

# Evaluating supply chain management in the volkswagon brazil resende



The RESENDE factory of Volkswagen company in BRAZIL brought revolution in the automobile industry around the globe the factory has totally unique supply chain model and was first of its kind. The resend plant was also known as the rebirth of Volkswagen company as after the Auto Latina was ended between Volkswagen and ford as Volkswagen company has no factory to manufacture its trucks and buses so resend was built in Brazil in 1995. The Volkswagen has around 400 suppliers who use to supply different spare parts for the manufacturing of trucks and buses the Brazilian market was famous for Volkswagen trucks and buses, Volkswagen company cut their suppliers to 8 and then had contracts with them, the whole theme of Resende factory was a Modular consortium, the eight suppliers would be coming in with the supplies and then fixing that is assembling it up, it was like a mini shops they own inside the factory that is they were the producer and as well as the assembling was done by them, this model was very new to supply chain that was implemented there, no worker of Volkswagen company was there except the quality control as it is one of the important factor to check. The supply chain model helped them to cut their labor cost and give them advantage to sell their buses n trucks at lower price that how they made their customers and the competitors were not able to lower their prices as they were manufacturing the parts as well as assembling them the good thing about Volkswagen Resende plant was that they were hiring labor at cheap costs which helped them to cut their cost. Just as the factory started operating the most important person was forced to leave the organization as the Jos Ignacio Lpez de Arriorta was working with gm and left gm joined Volkswagen. As when they started with the resend factory the claim did by Volkswagen was lawfully accepted ant Volkswagen paid a good

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amount for it as gm had did the claim that lopes left gm with some important documents missing and data as they said he spy us and the resend factory was more like their idea which Jos Ignacio Lpez de Arriorta started their so just at the beginning the big question mark was with this factory, more over Jos Ignacio Lpez de Arriorta was forced to resign and had left the company leaving the post of operation management which was a loss to the factory and have the big importance to the resend factory.

VWs supply chain strategy according to Michael Porters strategic framework:

The Resende factory of Volkswagen company known as the rebirth of Volkswagen company established in Brazil known as modular consortium was very unique in sense of supply chain as totally new frame work was being applied to it as it was a junction where all suppliers of different companies come and make up the whole product (trucks and buses) that is they work in a way that there were different suppliers who were bringing up the parts of trucks and assembling them up that is suppliers were also the labors and was responsible for the production as well as assembling the trucks and buses they come and work in the factory. Discussing about supply chain model used by Volkswagen company in their Resende factory was a totally new supply chain strategy and if we talk about it in the light of Michale Porter's strategic frame work it would be as follows:

The threat of the entry of new competitors:

The Resende factory of Volkswagen company was the first one in entire automobile industry having this kind of supply chain model that is a modular consortium model. The main point of attraction to the automobile world was <https://assignbuster.com/evaluating-supply-chain-management-in-the-volkswagon-brazil-resende/>

the management of operations in the plant as the plant was first of its type more over one can take it as an experiment so at that point of time the threat of a new competitor to enter was up to 0%. As the concept has bring revolution in the traditional supply chain strategies in automobile industry so at the beginning the competitor was not at all the threat but the execution of the supply chain model could create threats as just at the beginning the company's operation manager left so the competitors are always looking for something which they can use as an advantage to its competitor.

The intensity of competitive rivalry:

The intensity of competitive rivalry was there in the form of General Motor for Volkswagen Company because of their lawsuit. the operation manager Jos   Ignacio L  pez de Arriort  a left so at that time things become difficult for them but Volkswagen manage it efficiently moreover the suppliers which was the main theme of this Resende factory the modular consortium was all about the supplier which was cut down to eight from four hundred they have to be a good and strong bonding with them as if any one of them left the trucks and buses would be hard to finish as the company has no plant to produce the products after their joint venture with ford ended so the suppliers were very important to Volkswagen. The another competitive advantage competitors of Volkswagen had was that the suppliers with Volkswagen was due to the relationship of Jos   Ignacio L  pez de Arriort  a as in general motor he was the director of Latin America state so he use his reference in Volkswagen company so he was forced to resign from the company the suppliers can also leave but fortunately this never

happened and the Resende factory known as rebirth to Volkswagen give a new life to Volkswagen company indeed.

