



Supplying PSA Report

“Supplying PSA” analyses the carmaker’s procurement strategy including its vertical integration, supplier selection criteria and biases, together with a host of aspects defining the current and potential evolution of the relationship between the French OEM and its increasingly international supply base.

Having missed the ambitious targets of the CAP2010 program and having undertaken an overhaul of its management team in 2009, PSA now has new priorities aimed at a return to profitability, increased exposure to high growth markets and improving the operational efficiency of its manufacturing base in Europe. While the long waited return to profitability should materialize in 2010, the other challenges might prove more difficult to achieve.

In its favour, PSA has a vehicle line-up which is receiving some major updates to its core models, a near premium line – the DS – which has been well-received so far and a number of targeted partnerships, ranging from Fiat in Light Commercial Vehicles to BMW featuring increasingly important ties which suggest the potential of a full-fledged alliance.

Important changes are under way in PSA’s purchasing strategy, with a new CPO since September 2010 in Yannick Bezar , and supplier relationships must become a source of competitive advantage for the automaker according to PSA’s CEO Philippe Varin. It has been a while since the carmaker was trying to establish relationships based on 6% annual price reductions and 40% global sourcing with its CAP2010 plan. It is undeniable that pressures on price and on the supplier’s footprint optimisation still persist, especially on smaller suppliers. However the carmaker has the clear intention to develop relationships with a smaller group of selected suppliers, resulting in greater savings and more innovation received from the now 20-strong strategic supplier community. Other major suppliers will benefit from a new process to implement supplier-generated innovations, which are at the core of PSA’s more up market brand positioning.

Suppliers acknowledge PSA’s less confrontational approach in managing relationships by awarding the carmaker a SuRe index of 557, up from 508 in 2009. There are still some aspects where the carmaker needs to record improvements in order to fill the gap with other competitors who are preferred by suppliers, such as the Volkswagen group as a whole, which remains a benchmark for PSA in a number of areas. In fact a new Volkswagen-inspired modular policy together with increased part life and standardisation is creating room for more substantial volumes per part supplied, surely contributing to the increased attraction of the French automaker to suppliers’ eyes.

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