**Basis of Participants’ Answers**

OEM – Commodity Area Buying Situation

<table>
<thead>
<tr>
<th>Commodity Areas</th>
<th>OEMs</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>FCA</td>
</tr>
<tr>
<td><strong>Purchasing Areas</strong></td>
<td></td>
</tr>
<tr>
<td>Body-in-White</td>
<td>1. Body-in-white, stampings, frames</td>
</tr>
<tr>
<td>Electronics &amp; Electrical</td>
<td>5. Electronics, ICs, PC boards, ECUs, sensors, wiring</td>
</tr>
</tbody>
</table>
2017 Annual Study Participants

- Time Frame: Early-March to Mid-April
- 652 sales personnel (647)¹
- 467 Tier 1 suppliers (492)
  - 40 N.A. Top 50 suppliers (38)
  - 68 N.A. Top 100 suppliers (59)
  - 2016 annual N.A. sales equals 64% of six OEMs’ annual buy (59%)
- Anonymous and confidential

¹2016 Annual Study participants in parentheses

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Working Relations Activities

<table>
<thead>
<tr>
<th>Components</th>
<th>Variables</th>
</tr>
</thead>
<tbody>
<tr>
<td>Buyer-Supplier</td>
<td>• Supplier trust of buyer</td>
</tr>
<tr>
<td>Relationship</td>
<td>• Supplier perception of overall working relations with Buyer</td>
</tr>
<tr>
<td>Buyer Communication</td>
<td>• Buyer open and honest communication</td>
</tr>
<tr>
<td></td>
<td>• Buyer communicates timely information</td>
</tr>
<tr>
<td></td>
<td>• Buyer communicates adequate amounts of information</td>
</tr>
<tr>
<td>Buyer Help</td>
<td>• Buyer help to suppliers to reduce costs</td>
</tr>
<tr>
<td></td>
<td>• Buyer help to suppliers to improve quality</td>
</tr>
<tr>
<td></td>
<td>• Buyer late/excessive engineering changes (reverse measure)</td>
</tr>
<tr>
<td></td>
<td>• Conflicting objectives across Buyer functional areas (reverse measure)</td>
</tr>
<tr>
<td></td>
<td>• Supplier given flexibility to meet cost objectives</td>
</tr>
<tr>
<td></td>
<td>• Supplier involvement in Buyer product development process</td>
</tr>
<tr>
<td>Buyer Hindrance</td>
<td>• Buyer shares savings from supplier cost reduction proposals</td>
</tr>
<tr>
<td>Supplier Profit</td>
<td>• Buyer rewards high performing suppliers with new/cont’d bus</td>
</tr>
<tr>
<td>Opportunity</td>
<td>• Buyer covers sunk costs on cancelled or delayed programs</td>
</tr>
<tr>
<td></td>
<td>• Buyer concern for supplier profits when asking price reductions</td>
</tr>
<tr>
<td></td>
<td>• Supplier opportunity to make acceptable return over long-term</td>
</tr>
</tbody>
</table>

¹Buyer refers to the supplier’s customers.

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**Working Relations Index®**

![Graph showing working relations index with metrics like Very Poor - Very Good, Adversarial - Collaborative, Limited & Questionable - Open & Honest, Less - More, A lot - Little, Smaller - Greater.](image)

**OEM - Supplier Working Relations Index®**

![Graph showing OEM-supplier working relations index for various companies like GM, Ford, FCA US, Nissan, Honda, Toyota.](image)
OEM - Supplier Working Relations Index®

Buying Situations
Percentage per WRT® Category 2015 - 2017
### Purchasing Areas
Change in 2017 WRI® Relative to 2016 WRI®

<table>
<thead>
<tr>
<th>OEM</th>
<th>Purchasing Area</th>
<th>Body-in-White</th>
<th>Chassis</th>
<th>Electrical &amp; Electronics</th>
<th>Exterior</th>
<th>Interior</th>
<th>Powertrain</th>
</tr>
</thead>
<tbody>
<tr>
<td>Toyota</td>
<td>-17</td>
<td>-21</td>
<td>105</td>
<td>-39</td>
<td>-15</td>
<td>12</td>
<td></td>
</tr>
<tr>
<td>Honda</td>
<td>-39</td>
<td>-7</td>
<td>0</td>
<td>-11</td>
<td>-4</td>
<td>9</td>
<td></td>
</tr>
<tr>
<td>Ford</td>
<td>8</td>
<td>-13</td>
<td>47</td>
<td>26</td>
<td>-5</td>
<td>-11</td>
<td></td>
</tr>
<tr>
<td>General Motors</td>
<td>1</td>
<td>37</td>
<td>31</td>
<td>24</td>
<td>67</td>
<td>43</td>
<td></td>
</tr>
<tr>
<td>FCA</td>
<td>-63</td>
<td>14</td>
<td>36</td>
<td>3</td>
<td>-43</td>
<td>-6</td>
<td></td>
</tr>
<tr>
<td>Nissan</td>
<td>35</td>
<td>-51</td>
<td>-34</td>
<td>-19</td>
<td>-10</td>
<td>-7</td>
<td></td>
</tr>
</tbody>
</table>

1 Red number indicates amount of drop in Purchasing Area WRI® relative to 2016
Green number indicates amount of increase in Purchasing Area WRI® relative to 2016

