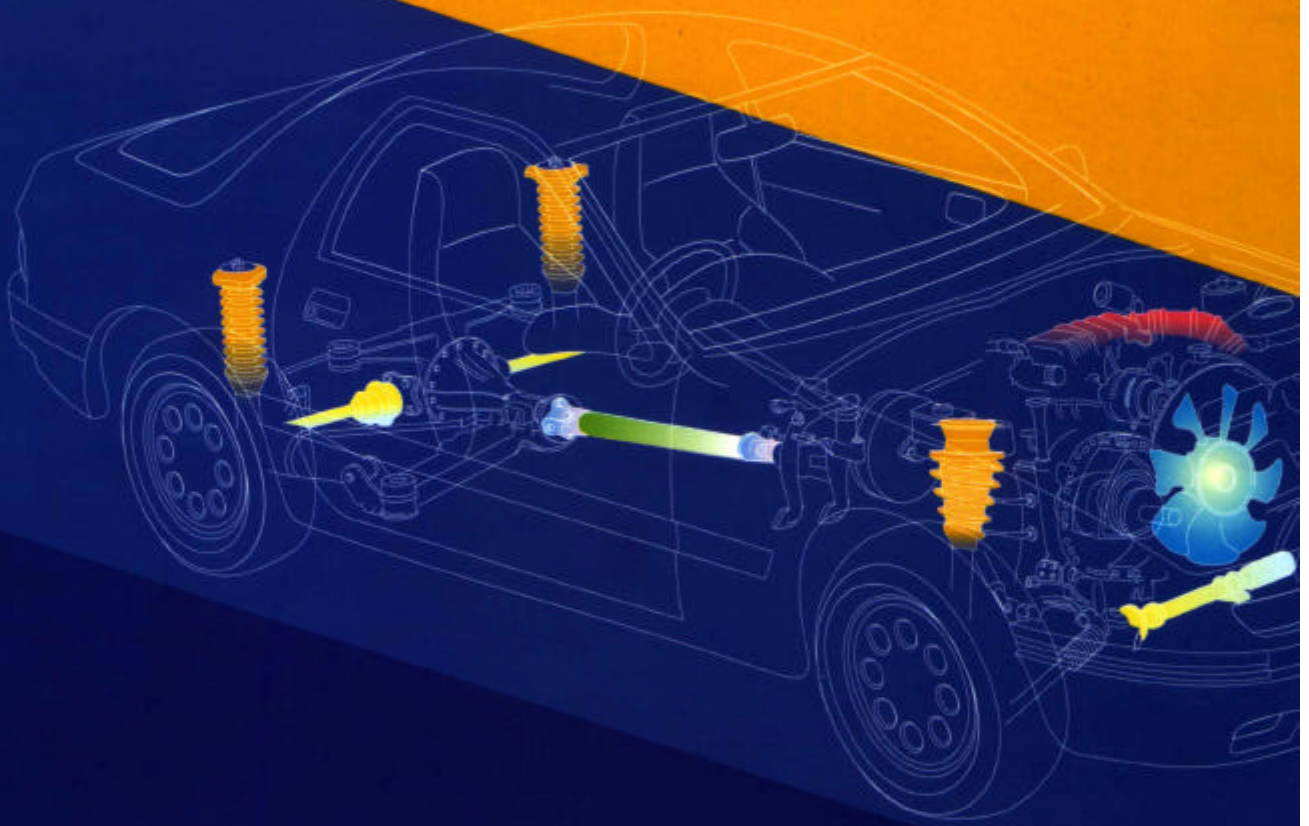


북미 자동차부품 OEM 진출전략



대한무역투자진흥공사
KOREA TRADE-INVESTMENT PROMOTION AGENCY



THE NORTH AMERICAN AUTOMOTIVE MARKET

OUTLOOK & ENTRY STRATEGIES



PROVIDATA AUTOMOTIVE CORPORATE DATA



CORPORATE HEADQUARTERS

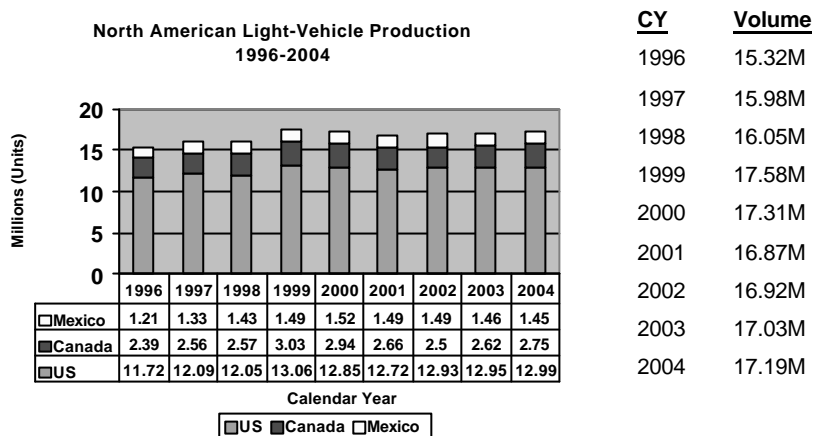
Providata Automotive
The Concord Center
455 East Eisenhower Parkway
Suite #30
Ann Arbor, Michigan U.S.A 48108
European Office: (Marlow/London, UK 2000)

WEBSITE: <http://www.providata.com>

SERVICES:

- ☐ Automotive Management Consulting
- ☐ Automotive Market Research
- ☐ Automotive Competitive Intelligence
- ☐ Automotive Forecasting

NORTH AMERICAN LIGHT-VEHICLE SALES



CY	Volume
1996	15.32M
1997	15.98M
1998	16.05M
1999	17.58M
2000	17.31M
2001	16.87M
2002	16.92M
2003	17.03M
2004	17.19M

North American light-vehicle market remains stable on the 2000-2004 time period.

TOP 40 NORTH AMERICAN AUTOMOTIVE SUPPLIERS

Delphi Automotive Systems	\$22.352 B USD	Motorola, Inc.	\$1.809 B USD
Visteon Automotive Systems	\$14.970 B USD	New Venture Gear, Inc.	\$1.688 B USD
Dana Corporation	\$7.823 B USD	Collins & Aikman Corporation	\$1.558 B USD
Lear Corporation	\$8.100 B USD	Navistar International Engine Group	\$1.540 B USD
Johnson Controls, Inc.	\$6.882 B USD	Goodyear Tire & Rubber Co.	\$1.490 B USD
Magna International, Inc.	\$5.760 B USD	Hayes Lemmerz International, Inc.	\$1.473 B USD
Robert Bosch Corporation	\$5.106 B USD	Detroit Diesel Corporation	\$1.450 B USD
TRW, Inc.	\$4.730 B USD	Federal-Mogul Corporation	\$1.433 B USD
Denso International America, Inc.	\$3.348 B USD	GKN Automotive, Inc.	\$1.404 B USD
Eaton Corporation	\$2.940 B USD	Alcoa Fujikura, Ltd.	\$1.401 B USD
ArvinMeritor Automotive Inc.	\$2.892 B USD	Autoliv North America Inc.	\$1.380 B USD
ThyssenKrupp Automotive AG	\$2.850 B USD	Bridgestone/Firestone, Inc.	\$1.350 B USD
American Axle & Manufacturing	\$2.817 B USD	ArvinMeritor	\$1.339 B USD
DuPont Automotive	\$2.700 B USD	Siemens Automotive Corporation	\$1.260 B USD
Yazaki North America, Inc.	\$2.552 B USD	Dura Automotive Systems, Inc.	\$1.250 B USD
Cummins Engine Co.	\$2.402 B USD	PPG Industries, Inc.	\$1.200 B USD
Valeo, Inc.	\$2.393 B USD	Tenneco Automotive, Inc.	\$1.172 B USD
Textron Automotive Co.	\$2.167 B USD	Continental N.A.	\$1.100 B USD
Tower Automotive Co.	\$2.043 B USD	Michelin North America, Inc.	\$1.058 B USD
BorgWarner Automotive, Inc.	\$1.837 B USD	Venture Industries Corporation	\$0.980 B USD

The increase in merger & acquisitions is not limited to vehicle manufacturers but suppliers as well. The recent merger between Arvin and Meritor and Detroit Diesel's sale to DaimlerChrysler are examples of this continuing trend.

AUTOMOTIVE SUPPLY CHAINS ARE CHANGING

Fig. 1 – OEM/Tier I/II/III Supply Model

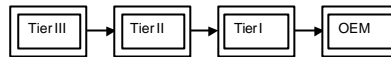
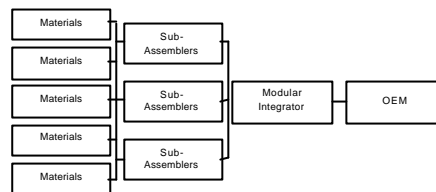
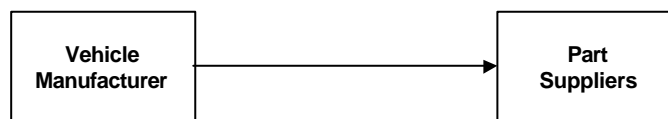


Fig. 2 – Modular Supply Model



The traditional automotive Tier 1-2-3 supply chain model is being replaced by a modular supply model. This model involves the integrated supply of sub-modules to module integrators to ease part assembly, lower OEM labor costs and streamline the supply of “just-in-time” modules.

OEM'S SHIFT RESPONSIBILITY TO SUPPLIER FIRMS



Within the North American automotive parts supply market, a great deal of responsibility is being shifted from the vehicle manufacturers to modular integrator companies, including:

- ☐ Module Assembly
- ☐ Module Engineering
- ☐ Part Assembly Logistics
- ☐ Part Commonization
- ☐ Warranty Responsibility
- ☐ Liability Costs

- ❖ Within the North American automobile industry, vehicle manufacturers are joining on-line business-to-business (B2B) electronic commerce alliances. The main reasons for this trend are:
 - ➡ Massive Economies of Scale
 - ➡ More Efficient Quote Submission
 - ➡ Consolidated Purchasing Organization
 - ➡ Faster Development Timing

- ❖ Largest automotive B2B alliances is Covisint
 - ➡ The Covisint name was chosen to reflect the coming together of communication, vision and integration
 - ➡ Formed on February 25, 2000 by General Motors Corporation, Ford Motor Company, and DaimlerChrysler
 - ➡ B2B integrated supplier exchange through a single global portal.
 - ➡ The exchange is designed to allow the automakers to purchase parts online.
 - ➡ Goal is to eliminate redundancies and burden from suppliers by integration and collaboration
 - ➡ Promise is lower cost, easier business practices, and marked increase in efficiencies for the entire industry.
 - ➡ In April 2000, Renault and Nissan joined as equity partners in Covisint.

