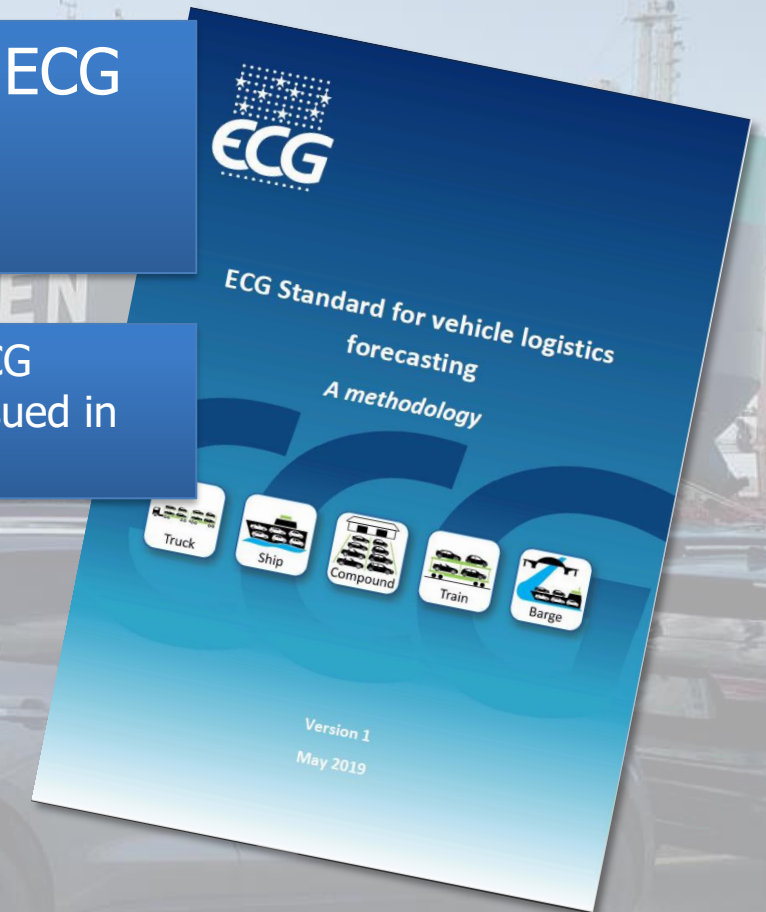
Version 2 of the ECG standard will be issued in due course

And together:

- Commit to building stable monthly planning quality process loops
- Collaborate closely over backhaul needs and booking platforms

"We want to hear back" *OEM*

"Understand our business model" *LSP*



## Any questions?



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