

VOLKSWAGEN GROUP UK LTD



COGNOS DRIVES VOLKSWAGEN GROUP UK LTD'S NEED FOR SPEED – PLANNING AND ANALYSIS SOLUTIONS ENSURE BETTER PARTS PRICING STRATEGIES

INTRODUCTION

There are hundreds of thousands of component parts that make up a car. As a parts and vehicle importer, to remain competitive and profitable, it is essential that each part price can be closely monitored and that the effects of changes in factory cost prices can be quickly analysed, acted upon and distributed to market partners.

THE COMPANY

Based in Milton Keynes, Volkswagen Group UK Ltd is a wholly owned subsidiary of the German parent Volkswagen Group AG. The company is one of the world's leading automobile manufacturers and the largest European car manufacturer. In Western Europe (the largest car market in the world) nearly every fifth new car (18.1 per cent) is a Volkswagen Group model.

Volkswagen Group generated annual sales of €88.9 billion (£61.2 billion) in 2004 and in the same year delivered over five million vehicles worldwide, corresponding to an 11.5 per cent share of the world passenger car market.

In the UK, Volkswagen Group controls five brands: Volkswagen, Audi, Škoda, SEAT and Volkswagen Commercial Vehicles.

THE CHALLENGE

Volkswagen Group UK's pricing and parts system controls information on 750,000 parts across all five brands. When parts prices change, due to manufacturing or market dynamics, the parts pricing model needs to be updated to ensure the current RRP (Recommended Retail Price) reflects this.

Not only that, but any increase or decrease in price for any part and related changes in RRP, needs to be assessed to see how they will impact sales, margins and ultimately the bottom line.

Traditionally, pricing and parts information was held on a combination of MS Access databases and Excel spreadsheets. When a part price changed, the information held on the system had to be updated manually. Not only was this a time-consuming process but it was also very difficult to ensure pricing data on a per part basis was accurate and consistent.

THE SOLUTION

Volkswagen Group UK's Group Services division, which is responsible for the parts and pricing system, began looking into more efficient ways of setting and updating parts prices in the UK.

Following a competitive tender process, Cognos was selected to design and implement a solution to automate realignment of parts price changes. Cognos developed a modelling system to analyse and predict the effect of RRP changes on Group sales and profit margins.

The first stage was to create a data warehouse to store information on the 750,000 different parts including price and other associated data such as sales volumes. This was designed by Cognos and links with Volkswagen Group's mainframe to ensure consistent and accurate data right across the business.

The data warehouse has not only been designed to interface with Volkswagen Group UK's mainframe, it has also been designed to interact with Cognos Planning. This superior modelling environment allows analysts within the Parts and Pricing team to undertake detailed analysis, including 'what if?' scenario planning. This helps the Volkswagen Group to assess how changes in parts price assumptions will impact on sales, margins, discounts and RRP. The technology now replaces and incorporates the existing data sources, including the multiple islands of parts pricing held in various databases and Excel spreadsheets. The new tools to simulate parts price changes enable faster, more efficient and more accurate decisions on pricing strategies.

Cognos consultants worked on-site over two months to create a bespoke, specialised reporting menu to enable analysts at Volkswagen Group to manage the complex reporting processes more easily and securely. The technology now allows the Parts and Pricing team to produce complex analysis of pricing policy, profitability and exception reporting to monitor the effect of price changes and help set the correct pricing strategy for parts supplied to the UK market. Since much of the analysis has been automated, the new system has enabled the simulation process to be reduced from multiple iterations taking several weeks to a single update routine that takes less than three hours for each simulation. As a result, many more simulations can now be run in a much shorter time-frame helping the Parts and Pricing team to focus on developing the optimum parts pricing strategy for their business.

THE BENEFITS

The most obvious benefit to the business has been the time savings that have been achieved by automating the modelling and analysis processes. Volkswagen Group UK Ltd estimate they have cut the time taken to analyse, set and then update the UK mainframe with revised pricing information by a third. In fact, this means the system has actually paid for itself in just six months.

"The Cognos system has made the entire process of parts price tracking and changing so much easier," said Trudy Nash, Parts Pricing & Margin manager at Volkswagen Group UK Ltd. "While we used to change price information by hand on distributed MS Access databases or Excel spreadsheets, our new systems mean we can automate much of the process. This is reflected in the time and cost savings that ensured a six-month return on investment, and means our skilled staff can spend time on activities that add value and meet the company's business goals, rather than data input."

THE FUTURE

The success of the data warehouse and associated modelling and reporting solutions provided by Cognos has been recognised right across the Volkswagen Group UK. As a result, other divisions, having experienced the advanced capability of the solutions, have now begun to look into how similar technology could work for their own business units.



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