- ❖ Covisint will offer its customers best-of-breed functionality
- ❖ Multiple technical providers integrate and provide visibility across the supply chain
- ❖ Create a unique environment for collaborative design and development
- ❖ E-enable the procurement process and provide a broader marketplace of buyers and sellers
- ❖ Covisint will provide the best technology available to transform the level of connectivity, visibility, and collaboration in supply chains
- ❖ The average purchase order costs between \$125-145 USD to process. With the Covisint exchange, some analysts are predicting that price will drop to \$30-\$35 USD per purchase order

- ❖ Services provided will not just be limited to procurement activities.
- ❖ Will allow joint work to be developed between manufacturers and suppliers.
- ❖ Integration of components suppliers in the products and production tools development process
- ❖ Online exchange system will make a strong contribution to the performance of automakers and suppliers
- ❖ Reduce development lead times and cut costs
- ❖ Automakers want to spin off the exchange in the next 12 months.



COVISINT B2B EXCHANGE SUPPLIERS



ArvinMeritor



BASF

BorgWarner



DELPHI
Automotive Systems

DENSO DURA



TOWER
AUTOMOTIVE



COVISINT RECENT DEVELOPMENTS

- ❖ Single technology platform development
 - ➡ Taking longer than expected
 - ➡ E-Commerce providers -- not compatible, bitter rivals
 - ✓ Commerce One
 - ✓ Oracle
 - ✓ SAP
- ❖ Full fledged launch is expected in Winter 2000
- ❖ Vehicle manufactures are promoting their own agendas and chosen technology partners
 - ➡ Creating management gridlock

- ❖ Accelerated development schedule is severely compromised by:
 - ➡ Friction between GM, Ford, DC and Renault/Nissan
 - ➡ Friction between technology developers (Oracle, Commerce One and SAP).
- ❖ It is highly unlikely that these problems will all be solved by year's end:
 - ➡ Common technology platform
 - ➡ CEO selection
 - ➡ Headquarters site selection
 - ➡ Firewalls between the companies
- ❖ Mid 2001 implementation date is more probable

- ❖ Privately, many smaller suppliers have voiced extreme skepticism over Covisint's benefit to their organization
- ❖ Many view Covisint as another in a series of mandates from car makers
- ❖ Large suppliers like Delphi, ArvinMeritor, Dana and Lear joined the exchange immediately after its formation
 - ➡ Further enhance their stance as premium customer oriented companies
- ❖ Some suppliers fear it could drive down their prices and margins.
- ❖ The current profit sharing that is offered to the supplier companies is the form of a discount on the fees Covisint will charge suppliers for transactions.
- ❖ Discounts will only be offered only after Covisint meets its minimum profitability level according to insiders.



MAXIMIZING THE B2B TREND

- ❖ In the North American automotive marketplace, the Internet is becoming a top conduit for business-to-business relationships with new exchanges like Covisint, GMTradeXchange and ANX. Korean suppliers entering the North American marketplace must follow a two-pronged approach:
- ❖ Establish a highly visible North American based web-site that includes your company's corporate information to be noticed by North American vehicle manufacturers.
- ❖ Apply for qualified supplier status with the new Covisint trade exchange, Ford Supplier Network, GM's Gateway to GM Program and DaimlerChrysler's Supplier Partnering network.



FORD MOTOR COMPANY'S NAAO PURCHASING ORGANIZATION

- ❖ Ford Motor Company's North American Automotive Operations (NAAO) is the leading organization for the placement of production contracts to suppliers.
- ❖ Ford's NAAO purchasing division is headed by Carlos Mazzorin, vice president of purchasing for Ford Motor Company.
- ❖ Ford Motor Company's purchasing organization is divided into ten main departments:
 - Chassis -- Braking, Suspension, Fuel & Wheel/Tire Systems
 - Body & Exterior -- Stampings, Fasteners, Hardware & Exterior Plastics
 - Interior & Electrical -- Headliners, Electrical/Electronics, Safety & Seating Systems
 - Powertrain -- Transmission, Driveline, Exhaust and Piston Systms
 - Raw Materials -- Petrochemicals, Steel & Precious Metals
 - Machinery & Tooling -- Machinery & Tooling
 - Construction
 - Services
 - Industrial Materials
 - E-Services



FORD MOTOR COMPANY'S PURCHASING PHILOSOPHY

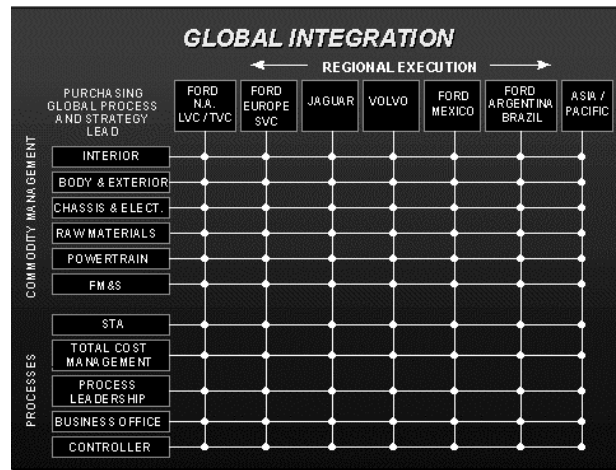
- ❖ We manage the enterprise jointly with our suppliers using facts... at .com speed.
- ❖ We use extensive processes to seek out new suppliers and technology. A few of our processes are:
 - ➔ Worldwide Benchmarking
 - ➔ Site Review at Supplier Plants
 - ➔ New Product Exhibitions/Technology Reviews
- ❖ If you are a leading automotive supplier... or if you have a great new idea or technology...we want to hear from you.
- ❖ To become registered with Ford Motor Company's Supplier Network, go to the following web-site:
 - ➔ <https://fsn.ford.com/data/supliertemplate.html>



FORD MOTOR COMPANY'S PURCHASING ORGANIZATION GLOBAL LOCATIONS



Argentina	Australia
Belarus	Brazil
Canada	China
Czech Republic	Germany
Hungary	India
Italy	Japan
Malaysia	Mexico
New Zealand	Philippines
Poland	Russia
South Africa	Spain
Sweden	Taiwan
Thailand	Turkey
United Kingdom	United States
Venezuela	Vietnam



- ❖ Vehicle Center/Powertrain Purchasing
 - ➡ Works with Product Teams and suppliers to achieve quality, cost and timing objectives
- ❖ Commodity Management Purchasing
 - ➡ Develops Commodity Strategies that guide sourcing decisions
 - ➡ Works with suppliers to deliver quality, cost, and technology objectives.
- ❖ Facilities, Materials and Services Purchasing (FM&SP)
 - ➡ Develops Commodity Strategies
 - ➡ Works with suppliers to achieve quality, cost and technology objectives.



FORD MOTOR COMPANY'S PURCHASING ORGANIZATION

- ❖ Supplier Technical Assistance (STA)
 - ➔ Develops, the supply-base quality strategy.
 - ➔ STA works with suppliers in achieving their quality objectives, including Q1 status
 - ➔ Assists in Advanced Product Quality Planning and resolution of supplier issues.
- ❖ Total Cost Management (TCM)
 - ➔ Leads the global waste elimination process for Ford and its suppliers.
- ❖ Strategy Planning and Process Leadership
 - ➔ Includes Purchasing Process, the Purchasing Business Office, and Purchasing e-Business and Systems.



FORD MOTOR COMPANY'S PURCHASING ORGANIZATION

- ❖ Purchasing Process Leadership (PPL) develops Purchasing's policies and procedures, links the required training and systems to support the organization, and coordinates the overall communication strategy.
- ❖ Purchasing Business Office (PBO) leads the development of Purchasing's long-term strategic direction considering Corporate strategies, cycle plan and global industry trends. Includes strategic initiatives coordination and competitive analysis.
- ❖ e-Business and Systems leads the development and implementation of Purchasing's e-business strategy along with the Ford Supplier Network and existing Purchasing systems.

GENERAL MOTORS WORLDWIDE PURCHASING ORGANIZATION



GENERAL MOTORS PURCHASING ORGANIZATION

- ❖ General Motor's purchasing organizational chart is a "basket-weave" structure.
- ❖ The geographical and functional organizations appear on each axis and coordinate the company's global purchasing activities.
- ❖ Across the top of the chart are purchasing regions that are led by executives who are responsible for the execution and implementation of sourcing decisions. These groups provide the resources to run programs.
- ❖ On the left side of the chart are the worldwide purchasing commodity groups. These groups are led by executive directors who are responsible for their commodity strategies across all purchasing regions.
- ❖ Overseeing this structure is the President's Council. The President's Council is responsible for globalization, corporate strategic vision, integration and sector performance of GMAO (General Motors Automotive Operations) and GMAC (General Motors Acceptance Corporation).

- ❖ A Global Strategy Board, comprised of the President's Council and other GM leaders, coordinates the company's regional efforts and is working to integrate GM's worldwide organizations into a single international business.
- ❖ General Motor's Worldwide Purchasing Organization (WWP) is a global organization operating in the four main regions of the world -- Asia Pacific, Europe, Latin America and North America. Due to GM's size and global focus, its suppliers are offered large volume levels and opportunities to expand worldwide.

- ❖ According to General Motors the WWP mission is:
- ❖ To globally supply required direct and indirect materials, machinery & equipment, and services that provide more value to our customer and improve customer enthusiasm through Quality, Service, Technology and Price.
- ❖ To accomplish this mission, WWP is focusing on six key global strategies:
 - ☉ Make Purchases Based on Globally Competitive Quality, Service, Technology and Price
 - ✓ This is being driven by today's competitive consumer marketplace. WWP's intent is to maximize GM's global presence and knowledge to achieve customer enthusiasm.

- ➡ Use the Global Enterprise Model
 - ✓ Suppliers engineer products, manufacture locally, and achieve the best Quality, Service, Technology and Price on a global basis.
- ➡ Introduce New Technology
 - ✓ Introducing New Technology is critical. The opportunity for global volume is real. Our purchasing network covers the globe and we encourage suppliers to link into it.
- ➡ Balance the Sourcing Footprint
 - ✓ GM operates in a multi-currency environment.
 - ✓ Balancing its sourcing footprint requires it to balance its purchases to manage the impact of exchange fluctuations.

- ❖ Coordinate Production Parts with Service Parts Purchases
 - ➡ Providing a positive service experience
 - ➡ Part availability is a key element
 - ➡ High levels of service satisfaction and affordability
 - ➡ Build customer loyalty and brand value.
- ❖ Speak with "One Voice": To Suppliers
 - ➡ WWP Creativity Teams includes buyers from all regions
 - ➡ Teams work together to develop common plans and actions
 - ➡ Suppliers are encouraged to develop structures and processes that enable them to speak with "One Voice" to GM.

