



Logistics Association of Australia Ltd

THE COMING TOGETHER OF TNT LOGISTICS AND FIAT

The following is the fourth in a series of articles from Amelia Chan, winner of the Logistics Development Award 2000 sponsored by CHEP Australia and supported by Morgan & Banks.

I was honoured to meet a TNT people behind -the successful functions they operate for FIAT. TNT, founded in Australia after the war, has an unrivalled market position. In European logistics, TNT is also the global market leader in automotive.

FIAT bases its production and central warehousing in Turin, Northern Italy. Its plant for the FIAT brand, in the Turin suburb of Mirafiori produces more than 1,700 cars per day.

Since its association with FIAT six years ago, TNT has brought significant bottom line benefits to FIAT This article will focus on, of these benefits.

A Unique Arrangement

FIAT is very much Italian in its origins and in its day-to-day operational philosophy. It is known as a major force driving the development of the industrial strength of Italy. So it seemed to me that its decision to partner with a multinational logistics firm was an unusual fit.

Another unique feature of this partnership is for a manufacturer to award more than one part of their business to the same outsourced logistics provider. Yet TNT Logistics won the inbound contract (Linefeed) in 1998 subsequent to winning FIAT' outbound spare parts contract 1994.

TNT picked the parts of the FIAT family it wanted to marry into. In Italy TNT has made a strategic decision not to enter the delivery of finished goods (the cars), which requires a specialized truck fleet investment.

Having chosen the businesses in which it will operate, that is, inbound and spare parts, TNT provides a complete service across all of the brands owned by FIAT. FIAT owns FIAT, Lancia, Alfa Romeo and Ferrari.

TNT is well aware of the possibilities for logistics synergies across: -

- - Inbound and spare parts.
- - The 4 brands owned by FIAT.
- -

THE TNT LOGISTICS - FIAT INBOUND MARRIAGE

Few logistics companies have the ability to feed a production line. As FIAT is very much a production company, it required courage to outsource this critical component of the supply chain.

The inbound warehouse for the FIAT brand covers 60,000 square meters, excluding the plant. TNT Inbound deals with 500 suppliers and collects 56,000 part numbers per week. TNT Inbound employs 1920 people. In just two years, TNT Inbound has brought major logistical improvements to FIAT. I would like to share a couple of examples below.

Rationalisation of inbound delivery

TNT has rationalised the receiving of material by classifying suppliers into three groups: -

1. JIT:

These suppliers do not enter the consolidation centre (warehouse) but deliver straight to the production clock- this is akin to direct delivery to the customer. An example of a car part which would be JIT is car seats.

2. High rotation but non-critical:

These suppliers do not enter the consolidation centre but go directly to the staging **area** prior to entering production. In this category are mirrors.

3. Low to medium volume:

These suppliers are to enter the consolidation centre. Examples in this category are nuts and exhaust brackets.

Thus TNT has driven significant traffic improvements by direct flowing to production lines the deliveries of JIT and high rotation suppliers, and indirect flowing through the consolidation center the deliveries of the other suppliers.

Reduced stock and decreased production stoppages

TNT convinced the material requirements department at FIAT to reduce stock from 2 days to 4 hours. This achievement is all the more remarkable since material requirements wished to increase stock as a buffer for a third party operating their line feed.

TNT reduced stock levels by talking the FIAT language: keep the production line moving. TNT was able to demonstrate that excess stock levels led to increased line stoppages. This was because material had to be left on the

floor once the inside was filled, and it was more difficult to locate this material which was not put away correctly.

Thus, one of the major bottom-line benefits was the savings from eliminating production down-time. It can be seen that this TNT-FIAT partnership provides a brilliant example of how logistics can add value to production.

THE TNT LOGISTICS-FIAT SPARE PARTS MARRIAGE

TNT Logistics distributes the aftermarket spare parts to FIAT dealers in Italy and overseas. It received products from FIAT and is also responsible for sourcing the packaging of parts.

TNT manages four central source warehouses in Turin which cover 250,000 square meters, TNT Spare Parts employs 11,000 people in Turin.

Where the manufacturer's core competence is not logistics, choosing the right logistics partner can yield significant benefits. Below are some of the benefits which TNT Spare Parts has brought to FIAT.

Increased Productivity

In 1973, FIAT built the spare parts warehouse in Volvera Turin. This warehouse covers over 130,000 square meters and uses automated high-bay installations to distribute 13,000 lines.

After TNT won the contract, it built the spare parts warehouse in NoneTurin. This warehouse covers 80,000 square meters and is less automated to maximize flexibility. It distributes 30,000 lines with the same number of staff as Volvera.

As spare parts was known to be very stable business, it was understandable that FIAT installed the automated high-bays almost three decades ago. Yet, customer trends in the market place have forced even stable businesses to undergo rapid change, TNT found the highly automated warehousing layout hampered adaptation to customer needs.

For example, the full pallet order no longer exists and "IT now accepts very small order sizes. And the recent move to direct delivery has increased the need for flexible warehousing layout.

Reduced stock for dealers and for FIAT

1. In -night deliveries for urgent orders (France, Germany, Benelux, UK);
FIAT operates on two types of service levels: Normal orders for replenishment stock, and urgent orders where dealers have an immediate need to repair a car. For urgent orders, TNT has introduced in-night

deliveries. As the guaranteed service level is next day, dealers do not have to hold buffer stock.

2. 2. Daily stock orders in UK:
The FIAT warehouse in the UK now replenished on a daily basis rather than weekly.
3. 3. Direct deliveries:
TNT now delivers directly from its central warehouse to large dealers in France and Germany
4. 4. Closure of warehouse in Southern Italy
The distance from the north of Italy to the southern customers can be some 1200 km.. TNT closed the southern warehouse and introduced night deliveries for urgent orders.

Interesting learning's for Australia

Excesses stock is a vice.

Excess raw material stock resulting in production line stoppages is a problem that not only FILAT had experienced, Renault can account for the same phenomenon.

Automised warehousing is not always the answer.

Even the most stable of businesses such as s distributing spare parts and the bottling of whiskeys is subject to rapid changed, I found my last visit to the Untied Distillers warehouse at Huntingwood, Sydney most interesting, They had replaced their expensive German designed robots with manual forklifts to cope with their increasing route business. Their experience of smaller, more frequent and more complex orders was similar to TNT spare parts Experience.

If you would like to discuss any of the issued in this paper, please feel free to contact Amelia on: amelia.chan@kellogg.com