

## Car part purchasers not ready for future

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**Automotive buyers are unprepared for the impact that technological advances are having on the materials they purchase.**

Many of the raw materials required to make cars of the future, such as electrical components, rare metals and hybrid engines are scarce, subject to price volatility or sourced from politically unstable regions.

This is according to recent analysis by supply chain management consultancy BrainNet, which concluded buyers are inadequately prepared for these disruptions.

As the industry prepares for a "technological revolution," rising demand for these materials is placing an increasing strain on supply and presenting a challenge for purchasers, it reported. Sven Marlinghaus, partner and managing director of BrainNet, said: "Technology change represents a paradigm shift for purchasing in the automotive industry. [It] will be competing for raw materials with companies from other industries who adapted their supply chains to these materials years ago." There are steps that buyers can take in order to mitigate risks of short supply. Marlinghaus said procurement departments must fully understand the issues in the raw materials markets and develop a plan for how to tackle them in the coming years. They should invest in supplier development and better manage the risks inherent in existing supplier relationships. Larger market players and consortiums must look to develop strategies for controlling critical resources, for example by forming alliances with supplier countries or even relocating production to make it easier to access scarce resources. Purchasers should also collaborate with colleagues in technology departments to gain more advanced technological expertise. "Put bluntly, it's no longer enough to simply know about steel and be familiar with your direct competitors," said Marlinghaus. "Purchasers need to familiarise themselves with the many relevant raw materials markets and understand the sourcing strategies used by competitors in other industries for rare earths and metals."

<http://www.supplymanagement.com/analysis/features/2009/car-part-purchasers-not-ready-for-future/?locale=en>