- ❖ There are now only two ways to present a product or idea to GM:
 - ➡ Platform Purchasing
 - ➡ Advanced Purchasing
- ❖ Suppliers' ideas for a specific vehicle program should be directed to the appropriate platform purchasing buyer.
- ❖ Cross-platform proposals or new technology should be directed to Advance Purchasing.
- ❖ Creativity Teams, through the Advance Purchasing Process, draw the appropriate engineering resources to review suppliers' products. It is at this point that suppliers' proposals are considered for use in multiple vehicles-potentially thrusting a local supplier into a global marketplace with significant rewards.

- ❖ DaimlerChrysler's purchasing organization is a global operation with offices in
 - ➡ United States
 - ✓ Auburn Hills, Michigan
 - ✓ Tuscaloosa, Alabama
 - ✓ Portland, Oregon (Freightliner)
 - ➡ Germany
 - ✓ Mannheim
 - ✓ Renningen
 - ✓ Stuttgart
 - ➡ Purchasing Liaison Offices in Brazil, Japan, U.K., South Africa, India, Italy and France,



DAIMLERCHRYSLER'S PURCHASING ORGANIZATION

- ❖ Auburn Hills, Michigan
 - ➔ Chrysler Product Development & Design
 - ➔ Chrysler Procurement & Supply
 - ➔ Global Procurement & Supply
 - ➔ International & Operational Procurement
 - ➔ Supplier Management
 - ➔ Supplier Development
 - ➔ Operations & Strategy
- ❖ Tuscaloosa, Alabama
 - ➔ Purchasing & Logistics
- ❖ Stuttgart, Germany
 - ➔ Mercedes-Benz, Smart purchasing
 - ➔ Mercedes-Benz, passenger car
 - ➔ Mercedes-Benz, commercial vehicles



TECHNOLOGY TRENDS TELEMATICS

- ❖ Currently, there are several hundred thousand vehicles in North America equipped with telematics devices, most of them new General Motors vehicles with the OnStar service.
- ❖ The voice-activated OnStar service allows users to send and receive phone calls, transmit and receive e-mail and have access to limited Internet information.
- ❖ Providata Automotive estimates that the 2000 model year revenue from telematics is currently \$3.9B USD. This figure will grow ten fold to \$45B USD by the 2010 model year. In addition to basic communications applications, telematics will include:
 - ➔ Mobile E-Commerce (Shopping, Ticket Purchases, Toll Collection & Banking)
 - ➔ Global Satellite Position Based Active Navigation Capabilities
 - ➔ Emergency "Mayday" Capabilities
 - ➔ Remote Vehicle Service Diagnostics.

- ❖ Each vehicle manufacturer has developed a unique telematics system:
 - General Motor's OnStar
 - Ford Motor Company's RESCU
 - DaimlerChrysler's TeleAid
- ❖ Vehicle manufacturers are forging strategic ventures with electronics producers and Internet companies. Here are a list of companies doing business with vehicle manufacturers in North America:

➤ America Online	Ericsson	General Magic
➤ IBM	Lucent	Motorola
➤ Nokia	Palm	Qualcomm
➤ Sirius	Sprint PCS	Verizon Wireless
➤ Yahoo!		

- ❖ Bluetooth Technology – Wireless Automotive Industry Standard
- ❖ Bluetooth technology is a wireless communication that is becoming an industry standard for data transfer and information sharing between a wide array of personal electronics within the automotive industry.
- ❖ The Bluetooth Special Interest Group (SIG) is a group of more than 2,000 companies.
- ❖ The Bluetooth Automotive Expert Group is currently working on guidelines and recommendations to the Bluetooth SIG Car Profile Working Group.
- ❖ This group is responsible for authoring and releasing the forthcoming Bluetooth Car Profile that will define and enable Bluetooth equipped devices to interact seamlessly within the vehicle environment.



TECHNOLOGY TRENDS 42-VOLT ELECTRICAL SYSTEMS

- ❖ Increased power demands from telematic devices, electric steering systems, brake by wire systems and in-vehicle infotainment systems is pushing vehicle manufacturers abandon the standard 14-volt electrical system within a few years.
- ❖ The conversion to a 42-volt electrical standard will eliminate bulky electrical equipment and reduce automobile pollution through an efficient electrical generation system.
- ❖ European vehicle manufacturers going to be the first to introduce the new 42-volt direct-current electrical systems by the 2003 model year.
- ❖ For the past three years, various industry groups in Europe and North America have spent considerable time creating 42-volt standards.



EMERGING COMPONENT TECHNOLOGIES

- | | |
|--|---|
| ❖ Modular Supply & Integration | ❖ Cylinder Deactivation |
| ❖ Electrical Multiplexing | ❖ Gasoline Direct Injection |
| ❖ Hybrid Electric Vehicle Propulsion | ❖ Diesel Direct Injection |
| ❖ "Smart" Safety Systems | ❖ Hybrid Electric Vehicles |
| ❖ Occupant Sensing Systems | ❖ Plastic Fuel Tank Technology |
| ❖ Predictive Radar Collision Systems | ❖ "Steer-by-Wire" |
| ❖ Global Positioning Systems (GPS) | ❖ "Drive by Wire" |
| ❖ Mayday Systems | ❖ Third/Fourth Generation Anti-Lock Braking Systems |
| ❖ Navigation Systems | ❖ Advanced Traction Control |
| ❖ Occupant Customization Electronics | ❖ "Brake-by-Wire" |
| ❖ PC Integration (Internet Email Access) | ❖ Regenerative Braking |
| ❖ Photo-Sensitive Mirror Coatings | ❖ New Air Cabin Filtration Systems, |
| ❖ Integrated Turn-Signal Lighting | ❖ Dual-Zone Heating/Cooling Systems |
| ❖ Glass Safety Films/Coatings | ❖ Smart Temperature Control Systems |
| ❖ Variable Valve Timing | |

- ❖ Increased CAFÉ regulations and increased need for lighter-weight components
- ❖ Enacted in 1975 in response to global oil crises, the Corporate Average Fuel Economy (CAFE) standards set a floor for the average fuel efficiency of new cars and light trucks (pickup trucks, minivans and sport utility vehicles) sold in the United States.
- ❖ In 2000, the current CAFE standards are 27.5 miles per gallon (MPG) for cars and 20.7 mpg for light trucks.
- ❖ The fuel efficiency of each model vehicle is measured by the U.S. Environmental Protection Agency (EPA) and by vehicle manufacturers in tests overseen by EPA.
- ❖ Each vehicle is tested using a fixed schedule of load conditions meant to simulate a driving pattern representing 55% under "city" conditions and 45% under "highway" conditions.

- ❖ Auto manufacturers are regulated not for the fuel efficiency of each individual car but for their "fleet average"
- ❖ CAFE is enforced through civil penalties set at \$5 per car for each one-tenth mpg that a manufacturer violates the standard.
- ❖ Manufacturers that perform better than the standard earn credits that can be applied 3 years back or 3 years forward in time.
- ❖ Total collected penalties have ranged from about \$5 million per year to \$50 million per year.
- ❖ Enactment of CAFE led to about a doubling of fuel efficiency between 1975 and 1989.
- ❖ Over the past decade, average fuel efficiency has remained relatively constant.

- ❖ Entering into an unknown market can be a difficult proposition.
- ❖ Unknown factors
 - ➡ Unique regional business practices
 - ➡ Lack of understanding for the competitive environment
 - ➡ Act as high barriers to entry.
- ❖ Korean companies have several options when entering the North American market:
 - ➡ Sales representatives
 - ➡ Corporate strategic alliance
 - ➡ Joint venture
 - ➡ Corporate acquisition
 - ➡ Establish "greenfield" production facility

- ❖ Sales Representatives:
 - ➡ Several Korean supplier companies have agreements with North American based sales agents for the sale of their components to North American vehicle manufacturers.
 - ➡ Sales agents represent several non-North American companies simultaneously.
 - ➡ Several factors to consider
 - ✓ Focus of the agency
 - ✓ Technical expertise
 - ✓ Dedicated resources
 - ✓ Sales commission level

❖ Strategic Alliance

- By forming a strategic alliance with an existing North American supplier, you can open up a new market for your products without establishing new production facilities and/or sales operations.
- Through some strategic alliances, Asian suppliers provide components built to specifications for sale to North American vehicle manufacturers through North American parts suppliers.
- By utilizing a North American supplier's existing relationships with a North American car maker, a Korean company can effectively derive profits from a new market with minimal costs.

❖ Joint Venture

- Forming a joint venture with an existing North American supplier company is yet another market strategy employed by several Asian suppliers.
- Several Japanese companies have successfully entered the North American market through strategic joint ventures with well-established North American parts suppliers. Several examples:
 - ✓ TRW-Koyo Steering Systems: Located in Tennessee to produce steering systems.
 - ✓ HiSan (ITT Automotive & Sanoh Industrial Co. Ltd.): Located in Orangeville, Ontario, Canada to produce tubular products.
 - ✓ Standard Products/Nishikawa Rubber Co. Ltd.: Located in Aguascalientes, Mexico to produce sealing products.



MARKET ENTRY STRATEGIES ACQUISITIONS

- ❖ Corporate Acquisition
 - Easiest avenue to enter the North American market is through the acquisition of an existing North American parts manufacturer.
 - Korean companies can take advantage of existing customer relationships, product technologies and conveniently located production facilities through acquisitions.
 - Although more costly monetarily than joint ventures or strategic alliances, acquisitions are the most effective way to capture immediate market share, product technology and existing customer relationships.



MARKET ENTRY STRATEGIES GREENFIELD OPERATIONS

- ❖ This market entry strategy relies heavily on the volume of expected and/or contracted business
- ❖ Suppliers must have existing strong customer relationships to justify a "greenfield" production operation
- ❖ Site selection is critical
- ❖ All major vehicle manufacturers require "just-in-time" supply of automotive parts.
- ❖ Close proximity to customer's production facility is necessary due to parts supply logistics.

GREENFIELD OPERATIONS U.S. AUTOMOTIVE SUPPLIER LOCATION TRENDS

- ❖ In the United States, automotive suppliers often seek corporate location advice from numerous state government organizations. The top states for new automotive supplier development are (in alphabetical order):

- ➡ Alabama
- ➡ California
- ➡ Georgia
- ➡ Michigan
- ➡ Illinois
- ➡ Indiana
- ➡ Kentucky
- ➡ Mississippi
- ➡ North Carolina
- ➡ Ohio
- ➡ South Carolina
- ➡ Tennessee.