---

### Purchasing Area Working Relations Indices
2017

<table>
<thead>
<tr>
<th>OEM</th>
<th>Purchasing Area</th>
<th>Body-in-White</th>
<th>Chassis</th>
<th>Electrical &amp; Electronics</th>
<th>Exterior</th>
<th>Interior</th>
<th>Powertrain</th>
</tr>
</thead>
<tbody>
<tr>
<td>Toyota</td>
<td>322</td>
<td>346</td>
<td>455</td>
<td>281</td>
<td>327</td>
<td>298</td>
<td></td>
</tr>
<tr>
<td>Honda</td>
<td>265</td>
<td>313</td>
<td>355</td>
<td>307</td>
<td>320</td>
<td>329</td>
<td></td>
</tr>
<tr>
<td>General Motors</td>
<td>267</td>
<td>299</td>
<td>274</td>
<td>314</td>
<td>301</td>
<td>277</td>
<td></td>
</tr>
<tr>
<td>Ford</td>
<td>244</td>
<td>279</td>
<td>290</td>
<td>270</td>
<td>234</td>
<td>277</td>
<td></td>
</tr>
<tr>
<td>FCA</td>
<td>195</td>
<td>238</td>
<td>228</td>
<td>232</td>
<td>201</td>
<td>199</td>
<td></td>
</tr>
<tr>
<td>Nissan</td>
<td>249</td>
<td>220</td>
<td>191</td>
<td>211</td>
<td>172</td>
<td>197</td>
<td></td>
</tr>
</tbody>
</table>

1 Green number indicates highest Purchasing Area WRI®
Red number indicates lowest Purchasing Area WRI®

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Supplier Working Relations and Buyer Profits
A Systemic Model

Buyer Characteristics Index

Components

Knowledge
Communication
Working Together

Variables

- Commercial knowledge
- Product/service technical knowledge
- Knowledge of application of product supplied
- Knowledge of supplier products/services
- Knowledge of supplier capabilities

- OEM’s strategy for supplied products
- OEM’s long-term overall purchasing strategy
- Open and transparent in sharing sufficient internal OEM information needed to meet OEM’s needs
- Shares information needed to meet OEM expectations in a timely manner

- Accessibility
- Integrity
- Trusts supplier firm
- Trusts supplier salesperson
- Working to build more trusting relations with supplier
- Timely resolution of issues
- Effective resolution of issues
- Concerned supplier’s business is successful
- Considers supplier’s commercial and financial interests
- Strives to reach equitable resolutions when differences arise

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Buyer Index™

Very Poor \[ \rightarrow \] \[ \rightarrow \] \[ \rightarrow \] Very Good

0 \[ \rightarrow \] 100 \[ \rightarrow \] 200 \[ \rightarrow \] 250 \[ \rightarrow \] 300 \[ \rightarrow \] 350 \[ \rightarrow \] 400 \[ \rightarrow \] 500

Little \[ \leftarrow \] Knowledge \[ \rightarrow \] Considerable

Adversarial \[ \leftarrow \] Working Characteristics \[ \rightarrow \] Collaborative

Piecemeal \[ \leftarrow \] Communication \[ \rightarrow \] Comprehensive

Supplier’s Perception

Buyer no/little competence
Buyer reasonably fair & equitable, somewhat knowledgeable
Buyer fair, equitable, & knowledgeable

Supplier’s Reaction

Little trust of Purchasing Agent
Trust Purchasing Agent
High trust of Purchasing Agent

Basic Business Practices

Components

Building Trusting Relations

Working Together

Financial Practices

Variables

• Head of Purchasing
• Buyer

• Terms and Conditions fair and equitable
• Terms and Conditions balanced
• Proprietary and confidential information protected
• Lives up to spirit of commitments
• Honors contractual commitments
• Treated as a valued supplier
• Fairness in dealings

• Invoice payments on time
• Invoice payments meet agreed-to-payment terms
• Payment issues resolved in timely manner
• Payment issues resolved in fair and equitable manner
• Fairness in chargeback allocations
• Mandated and raw materials cost increases recovery
### Treatment of Suppliers

**Nissan vs. General Motors**

- Honor contractual commitments
- Live up to spirit of commitments
- Treat suppliers as valued suppliers
- Fair in dealings with suppliers

Red number indicates statistically significant higher value between OEMs.

### Most Important Reason for Price Concession

**OEM Threat of Reduced Business/Fear of OEM Retaliation**

<table>
<thead>
<tr>
<th>Reason</th>
<th>2014</th>
<th>2015</th>
<th>2016</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Nissan</strong></td>
<td>17%</td>
<td>20%</td>
<td>20%</td>
<td>22%</td>
</tr>
<tr>
<td><strong>FCA US</strong></td>
<td>22%</td>
<td>22%</td>
<td>23%</td>
<td>22%</td>
</tr>
<tr>
<td><strong>Ford</strong></td>
<td>20%</td>
<td>17%</td>
<td>18%</td>
<td>19%</td>
</tr>
<tr>
<td><strong>GM</strong></td>
<td>18%</td>
<td>23%</td>
<td>23%</td>
<td>18%</td>
</tr>
<tr>
<td><strong>Honda</strong></td>
<td>18%</td>
<td>21%</td>
<td>14%</td>
<td>12%</td>
</tr>
<tr>
<td><strong>Toyota</strong></td>
<td>6%</td>
<td>11%</td>
<td>5%</td>
<td>7%</td>
</tr>
</tbody>
</table>

Percent of Occurrence

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Supplier Anticipation of Working Relations
One Year From Now

Working Relations Anticipated in One Year

Better
Somewhat Better
About the Same
Somewhat Worse
Worse
Much Worse

Nissan  FCA US  Ford  GM  Honda  Toyota

Red number indicates statistically significant difference with previous year. Asterisk (*) indicates statistically significant difference with 2015.

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Degree to Which OEM is a Preferred Customer

Supplier Customer Preference of OEM

Very Preferred
Preferred
Somewhat Preferred
Ambivalence

Nissan  FCA US  Ford  GM  Honda  Toyota

Red number indicates statistically significant difference with previous year. Asterisk (*) indicates statistically significant difference with 2015.

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