

Importance of Automotive & Truck Service Parts Packaging



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ARTICLE TAKEAWAYS:

- * Understanding “service parts packaging”
- * Flexibility and efficiencies with contract packaging

You are probably wondering why contract packaging would be a part of the puzzle for someone making parts for a major OEM automobile or truck manufacturer. In the world of manufacturing and supplying parts directly to an OEM manufacturer, there is one aspect of the program that many times gets overlooked. That aspect is the “Service Parts” portion of the business.

In supplying the OEM manufacturer, the part supplier is required to supply service parts as well. In the case of an automotive manufacturer,

the current assembly part must be available a minimum of 10 years after that model year. Some OEM manufacturers are even requiring that a part is available 15 years after that model was produced. In the case of a truck or construction equipment, the OEM truck manufacturer requires that they have part availability of 30 years after the model is produced.

When I say, “Service Parts” I am referring to the replacement part that is needed when the part fails, wears out, is damaged and needs replaced with a genuine OEM

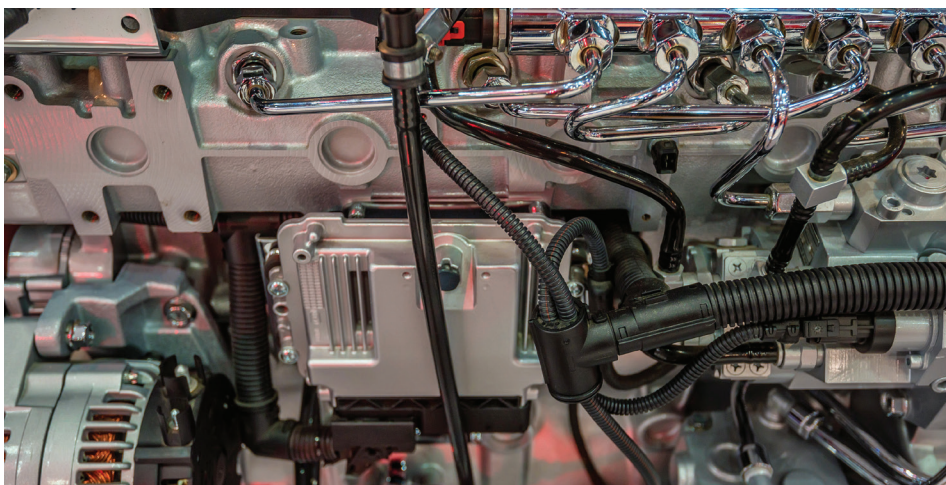
part. Most part manufacturers are set-up for high volume production and putting parts in returnable dunnage, and shipping back and forth to the OEM assembly plant. When they are required to make and ship service parts, they are asked to ship multiple part numbers, and typically a small volume of parts. All of these parts have to be packaged in their own individual (unitized) expendable packaging, with specific label requirements, that may have to ship to multiple destinations. Part manufacturers often struggle with these requirements.

To take it a step further, you may be providing parts to multiple OEM manufacturers – which all have different rules. If you do something wrong, you stand a chance of receiving a problem resolution report (PRR), which will affect your performance scores, and if that non-conformance continues, it will put you on “business-hold.”

This article is to educate you about what a contract packager can do to help manage the “Service Parts” side of your business, and to give you options to help make your supply chain run smoother.

EFFICIENCY

Typically, when the OEM manufacturer orders service parts, there are multiple part numbers involved and the part volumes are low. For many part manufacturers, when they package their own service parts in-house, they have a difficult time being very efficient because they lack the volume to



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SIMPLE SOLUTIONS THAT WORK!



run continually. And because of this, they experience downtime which negatively affects productivity.

A contract packager however, packs hundreds of work orders per day, which allows a constant flow of work and naturally increases efficiency.

PACKAGING MATERIALS

The packaging materials used for packaging service parts is much different from the materials used for the assembly packaging process. The parts shipping to an assembly plant tend to be packed in returnable metal racks or plastic dunnage, or returnable corrugated trays, which are used over and over again. Service parts are typically packed in corrugated boxes or if heavy enough, may require wood crating. These parts will eventually be shipping from the OEM manufacturer's warehouse directly to the car or truck dealership.