GREENFIELD OPERATIONS SITE SELECTION CRITERIA

- ❖ Several essential data points that need to be assessed when conducting production facility site selection, including:
 - ➡ Distance from vehicle manufacturer production facilities
 - ➡ Available local part transportation logistics (near major highways or railroad ramps)
 - ➡ Distance from sub-supplier production facilities
 - ➡ Established infrastructure including electrical, roadway and water access.
 - ➡ Local labor availability
 - ➡ Local/state/regional tax rebate eligibility

- ❖ How does a Korean company form a strategic alliance with a North American parts manufacturer?
- ❖ Before approaching a company to propose such an alliance, research on the market, target company and customer base needs to be completed. The following questions must be answered before such a dialogue can begin:
 - ➔ Who are the producers of these components in the North American market?
 - ➔ What is their current market share by product?
 - ➔ Who are their main customers?
 - ➔ What are the company's strengths and weaknesses?
 - ➔ Who does each company currently have strategic alliances with?
 - ➔ What is the company's history with regard to strategic alliances?
 - ➔ Who are the key decision-makers within the company?
 - ➔ What are the legal ramifications of a strategic alliance?

- ❖ Current North American strategic alliances take many forms, including:
 - ➔ Joint Ventures
 - ➔ Joint Stock Swap Agreements
 - ➔ Technology Transfer Agreements
 - ➔ Product License/Royalty Agreements
- ❖ Joint Ventures
 - ➔ Common joint ventures include the utilization of a local North American production plant for a new product or technology from Asia.
 - ➔ The joint venture split percentage is usually derived from the amount of money invested in the joint venture or the original technology source or a combination of both items.
 - ➔ The most common joint venture structure is a 50%-50% equity placement.

- ❖ Technology Transfer Agreements
 - ➡ These type of agreements are standard within established strategic alliances for the use of various technologies by the alliance partners.
 - ➡ Royalty-based compensation is provided to the source company in exchange for usage of the technology on current/future products.
- ❖ Product License/Royalty Agreements
 - ➡ Usually ranging from 1-5% of the sale price of each component, license and royalty agreements are the most popular form of strategic alliance collaborations between international parts suppliers.
 - ➡ The length of standard royalty/license agreements are three to five years and include provisions for extensions based upon customer volumes and technology migration.

- ❖ "Competitive Intelligence" refers to the monitoring of a competitor's products and market activities through the use of an intelligence gathering process.
- ❖ Vehicle manufacturers and several suppliers have whole departments and teams dedicated to product clinics, vehicle teardowns, vehicle cost analysis and future product program monitoring.
- ❖ Why do these companies expend tremendous resources and manpower on competitive intelligence (CI)? In a word: advantage.
- ❖ Smart supplier companies are able to filter this competitive data directly into their:
 - ➡ Product planning processes
 - ➡ Product design teams
 - ➡ Purchasing departments
- ❖ "Knowledge equals power" axiom holds true



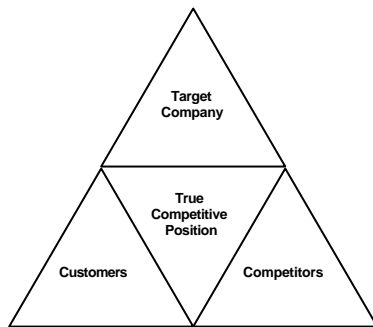
IMPORTANCE OF AUTOMOTIVE COMPETITIVE INTELLIGENCE

- ❖ Several large suppliers—like Lear, Johnson Controls, TRW and Motorola—also place a high value on CI.
- ❖ Many of these companies have large product teardown rooms, competitor product databases, and perform part performance analyses.
- ❖ According to our recent research, only 23% of automotive suppliers have dedicated resources for CI activities.
- ❖ Most are product analysis related with very little emphasis placed upon active competitor research.
- ❖ Without a view of the real competitive landscape, suppliers are in danger of being blind-sided by an innovative new technology or an emerging new player.
- ❖ Expending funds for CI research is an insurance policy to guarantee market competitiveness and long-term viability.



AUTOMOTIVE COMPETITIVE INTELLIGENCE GATHERING

- ❖ Conduct thorough Secondary Research
 - ➔ Searches of public records
 - ➔ News archives
 - ➔ Corporate Internet web-sites
- ❖ After these, conduct Primary Research
 - ➔ Interviews with target company executives, target company customers and target company competitors
- ❖ Usually conducted by third party market research companies.
 - ➔ Protects your company's identity
 - ➔ Gain a deeper insight into a company's true competitive position without interviewer bias.



In order to find the true competitive position of a Competitor you must examine all channels of information.

The three main channels of primary research information on automotive suppliers are:

- ☐ Target Company itself
- ☐ Target Company's Competitors
- ☐ Target Company's Customers

- ❖ To prevent missed opportunities and decision-making gaffs, companies should have:
 - ➔ Complete in-depth profiles for each competitor, including potential short-term and long-term market activity predictions.
 - ➔ Complete listings of each competitor's contracts, including length, product specifications, terms and estimated pricing.
 - ➔ Organization charts with name, titles and area of responsibility for each competitor.
 - ➔ Listings of each competitor's strategic alliances, joint ventures and affiliations.



STARTING UP A COMPETITIVE INTELLIGENCE FUNCTION

- ❖ How do you go about setting up an internal CI activity?
 - ➡ Coordinate your company's current resources—sales, engineering, purchasing and marketing departments
 - ➡ Collect important competitive intelligence data and route that information to a central coordinator for compilation and analysis
 - ➡ Distribution to your company's top strategists



KEY CI COLLECTING ACTIVITIES

- ❖ Sales
 - ➡ Interfaces with your company's customer base
 - ➡ Most valuable intelligence gathering organization within your company.
- ❖ Engineering
 - ➡ Evaluation of a competing product to determine advantages/disadvantages
 - ➡ Determine each product's strengths/weaknesses versus your company's current product portfolio.
- ❖ Purchasing
 - ➡ Through Tier II/III suppliers, purchasing can collect data on your competitor's pricing structures, materials and supply bases.



KEY CI COLLECTING ACTIVITIES

❖ Marketing

- ➡ Synthesizes market intelligence from all sources
- ➡ Marketing can compile complete in-depth profiles of all major competitors
- ➡ Supplier contract sourcing matrices
- ➡ Product pricing/technology forecasts.

❖ Total CI Program

- ➡ Utilize existing staff and infrastructure to provide a higher level of competitive visibility to senior executives.
- ➡ Experience has shown that top CEOs and corporate officers rely on valuable market intelligence to plan mergers & acquisitions, new product development initiatives and corporate expansion into new markets.



ESTABLISHING A HIGHLY-EFFECTIVE SUPPLIER WEB-SITE

❖ The main reason behind creating a North American-based Internet web-site is to:

- ➡ Increase knowledge of your company, its products & general capabilities
- ➡ Generate sales leads from web-site visitors
- ➡ Build brand identity
- ➡ Accurately communicate your company messages to its target audience – North American vehicle manufacturers.



AUTOMOTIVE SUPPLIER WEB-SITE CONTENT

- ❖ Company name& logo
- ❖ Company location(s)
- ❖ Company executives
 - ➡ Pictures
 - ➡ Biographies
 - ➡ Contact information
- ❖ Company Structure
 - ➡ Organizational chart
- ❖ Plant Information
 - ➡ Pictures & descriptions
 - ➡ Square footage
 - ➡ Capacity utilization
 - ➡ Capital equipment
 - ➡ Plant quality certification.
- ❖ North American/Korean Contact Information
 - ➡ Phone/Fax
 - ➡ Street address
 - ➡ E-Mail addresses
- ❖ Part Information
 - ➡ Pictures
 - ➡ Descriptions
 - ➡ Technology level
- ❖ Research & development efforts
- ❖ Strategic Advantages



AUTOMOTIVE SUPPLIER WEB-SITE CONTENT

- ❖ Automated Reply E-mail -- thanks visitors for filling out the "Contact Us" customer inquiry form.
- ❖ Links -- to your companies Korean web-site (the Korea based web-site should also be in English).
- ❖ E-mail Addresses for all key corporate executives



AUTOMOTIVE SUPPLIER WEB-SITE CONTENT

- ❖ Dot.Com Versus Dot.Korea -- Another important issue is your company's web-site URL code. This is the actual code that refers visitors to your company's web-site.
- ❖ Having a URL like <http://www.koreancompany.co.kr> conveys that you are a Korean company that has a focused business within the Korean market.
- ❖ The preferred method is to have the following URL type – <http://www.koreancompany.com>.
- ❖ This shows a more international, web-savvy side of your company and welcomes visitors from all around the world to your web-site. In order to become a global supplier, you must portray this image to your web-site visitors.



AUTOMOTIVE SUPPLIER WEB-SITE REGISTRATION

- ❖ Yahoo! Registration is mandatory. North American automotive industry web-surfers utilize Yahoo! over 70% of the time when doing searches on the Internet.
- ❖ The best way to attract traffic to your company's web-site is to register with Yahoo!.
- ❖ Free registration is available but is extremely ineffective in getting your web-site registered with Yahoo!
- ❖ It takes over one year to get your company listed on Yahoo!'s search engine through the "Free Submission" method.
- ❖ Providata Automotive highly suggests spending the \$199.00 USD to get the Preferred Registration package. Within one week, your company's web-site will be listed on Yahoo! and instantly increase your company's web-site traffic exponentially.
- ❖ Yahoo! Web-Site Registration Link -- <http://www.yahoo.com/info/suggest/>

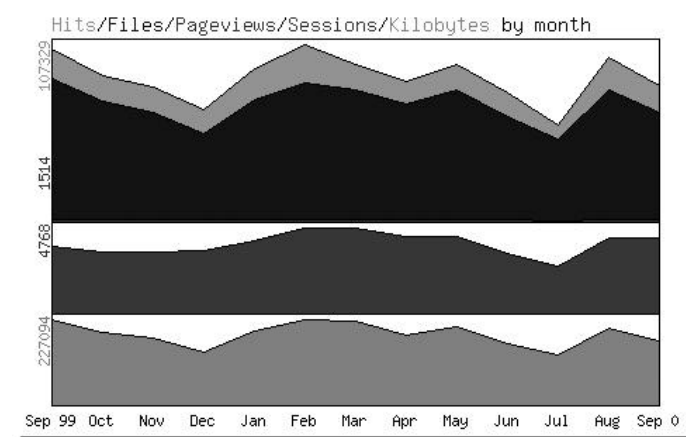


WEB-SITE TRAFFIC MONITORING

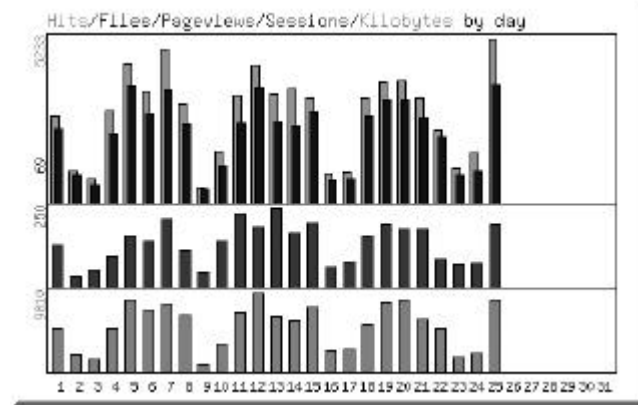
- ❖ Several software packages exist that monitor and display your company's web-site traffic. When conducting a marketing campaign, it is critical to know who is visiting your web-site and what products interest them.
- ❖ Through the use of web-site monitoring software, companies can gauge customer interest and analyze the effectiveness of their corporate web-sites. The following data (displayed in graphical formats as well) can be derived from a Web-Site traffic report:
 - ➊ Number of Hits per Day, Month, Year
 - ➋ Number of Files Transferred per Day, Month, Year
 - ➌ Number of Page Views per Day, Month, Year
 - ➍ Number of Sessions per Day, Month, Year
 - ➎ Number of Unique Visitors per Day, Month, Year
 - ➏ Number of Visitors from Each Country
 - ➐ Number of Hits by Weekday, Hour
 - ➑ Name and Number of Web-Site URL's Visited
 - ➒ Name of the Reverse Domain Web-Server (like Ford.Com or DaimlerChrysler.Com)
 - ➓ Name of Missing Links



MONTH-TO-MONTH WEB-SITE TRAFFIC REPORT



Web-Site Traffic Monitoring Software Sample



Web-Site Traffic Monitoring Software Sample
Daily Traffic Report

Motorcity Media & Consulting, Inc.

