

CUSTOMER STORY

Auto Industry Leader Prevents Delays by Assessing Risky Suppliers

Company Monitors Over 16,000 Global Suppliers with D&B Supplier Risk Manager and Global Business Ranking Scores



Automotive manufacturer with operations and suppliers on every continent.



THE CHALLENGE:

This leading auto manufacturer works with 16,000 critical suppliers around the world to source auto parts and raw materials for its cars and trucks. The company uses lean and just-in-time manufacturing, which calls for parts and components to be present at the right time.

This is why it's so critical to work with suppliers that have stable business operations. Financially unstable partners can lead to manufacturing disruptions, lost productivity, and decreased revenue. A mere 1-hour delay in production can cause expenses to skyrocket.

A diverse supplier risk group at the company is dedicated to preventing and responding to troubled suppliers. This team's objective is to evaluate and monitor the quality of each supplier, decide whether or not to work with them, and keep tabs on the riskiest 15% to detect failure in advance.

The group faced two key challenges:

1. Scale made manual evaluations unsustainable.

“The automotive industry in general has the most complex supply chains on the globe,” says the senior manager of the company's Supply Risk Management practice. “The scope is immense.” Each supplier (out of 16,000) had the potential to cause disruptions. The team tried to audit them and collect data manually, but it was time-consuming and difficult. It needed an analytical solution with standardized, automated ways to make informed decisions about all suppliers.

2. Data on international suppliers was thin.

Local regulations in markets such as Mexico, Brazil, and India made it difficult to collect standard business information. The team needed a way to fill in knowledge gaps and identify the riskiest 15%.



THE SOLUTION:

The company uses D&B Supplier Risk Manager to detect and monitor changes to its supply chain. It implemented this solution over 15 years ago, and continues to improve on it to this day.

An in-house analytics team receives business scores from Dun & Bradstreet and uses them to calculate a financial risk rating (FRR) for all suppliers. This scalable analytics solution helped the company automate its once-manual process to evaluate suppliers, surface the highest-risk organizations, and monitor ongoing changes.

It also addressed international supplier issues by introducing a new measure of supplier risk: D&B's Global Business Ranking (GBR), which predicts the likelihood that a company will become inoperable, inactive, or dormant in the next 12 months. It implemented a pilot program on this front, as analyses revealed that the solution would be an excellent predictor of supplier risk that would extend coverage to nearly every company in every country around the world.



HOW IT WORKS:

The auto company used DUNS numbers to give each supplier a unique identification number. Then, it pulled in Supplier Risk Manager signals, and new GBR signals, to calculate the suppliers' business stability.

It now incorporates many data points for each company, including:

- Financial information
- Payments to vendors, legal filings, and business environment factors
- Relationships with other businesses (e.g., is it a subsidiary, or tied to a private equity firm?)

Even for private and small suppliers, Dun & Bradstreet provides predictive insight about whether they make trade payables on time, or have any leads or judgments.

The analytic solution addressed the need to evaluate suppliers at scale:

- **Screening new suppliers:** “One of our first lines of defense is to avoid depending on a supplier from the get-go if they are potentially distressed,” says the company’s Finance Manager.
- **Organizing the bottom 15%:** The company shortlists the riskiest 15% of suppliers and monitors them to detect changes.
- **Just-in-time intervention:** Alerts bring hot risks to the surface so the team can proactively resolve issues with a supplier. It uses the tool’s one-pagers on suppliers for an overview of its principals and history. “I’ve used this for years to get a first look at the people who will be across the table from me,” says the Manager of Supplier Risk Management.
- **Monitoring international suppliers:** New GBR data lets the auto manufacturer predict international supplier risk with more accuracy.

The company’s supplier risk practice now has the analytics framework to support robust, repeatable processes and globally consistent scoring structures.



RESULTS & ROI

With the solution in place for nearly two decades, the auto manufacturer is now widely known in the industry for its ability to quickly and accurately review suppliers. And it has the results to show for it.

“In 15 years, we have not had a disruption in production as a result of a supplier’s financial distress.”

Senior Manager, Supplier Risk Management

The relationship with Dun & Bradstreet has been long-standing and constantly improving. “As we tell Dun & Bradstreet our business challenges, it continues to develop better tools to provide more robust ratings. We interact frequently, and it goes a long way.”

For example, the pilot program of the Global Business Ranking scores has shown promising results for the group’s ambitious goal: to have zero active troubled supplier cases. “The GBR tool will keep us focused on issues that are highly likely to be financially distressed so we can work to get ahead of them,” says the company’s Finance Manager. The auto manufacturer aims to use analytics in an increasingly preventative manner to keep its plants running smoothly and consistently put better cars on roads.

AUTO MANUFACTURER’S SUPPLIER RISK MANAGEMENT

At-A-Glance

- Auto manufacturer used Dun & Bradstreet data for over 15 years to monitor risky auto parts suppliers, preventing costly disruptions on their factory floors.
- The global company struggled to collect consistent and fresh data about their suppliers around the world on an ongoing basis.
- Program resulted in 0 production disruptions in over 15 years, setting a new industry standard.

ABOUT DUN & BRADSTREET

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