**Nissan (UK) purchasing strategy**

In 1987 Nissan established a manufacturing plant in northern England with an integrated operation consisting of casting, pressing, plastic molding and engine assembly employing more than 3 000 people. Initially only one model was made there –the Bluebird- which eventually gave way to the Primera model, produced at the rate of 120 000 vehicles per year and exporting to 30 countries worldwide including Japan.

Nissan (UK) is an interesting case study in how the Japanese approach to buyer-seller relationships can be translated into a European environment. Traditionally the UK motor industry has been characterized by arms-length relationships, multiple sourcing and contracting on a job-by-job basis. The Japanese car industry, on the other hand, for many years has promoted a strong sense of mutual dependence, long-term commitment and shared benefits with its suppliers. In addition, the European car industry has had a much higher degree of vertical integration and works with a larger number of direct suppliers, with component purchasing policies still focused on a national, rather than international, basis.

Surveys suggest that Japanese component makers achieve higher labor productivity and quality, faster design development and lower product costs. In terms of quality, reject rates from Nissan suppliers in Japan have been reduced by a factor of 10 every ten years since 1960 and are currently less than 100 per million. UK suppliers to Nissan are currently operating about 1 000 parts per million reject rate, which is good by traditional standards but is still about a generation behind the Japanese.

Nissan have formed supplier development teams (SDT) that work with suppliers to reduce price over time. **Pricing is not the dominant factor in supplier relationships**. A fair margin is allowed and the aim is to offset inflation through productivity and to **achieve long-term end-product pricing targets on a collaborative basis**.

The relationship is maintained through close and frequent contacts at all levels and there is an informality of commitment that extends beyond the current model. Of 126 suppliers to the Bluebird model, only 14 were dropped when the Primera went into production. The new car had 80 per cent local content which has involved increasing the number of suppliers by 65. An SDT assessment regularly evaluates the supplier relationship on the basis of stock control, housekeeping, safety, morale, management, policy and communications, quality, delivery control and productivity.

Burnett, K. (2001). *Nissan (UK) Purchasing Strategy: The Handbook of Key Customer Relationship Management.* England: Pearson.