Ann Arbor, Michigan, U.S.A.

Nov. 14-16, 2000



Motorcity Media & Consulting, Inc.
Ann Arbor, Michigan – U.S.A.

Presentation



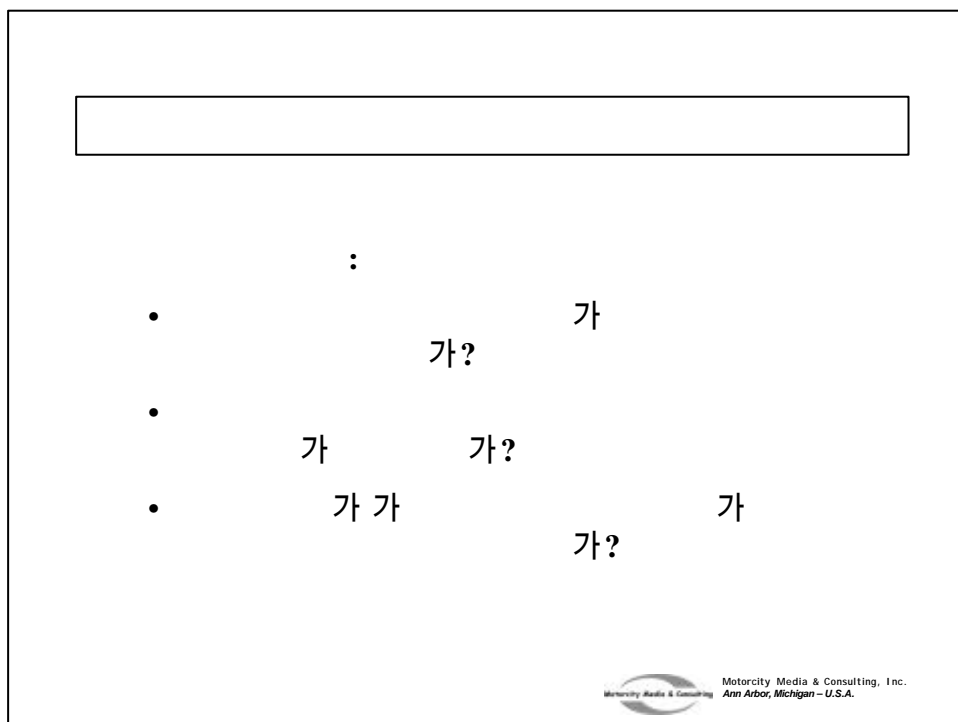
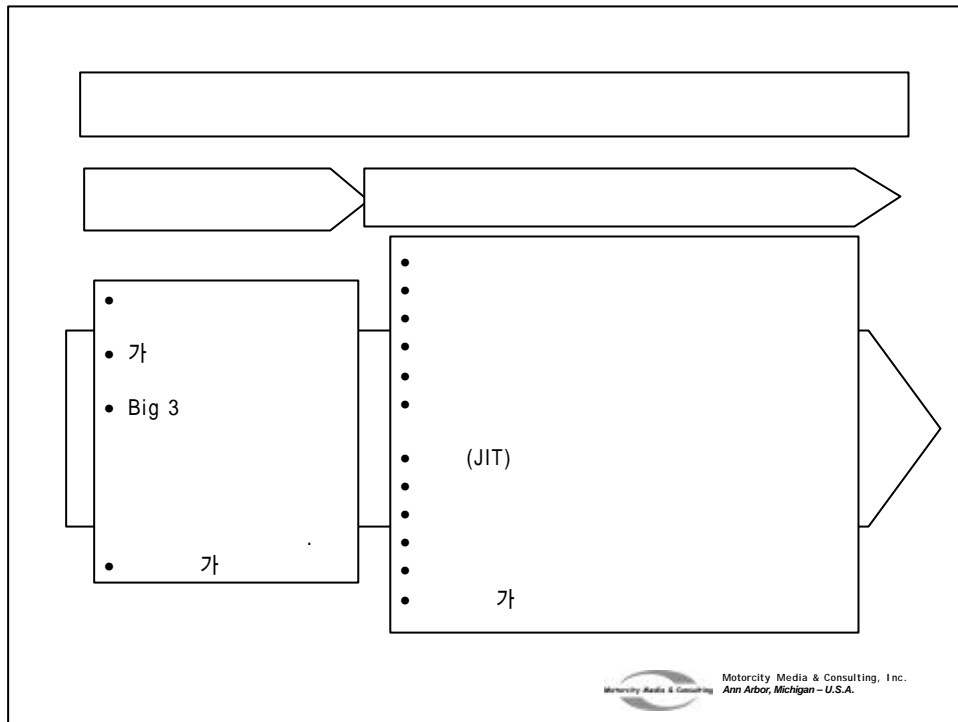
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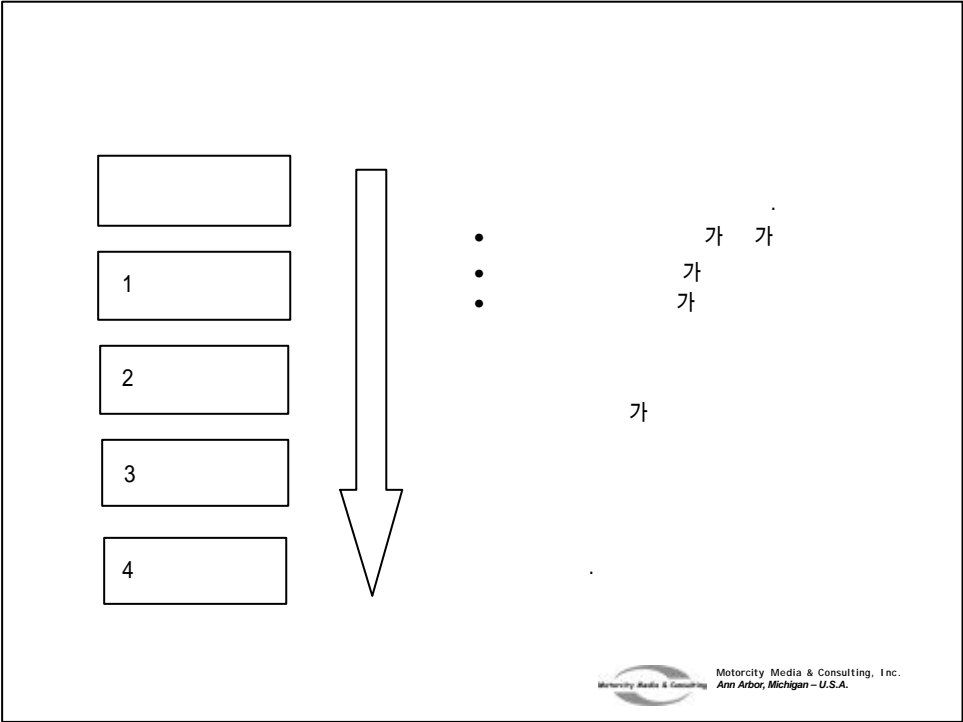
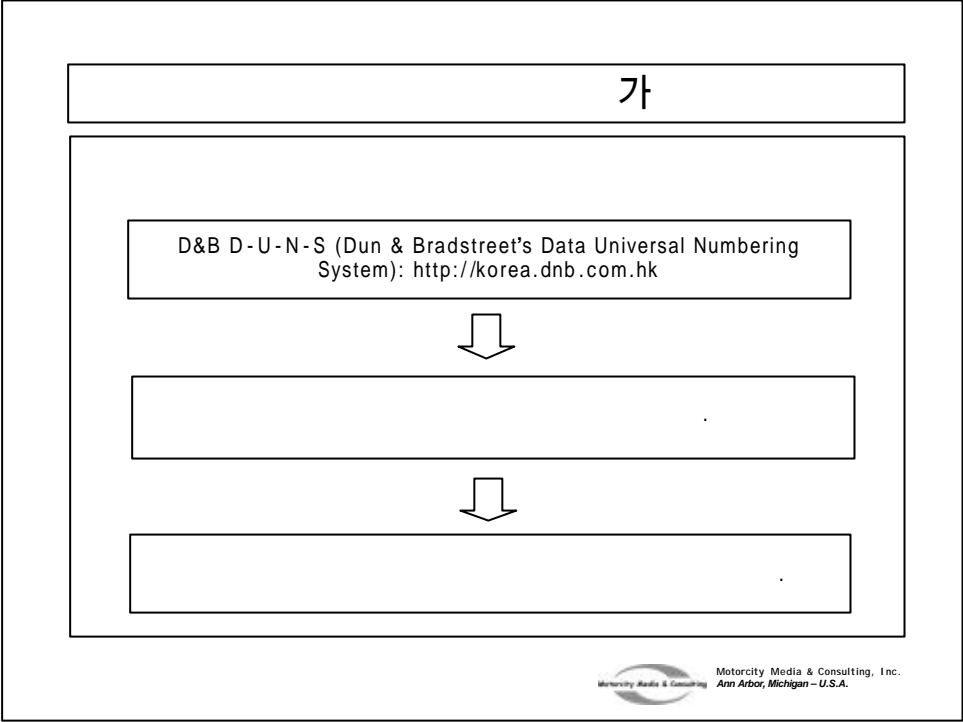
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Manufacturer Representative