The packaging materials for service parts include corrugated, wood, foam, bags, bubble wrap, pad pack cushioning, tape, labels, inserts, rust inhibitors, pallets, and stretch wrap. These materials are needed to pack and protect the part in shipment and in long-term storage. Packaging materials also need to be purchased, managed, and stored.

Every part we pack is built in our computer system and has a Bill of Material of the parts needed in the pack, and all material used in the pack. When we get an ASN (Advance Shipping Notice) from a customer that parts are on the way, our MRP system orders the material needed to package the parts. We have suppliers that come 2 and 3 times a day to deliver packaging material JIT for your parts.

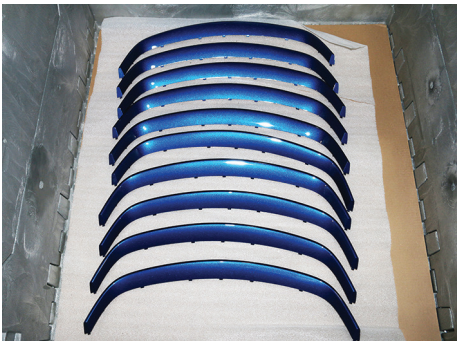
ECONOMIES OF SCALE

Contract packagers order millions of dollars of corrugated and packaging supplies each year. The caliper for one OEM manufacturer is about the same size as the caliper we pack for other OEM manufacturers. This allows us to use the same box for both customers. Contract packagers naturally receive better pricing due to large volume buys and pass those savings on to customers.

COMPUTER SYSTEMS

How it works

As soon as your parts ship and the Advanced Shipping Notice (ASN) is sent, the production work order is automatically produced in our computer systems, material is getting ordered, and routing to where the part is going to be packed is established. Material is tracked as soon as it is delivered and tracked through the process as



it moves through the building. Parts are scanned into the warehouse, and scanned at job set up, with labels generated and ready to pack.

AUTOMATION

The volume of parts you package in many cases cannot justify getting automated packaging systems. Contract packagers have already invested in auto baggers, sprint machines, foam in place machines, heat bundlers, shrink machines, and skin machines that cost thousands of dollars.

PLAN B

(What is your back-up plan?) In today's world, changes in business are happening at lightning speed. Do you have a Plan B set up? What happens if there is an accident or natural disaster (e.g., fire, flood, or tornado)? Or you cannot keep up with production and you're out of warehouse space. Or the temporary or special projects (such as recall programs) you manage have disrupted your normal daily

business. Or you find yourselves getting involved in things that are not your core business, like kitting, dunnage management, import/export, and light assembly work. You can benefit from having a contract packager as your Plan B. The better you protect yourself, the better you protect your customer.

FLEXIBILITY

Contract packagers can come to you. They can work in your facility, open a facility near your production plant, or often have a facility of their own to package your parts.

CASE STUDY: 'Near Site' Solution - meeting seasonal automotive part demand

A major automotive parts manufacturer provides service parts to a variety of OEM car manufacturers. The parts they manufacture get replaced as the season changes (summer to fall, winter to spring). This means they have to build parts ahead of time to be able to handle the seasonal demand of product. This particular customer benefited from a "near site" packaging solution that was close to their manufacturing site.

A "near site" solution allowed the manufacturer to open up floor space in their plant so they could focus on manufacturing. The contract packager packed the service parts as they came to the warehouse and parts were warehoused until they were needed to ship to their OEM customers.

CASE STUDY:
Large Truck - emergency

A major OEM truck manufacturer had a supplier give them notice that they were going to stop supplying parts to them. To maintain production, they needed to store a year's supply of these parts. We leased the space they required, inventoried and made

daily deliveries to them while they focused on getting a new supplier. Their Plan B kept their production up-and-running.

CASE STUDY:
Manufacturer needs more production space

A major manufacturer was experiencing high growth and as a result was running out of space to warehouse their parts. Using a contract packager to inventory, warehouse, and daily sequence their parts allowed them to bring in additional machinery to expand production and grow their business. Depending on your production requirements this could be a temporary or permanent solution.

SUMMARY

Having a contact packager lined up can offer your company a part time or full time option to help with packaging, warehousing, and distribution of automotive, large truck, and construction equipment parts quicker and more cost effective.



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