The threat of substitute products or services:

The threat of substitute was there in Brazil as it was the largest market of all and Volkswagen company; the Resende factory was a totally new thing in the industry of automobile industry more over the supply chain strategy they used was the first to be used in any factory the unique idea they applied worked for them as they didn't had any employee of Volkswagen company to work in the plant it was totally outsourced plant as the suppliers was also the labor not only responsible for supplying the parts more over fixing them up as it was a solely new strategy of supply chain implemented by the Volkswagen company. The only people by Volkswagen company were the quality control departments they were responsible to give the perfect quality so that their trucks and buses be the strength to the company not the strength of the competitor this model of supply chain worked and helped Volkswagen to cut its labor cost which help them to lower their prices compared to its competitors so the threat of a substitute was around 0% as the competitors were manufacturing their trucks and they cannot lower their prices so Volkswagen company was going good.

The bargaining power of customers (buyers):

The Resende factory of the Volkswagen company was a revolutionary factory for the world the plant was using a supply chain strategy that really help them in generating revenue as they cut their suppliers from 400 to 8 and they were the suppliers as well as the assemblers for the trucks and buses  
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and if any part for not perfectly fitted or had a problem the loss would be barred by the supplier the Volkswagen company were generating revenues out of the supply chain strategy they have implemented in the plant moreover if we talk about the bargaining power of the customers we can say that the factory was saving a lot to Volkswagen company as their cost have lower down a lot so they can give the trucks and buses at lower cost which was the thing that its competitors cannot compete as they were making up the product by themselves and buyers were getting advantage for it they don't need to bargain as the trucks and buses were already at lower costs. The customer were getting at good advantage on buying Volkswagen trucks and buses so the bargaining power of the buyer didn't affect much on the Volkswagen company.

The bargaining power of suppliers:

As they cut down their suppliers from four hundred to eight the suppliers working with them in the Resende factory would be having good relations with the Volkswagen company and more over they would be having some advantages to be the part of the Resende factory as they were suppose to produce the parts and assemble them up for Volkswagen company so there would be some interest of their also as they were the part of the Resende factory and making up the trucks and buses for Volkswagen company and that was giving a benefit on cost to the Volkswagen so their trucks and buses were less in cost compared to other companies in the Brazilian market, Volkswagen company had planned about it, as they were dealing with a good number of suppliers and above all they don't own any plant for making the parts of the truck as they were totally out sourcing them and the operations

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as well as the assembling were done by the suppliers, they have been criticised by one of the workers on just outsourcing everything, therefore they have to be very good at it and have to implement the supply chain strategy very well. Moreover, there were no employees of Volkswagen company working there, so everyone working there under one roof would be wearing the same uniform, having the same salary packages and moreover they don't want any labor union to be made up as they were catering the whole of Brazil and the trucks were very famous around Brazil.

Analyze the ways in which VW could employ technology across the different supply chain processes.

As the Resende factory of Volkswagen was something really innovative and more unique was the supply chain model implemented on the factory which was assembling of the trucks as well as the production was the duty of the suppliers, José Ignacio López de Arriortúa designed it in such a way that no labor cost was to be incurred from Volkswagen company as there were no Volkswagen workers involved in the factory except the quality control supervisors as the suppliers were bounded for putting up the parts of trucks and buses the factory is producing the technology they used or we can say that the supply chain strategy they implied in this factory was really working for them as they have cut their cost in sense of labor cost. Moreover, the assembling was no more their issue as now it was the problem of the suppliers. The Volkswagen company used to hire the labor through lowest bidder and the new technology was working so good that they planned to apply this strategy of supply chain to their other factories in different parts of the world and the benefit from this supply chain strategy is for the developing