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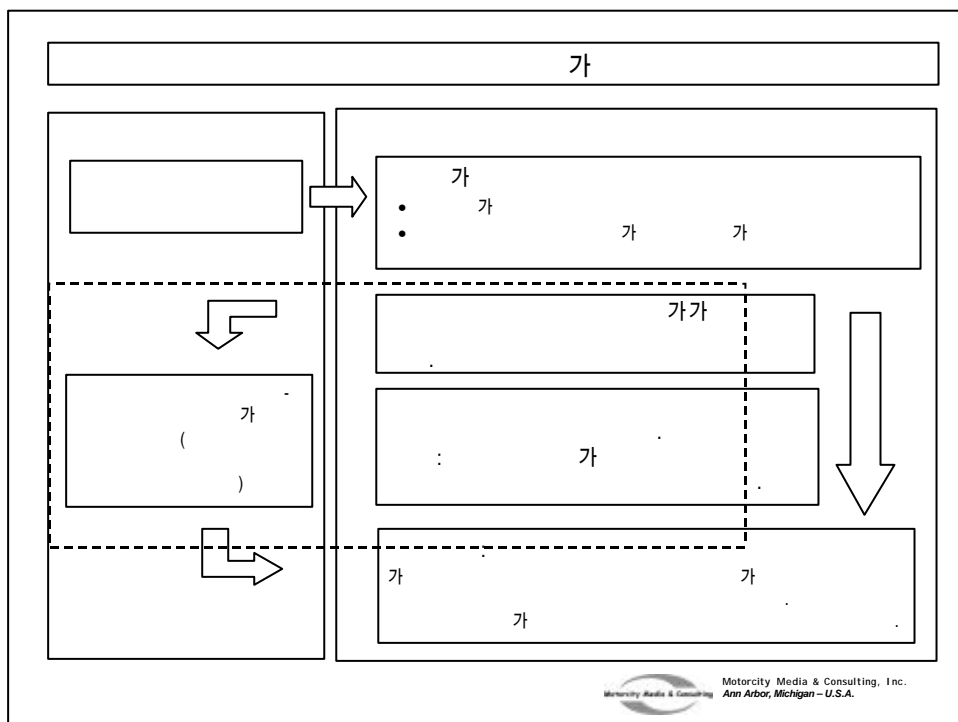
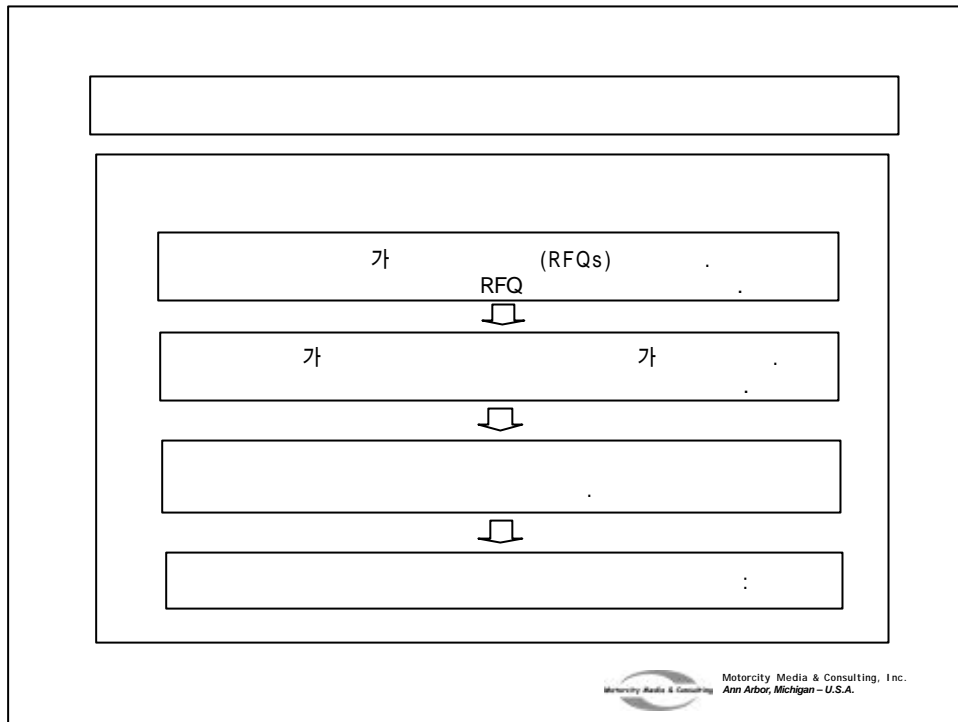
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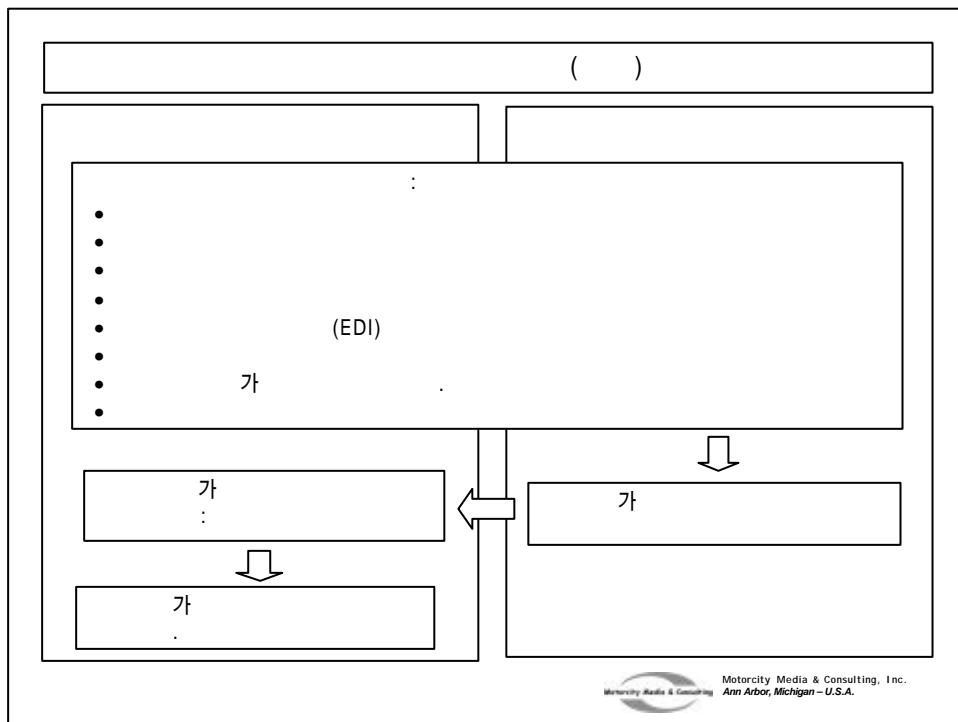
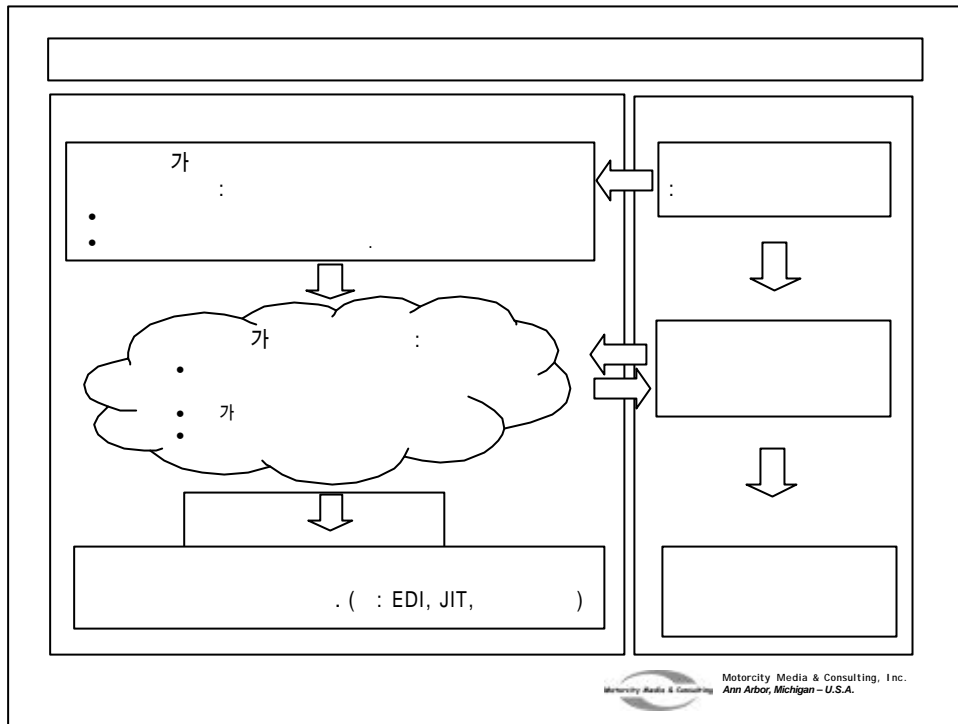
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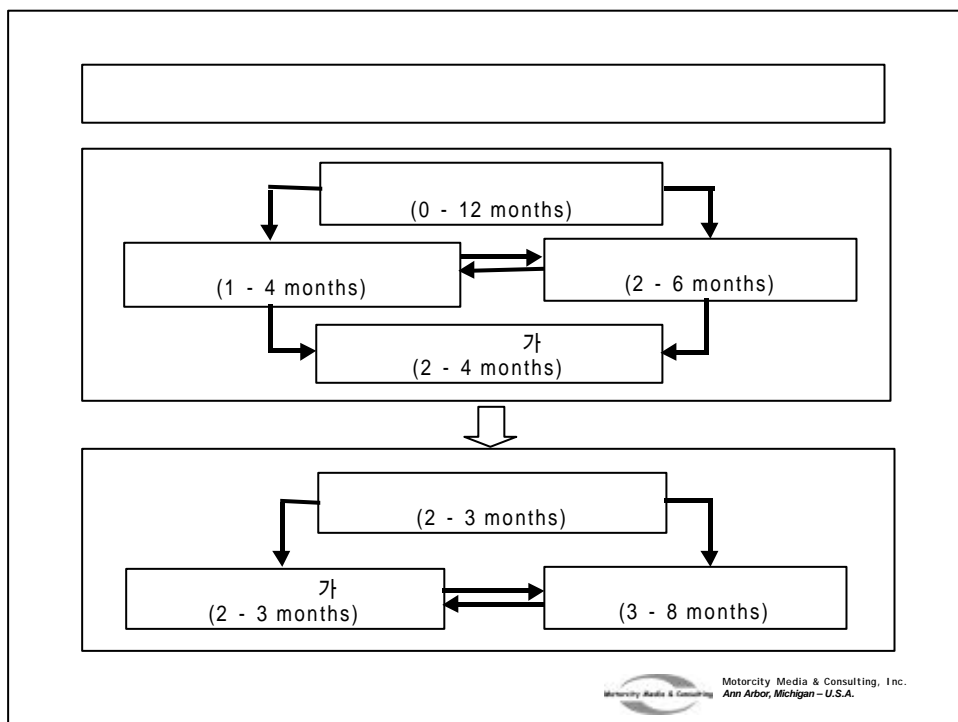
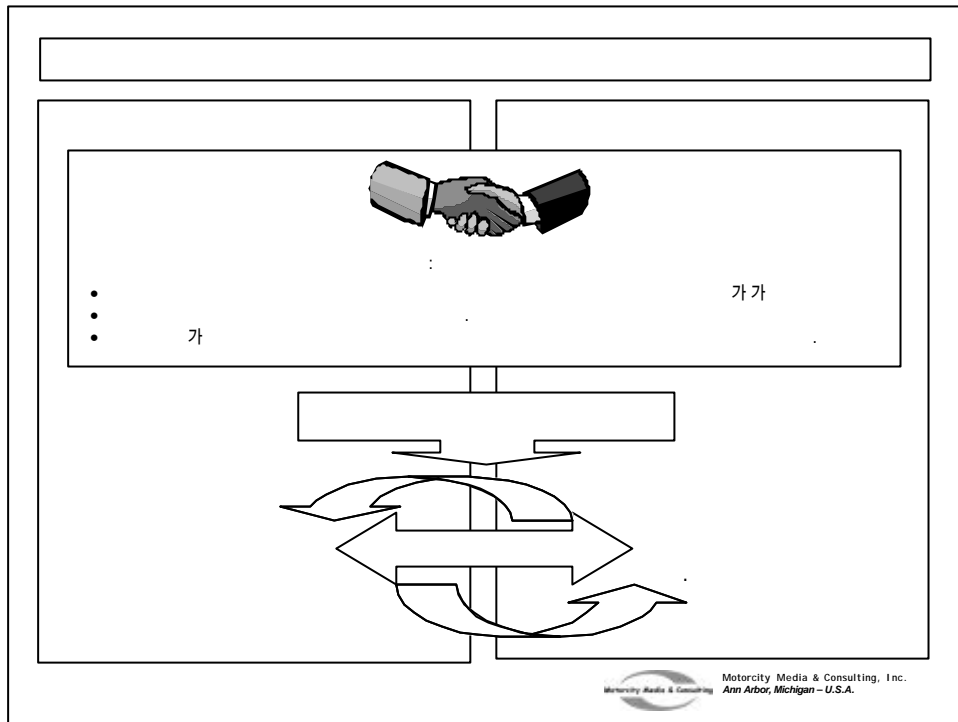
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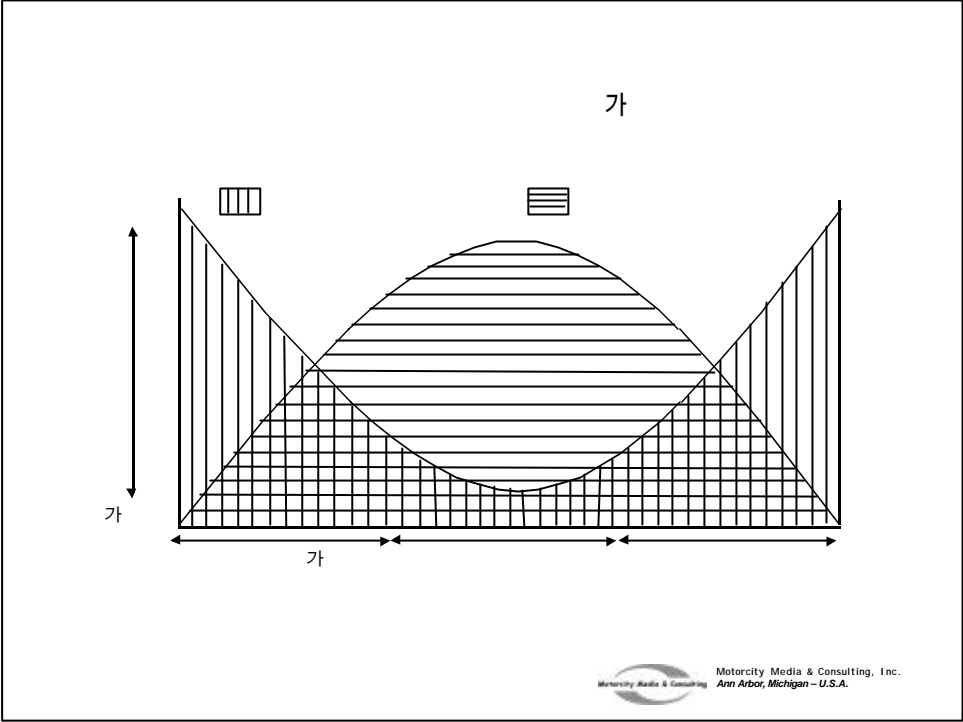


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1. 世界 自動車市場 動向

- **R&D**
 - **M&A**
 - **Global Network**
 - , GM ,
- **Global Sourcing** .
 - GM Ford **Delphi, Visteon Bosch**가
 - (CLEPA)
 - 2000 가 2008 150 ,
- ,
- 가

2. 國內 自動車部品産業 現況

國民經濟上 位置

- ‘99 ‘97 4.1% (3.1%),
가가 3.9%(2.9%), 6.6% (6.2%)
() ‘98

業體現況

- 99 1,109 98
67
- 1,042 95%

生産 輸出入 現況

- 99 46.3% 가 19.7
- 99 2,024 , 1,141 883
97 3

競爭力 水準

- - 가 ,
- 가 (78 %)
- 가 , ,

3. 國內 自動車部品産業 問題點

가. 規模 零細性 財務構造 脆弱

- 178
95%
- (99 , 168)가
(292) 1/2
- 80%

. 下請構造 先進化 未治

- 가 1
- 5 2
- 4 1 가 340
5 270

. 技術水準 落後

- 33% (70%)
- (96) 2.9% (97) 1.4% (98) 0.7%

4. 自動車 部品産業 發展方向

	・	Global Sourcing

	・
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5. 細部 推進施策

가. 引受・合併
專門化・大型化

○

○ M&A

・ 戰略的 提携 投資誘致

○

200

(3), (2), (1), (1)

・技術開發 技術 構築

- 가 高附加價值 核心部品・
素材 Global Sourcing 開發

- (ECU),

- 가 . .
(TIC)

・信賴性 評價 認證制度

○

- 2000 2

・自動車 電子商去來網(CALS) 構築

- 2002 (CALS) -

-

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・ 複數納品方式
競争 部品産業 高度化 誘導

○

・海外市場 開拓 支援

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Using a Manufacturer Representative



Organized by:

**KOREA TRADE-INVESTMENT
PROMOTION AGENCY**

November 14 - 16, 2000

Presentation by:

David M. Bennett

Global Business Associates

1287 Plover Road
Highland, Michigan – USA
Tel: (248) 889-9240

Introduction

- **Purpose of Presentation:**
Manufacturer Representatives: A look from the inside
- **Speaker Information:**
David M. Bennett
 - ✓ International business experience in Asia, Africa, and the Middle East.
 - ✓ Manufacturer Representative for Korean/American automotive industry
 - ✓ Automotive investigative consultant for Asian firms.

Topics of Discussion

- **Overview of Manufacturer Representative Company Structure**
- **Pros and Cons of using a Manufacturer Representative**
- **What to look for when selecting a Manufacturer Representative**
- **Sales Contract Considerations**
- **Key Factors for Success**

Overview of Manufacturer Representative Company Structure

- **Large corporations**

Usually established with better financial foundation (means more focus on longer-term) is possible. Fewer numbers means less chance of finding best possible representative for the Supplier's product/service niche.

- **Small companies**

Success much more dependant on capabilities on owners; less likely to be in good financial shape (means more focus on shorter-term). Better chance of finding good niche representative because there are many more small Manufacturer Representative firms to choose from.

Pros and Cons of using a Manufacturer Representative

■ Pros

- ◆ Good start for Suppliers with no experience in North America.
- ◆ Quick entrance into market.
- ◆ Predictable costs of selling.
- ◆ No sale, no expense for Supplier.

Pros and Cons of using a Manufacturer Representative

■ Cons

- ◆ Most of accumulated experience stays with M.R.
- ◆ M.R. resources stretched thin because of competing products offered.
- ◆ Long-term sales effort motivation is a problem.
- ◆ Relatively High Commissions may affect the competitiveness of Supplier's product/services.

What to look for when selecting a Manufacturer Representative

■ Suppliers need to carefully select a Manufacturer Representative who will:

- ◆ Respect the Supplier's confidentiality.
- ◆ Cover the automotive industry adequately while representing the Supplier's products and services.
- ◆ Develop and continually improve their knowledge of the Supplier's product, services, capabilities, strategies, niches, strengths and weaknesses.

What to look for when selecting a Manufacturer Representative

■ Suppliers need to carefully select a Manufacturer Representative who will:

- ◆ Know the automotive industry and prospective Buyer's thoroughly and understand automotive application needs to effectively represent the Supplier's products and services to the Buyer.
- ◆ Be accessible and responsive during all stages of the sales process.
- ◆ Be capable of effective, accurate and timely communication when representing target Buyer requirements to the Supplier.

What to look for when selecting a Manufacturer Representative

■ Suppliers need to carefully select a Manufacturer Representative who will:

- ◆ Be capable of effective, accurate and timely communication when representing target Buyer requirements to the Supplier.
- ◆ Make well-organized, effective sales calls.
- ◆ Have a thorough and practical knowledge of the Supplier and its products, services and operations, and speak and act with appropriate authority during interaction with prospective Buyers.

What to look for when selecting a Manufacturer Representative

■ Suppliers need to carefully select a Manufacturer Representative who will:

- ◆ Be trustworthy and capable of exercising good judgment, flexibility and competence on the Supplier's behalf.
- ◆ Be receptive to signing a fair, clearly worded, written sales representation agreement that addresses the needs, concerns, expectations and objectives of both parties.

What to look for when selecting a Manufacturer Representative

QUESTIONS SUPPLIERS SHOULD ASK WHEN SELECTING A MANUFACTURERS REPRESENTATIVE

- How long has the Manufacturer Representative company been in business?
- What is the Manufacturer Representative company history?
- What geographic territory does the Manufacturer Representative cover?

What to look for when selecting a Manufacturer Representative

QUESTIONS SUPPLIERS SHOULD ASK WHEN SELECTING A MANUFACTURERS REPRESENTATIVE

- What is the Manufacturer Representative's primary market, in terms of customer type?
- How many offices does the Manufacturer Representative have and what are their locations?
- How many people are employed by the Manufacturer Representative company?
- How many outside salespeople does the Manufacturer Representative have?

What to look for when selecting a Manufacturer Representative

QUESTIONS SUPPLIERS SHOULD ASK WHEN SELECTING A MANUFACTURER REPRESENTATIVE

- How many inside salespeople does the Manufacturer Representative have?
- Is the Manufacturer Representative management team active in sales?
- Does the Manufacturer Representative participate in automotive industry trade shows?