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countries as they can use the idea the modular consortium as it is the game of suppliers who are producing as well as assembling the trucks and busses for them and Volkswagen company is decreasing its labor cost at good. The main idea was like the contractors which were suppliers was totally responsible for making up the part which is required and fixing it perfectly as if the part fitted or purchased not sit right than the company which was responsible for putting the part bare the loss the Volkswagen company were really generating revenues with the factory, in the factory there were around eight suppliers who were operating there mini shops in the factory the company was able to get supplies in low rates so they can sell the busses and trucks at low price and attract the customers towards them and the other competitors of Volkswagen company was not able to compete as they were producing everything by them self which was hard for them to cut the costs and therefore cant lower the prices and that helped Volkswagen company to generate their revenues, and this supply chain strategy was a success for Volkswagen.

Evaluate current global supply chain challenges to this VW supply chain model.

Global Supply Chain Challenges:

At the Resende plant of Volkswagen totally new model of supply chain was implemented which was a risk because the Resende factory was first in nature to its own moreover it was more important to Volkswagen as it was a rebirth to the Volkswagen company as their Auto Latina was ended so their factory at Brazil that is Resende was the only hope as they did not had any

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factory to produce trucks and buses, the supply chain model was a totally new idea in the industry of auto mobile. The Modular consortium just at the starting it faced a challenge to its survival in the form of its operation manager Jos Ignacio Lopez de Arriortza left because of some lawsuit between Volkswagen and General Motors.

Just in time inventory. Various supply chain strategies can help a business minimize their costs and focus on their main business that is their core competencies and moreover it cut the time waste on waiting for the suppliers and sometimes not perfect supplies can make company suffers a lot and bear losses moreover they can take away your customers from you, can give the competitive advantage to the other company that is your competitor. There are several strategies for supply chain practiced by many organizations. Moreover there are several global supply chain challenges.

The first challenge to the Resende factory was to stand having totally new model of supply chain as the modular consortium was about the suppliers would be working as the labor in the factory no Volkswagen employee would be there and they were supposed to perform the activity of suppliers as well as labor for the company this method reduce the cost of labor to the Volkswagen company moreover manufacturing all the parts were more costly than to just buy them up.

As the world is moving so rapidly technology is changing with respect to time so as the new threats are there supply chain has a good growth in coming future as many industries working around the world is not making up all its products there are things they supply and get supplies to make up their end

product which plays an important role in the companies having their branches all around world have to look for suppliers and the supplies they would be getting should not increase their cost or reduce their core competence as the competition is very tough so therefore the supply cost should not exceed as your revenue decrease.

As the VW supply chain model was based on suppliers as if they lose any of the supplier their truck was impossible to construct as they them self was not producing to that scale as it was just like a junction where different suppliers were bringing up the part they manufacture and assembling them which helped VW to cut their cost more over to sell their trucks and buses at low rates as compared to its competitors VW was facing some supply chain challenges as they were supplying all the parts and the suppliers were responsible for fixing them moreover in case of damage they have to bear it if any there were no blue collar worker of VW at the factory except quality control as it was a point at which its competitor can have advantage so the whole idea was a supply chain game. Economic challenges was their more over in case of natural disaster they were the one who have to faced it all as the factory was not producing anything so it was a challenge to maintain a good relations with their suppliers so they don't stand against them.

#### CONCLUSION:

the supply chain model faced difficulties in the starting as the main operation manager Jos   Ignacio L  pez de Arriort  a was forced to leave the company because General Motor claims that Jos   Ignacio L  pez de Arriort  a has left the organization with some very important documents

more over the Resende factory was somewhat similar to a new project general motor was working so José Ignacio López de Arriortúa was forced to leave the company, just at the beginning the Resende factory faced a loss but the supply chain model fits right and Volkswagen generated good revenue out of it and give out its trucks and buses at low cost compared to other automobile companies in Brazil as the model helped them to cut their labor cost out of all the conflicts and issues the Resende faced it was a success at the end and the rebirth of Volkswagen succeeded.