What to look for when selecting a Manufacturer Representative

QUESTIONS SUPPLIERS SHOULD ASK WHEN SELECTING A MANUFACTURER REPRESENTATIVE

- Does the Manufacturer Representative send salespeople to automotive industry seminars and/or training courses?
- What expenses does the Manufacturer Representative expect Supplier's to pay?
- What types of training does the Manufacturer Representative provide its sales persons to keep abreast of new areas of technological progress?

What to look for when selecting a Manufacturer Representative

QUESTIONS SUPPLIERS SHOULD ASK WHEN SELECTING A MANUFACTURER REPRESENTATIVE

- Who are the Manufacturer Representative's major accounts?
- Can the Manufacturer Representative provide references from some of its key accounts, as well as bank and credit references?

Sales Contract Considerations

- Territory
- Product Line
- Confidentiality
- Commissions
- Marketing Material
- Product Samples (whose expense?)
- Termination
- Liability and Indemnification
- Dispute Resolution

Sales Contract Considerations

■ Territory

- ◆ Exclusive or Non-Exclusive?
 - ★ Recommendation
- ◆ Geographical Area?
- ◆ Industry Type?
- ◆ OEM versus Aftermarket?
- ◆ Product Line or Service Type?

Sales Contract Considerations

■ Product Line

- ◆ All Supplier Products and Services?
- ◆ Certain Products and Services
- ◆ After Sale Services
- ◆ Third-party items

Sales Contract Considerations

- **Commissions**

- ◆ Markup on Service

- (on incidentals such as travel/lodging expenses charged to Buyer?)

- ◆ Markup on Product

- ◆ Markup on Tooling (may not be allowed by some Buyers such as Big 3)

- ◆ Importance of including sample calculations

Sales Contract Considerations

- **Marketing Material** (whose expense?)

- **Product Samples** (whose expense?)

Sales Contract Considerations

- **Termination**

- ◆ Termination via Contract Expiration
- ◆ Termination for Cause
- ◆ Termination without Cause

Sales Contract Considerations

- **Termination via Contract Expiration**

- ◆ Must describe whether commissions will continue to be paid on any sales made prior to Contract expiration
- ◆ Length of time commissions will be paid after Contract expiration.

Sales Contract Considerations

■ Termination For Cause

- ◆ Parties may terminate agreements for cause, therefore, duties of each party must be spelled out.
- ◆ Cause may be defined in the contract as a party failing to correct a breach of the terms of the agreement within 90 days after written notice given by the non-breeching party.

Sales Contract Considerations

■ Duties on termination by Supplier

- ◆ The Supplier must continue to pay Manufacturer Representative sales commissions against Buyer purchases that were procured by them prior to termination of the Agreement.

■ Duties on termination by Manufacturer Representative

- ◆ The Manufacturer Representative must continue to service accounts as needed against which they still receive sales commissions
- ◆ Discontinue all other representation activities on behalf of Supplier.

Sales Contract Considerations

■ Liability and Indemnification

- ◆ Potential liability of one party for the other should be prevented via inclusion of language holding each party solely responsible for their own actions relating to the performance of the agreement

Sales Contract Considerations

■ Dispute Resolution

- ◆ Jurisdiction
- ◆ Choice-of-Law
- ◆ Mediation or Arbitration?
- ◆ Legal Costs to prevailing party?

Key Factors for Success

- **Manufacturer Representative's Financial Health**
- **Cultural Diversity of Manufacturer Representative**
- **Past Success**
- **Commission Structure**

Manufacturer Representative's Financial Health

- **Importance of Bank References**
- **Emergency Reserves** (lone proprietor or multiple-owners to back financially?)
- **Request Financial Statement from Manufacturer Representative's Accountant**

Cultural Diversity

- **Large Manufacturer Representatives**

- ◆ Mix of staff who are native to the target Buyer's market plus additional staff who are Bilingual in English/Korean and are culturally familiar with Western/Korean Business Practices

- **Small Manufacturer Representatives**

- ◆ **Owners are Bi-cultural Asian/Western** (preferably Korean-American and speak both Korean & English)
- ◆ **Have key staff native to North America**

Past Success

- **Size of past sales successes.**
- **Are past sales successes from same industry,**
i.e. automotive?
- **Production or Aftermarket** (2 very different markets)
- **One-time sale or multi-year supply contract?**
(did the Buyer reorder?)

Commission Structure

- **Straight Commission**
- **Buyer-Negotiated Commission**
- **Profit-Splitting**

Commission Structure

- **Straight Commission** (Fixed Markup on Price)
 - ◆ **Pros**
 - Simple to Track and Calculate
 - Most Common Type of Commission Structure
 - ◆ **Cons**
 - Pressure from Manufacturer Representative for Supplier to offer lowest possible price
 - Least motivating for Manufacturer Representative
 - ◆ **Recommendation**
 - OK for short-term simple sales cycles
 - Not recommended for longer-term sales cycles requiring intensive Manufacturer Representative Involvement

Commission Structure

■ Negotiated Commission

◆ Pros

- Highest possible motivation for Manufacturer Representative

◆ Cons

- Manufacturer Representative has temptation to overprice during negotiations with Buyers

◆ Recommendation

- Not recommended unless circumstances require the highest possible Manufacturer Representative involvement

Commission Structure

■ Profit-Sharing

◆ Pros

- Still element of motivation for the Manufacturer Representative while discouraging overpricing.
- Supplier may set Base Price at most competitive level (minimum profit for the Supplier)
- The difference between the Base-Price and the Buyer's negotiated Final Price is split with the Manufacturer Representative.

Commission Structure

- **Profit-Sharing**

- ◆ **Cons**

- More complicated (many possible variations)

- ◆ **Recommendation**

- Highly recommended for longer-term sales requiring intensive Manufacturer Representative Involvement
 - Best-possible mixture of reward/risk motivation for both Supplier and Manufacturer Representative

What a Manufacturer Representative is privately thinking about Commissions

- **Straight Commission**

- ◆ **Truth**

- ◆ **Consequence**

What a Manufacturer Representative is privately thinking about Commissions

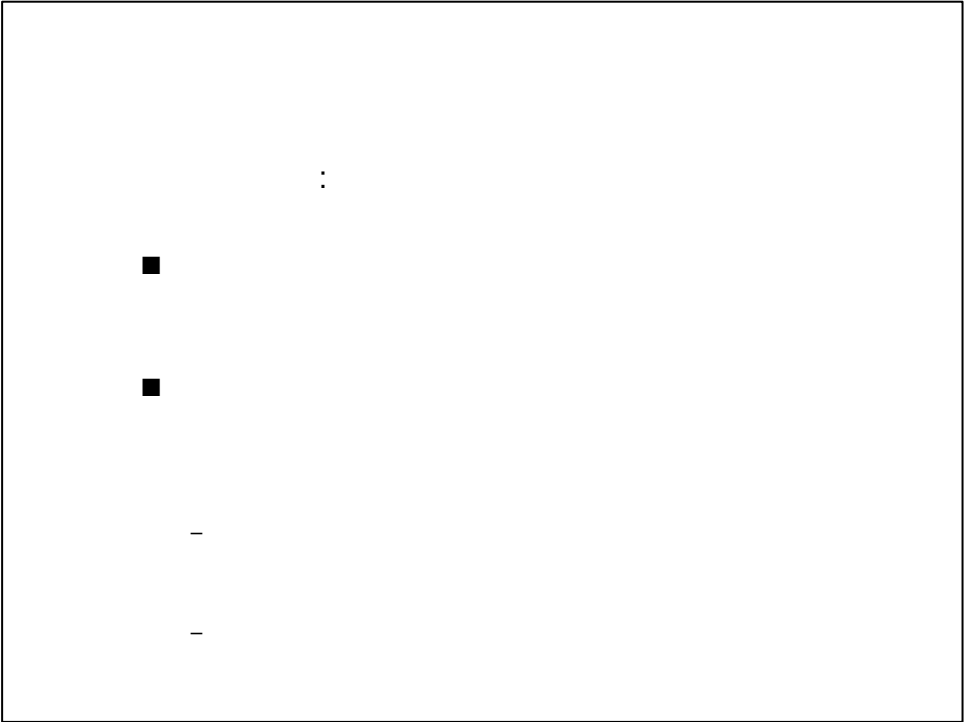
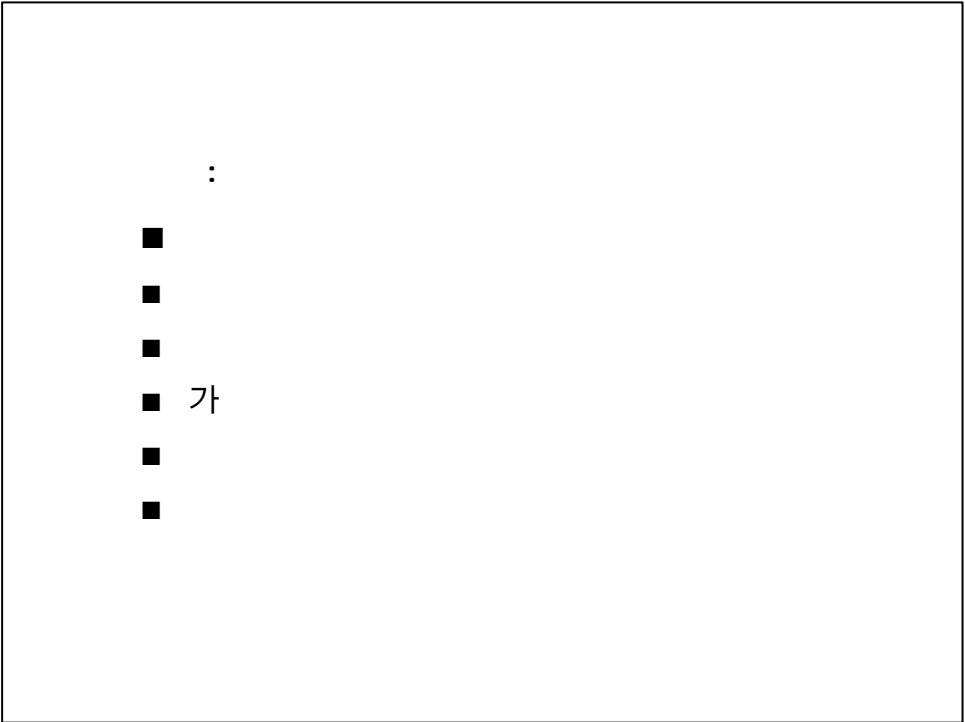
- **Negotiated Commissions**
 - ◆ Truth
 - ◆ Consequence

What a Manufacturer Representative is privately thinking about Commissions

- **Profit-Sharing**
 - ◆ Truth
 - ◆ Consequence

What This Means

- **Finding a good Manufacturer Representative can be a hit-or-miss process**
- **Keep options open; work with many Manufacturer Representatives** (divide the market)
- **How Commissions are structured can have a BIG impact on Manufacturer Representative performance** (especially long-term performance)



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