An OEM's Guide To

Cutting Product Cost Through **Supply Chain Optimization**

CGR PRODUCTS

Introduction

Supply chain optimization isn't always a primary conversation topic for procurement and commodity managers at original equipment manufacturers (OEMs). Preoccupied with product design and other critical project considerations, simply having a functional supply chain is sometimes considered "good enough."

But this is a misconception that could be needlessly costing your OEM business. The improved production performance of a properly optimized supply chain can reduce sales and administration costs by up to 35%, and the cost of the products you sell by as much as 56%., according to a TMG-IMG study.

> A properly optimized supply chain can reduce sales and administration costs by up to 35%, and reduce the cost of products you sell by as much as 56%.

By neglecting your supply chain, chances are high that you are spending more money than necessary. To help you to slash unnecessary costs, here are six tips to optimize your supply chain.

---

1. Inventory Management

Inventory is the backbone of the supply chain. Inventory maintenance with a standardized, clear, and concise method can improve your business in a number of ways, some of which include:

Inventory order accuracy	Managing your inventory properly will tell you not only how much product you currently have on hand, but how much you should have. You will save space by not overstocking, while simultaneously preventing costly product shortages.
Warehouse organization	An ideal warehouse is an organized warehouse, one which allows for the easy access of frequently ordered products. A solid inventory management strategy will illustrate which products are most popular, helping you to organize your warehouse to maximize ease of access for those supplies.
Time and money savings	With a warehouse organized based on ordering frequency and a carefully tracked inventory, your customer's orders will be filled expediently, you will save time by avoiding inventory audits, and you will save money by scaling back unnecessary production on low-selling products.

Continues »

CGR Products utilizes a high-tech vendor-managed inventory (VMI) system, a unique strategy in the fabrication industry.

In the VMI process, a company's customers send automatically generated product reports directly to the company's VMI software. The software collates these reports into recommended orders, which are then approved by the supplier's planners and converted into actual purchase orders.

The entire VMI process is software-automated, utilizing algorithms, monitoring, and reporting. This results in a streamlined and highly efficient supply chain.

2. Outsource Manufacturing Processes

Many companies tend to be overly reliant on their internal resources. Though not always a bad thing, this can be a negative — keeping very small jobs and repetitive tasks in house can actually hurt business, causing cost overruns and production delays.

Companies should focus on their core manufacturing strengths and consider outsourcing those processes that are not core strengths to a qualified third party provider. By contracting trusted third party providers for certain tasks, you allow your company to focus on and improve its own core competencies. This leads to improvements in product growth and overall growth for the business.

Over the course of more than 50 years in business, CGR Products has developed nationally recognized expertise in custom fabrication and material cutting. With a great deal of experience, CGR can fulfill contracts quickly, efficiently, and to very stringent quality standards.

3. Optimize Production & Assembly

Supply chain optimization, important in and of itself, is also a crucial step in production optimization. If your company has not evaluated its production processes since it was founded, it's long overdue for an overhaul.

As the very core of production optimization, supply chain optimization sheds light on the flow of materials, completed products, and information through the organization. Using that information, you can design new automation strategies, optimize the layout of your facilities and systems, and organize production areas. Assessing these factors will go a long way toward shrinking your variable costs and, importantly, reducing the cycle time of your products.

Continues »

The team of experts at CGR Products brings a wealth of experience to any production optimization project. They maximize products and processes — from design and material selection to fulfillment and shipping — to reduce your reliance on support staff and decrease cycle times.

For example, one commercial small engine builder was receiving thin die-cut rubber gasket parts in bulk boxes from their supplier. The bulk delivery created a longer assembly line process, as the parts needed to be stacked in 50-piece piles before they could be installed, and then assembled with four additional gaskets to be thick enough to seal.

CGR packaged the parts in fastened stacks of 50, resulting in vastly improved assembly times for the OEM. CGR also found a thicker rubber-coated metal-clad material for the part (shown to the right), which achieved a direct cost savings of $400,000 for the OEM.

4. Quality Control

Every company that produces tangible goods has a quality inspection step incorporated into their process. This is good business, but is not nearly enough in terms of supply chain optimization. Inspection merely identifies visibly defective products — a true quality control program begins with the raw materials at the top of the supply chain.

Manufacturing with substandard raw materials can negatively impact your business in several ways, some of which include:

Production line inefficiency	Poor or flawed raw materials can diminish the efficacy of your entire production line, leading to costly delays in production. In some cases, such materials can even damage your equipment.
Extra machining	Inferior materials often require more refining and machining than high quality materials. This increases the workload for your employees and facilities, delays production, and needlessly increases your manufacturing costs.
External failure	Parts that may pass muster at your facility cannot automatically be considered successful. When made with poor quality raw materials, parts that appeared acceptable during inspection are still at risk of wearing or breaking down long before the end of your product's warranty period. This not only adds considerable variable costs to your production, but can also negatively impact your business' reputation.

Continues »

By creating a comprehensive quality assurance regime throughout the entirety of your production process, starting with early detection at the source with raw materials, businesses can drastically minimize their failure rates, leading leads to increased cost savings, efficiency, and customer retention.

CGR Products has implemented such a quality control system. Between ISO and TS certifications, and the use of state of the art inspection equipment such as the Virtek LQC Scanner, CGR Products' commitment to quality is clear.

Thanks to their early detection capabilities, parts manufactured by CGR have among the smallest failure rates in the industry — the parts used in CGR Products are parts of the highest quality available. CGR's processes meet or exceed Six Sigma quality standards for defects.

5. JIT Method

Just-in-time (JIT) is a pull-style inventory management method. When inventory of either raw material or common parts begins to run low, more inventory is "pulled" from storage and new materials are ordered. Essentially, materials and parts are ordered only on an as-needed basis.

With the right automated inventory control system already in operation, the JIT method can be very easy to implement. The JIT method offers significant cost savings by decreasing material waste, inventory costs, and warehousing or storage area. An adaptive inventory control method, JIT can also go a long way in streamlining your production processes.

CGR Products maintains an extensive inventory of raw materials so that you do not have to, saving you immeasurable storage fees. CGR can also keep stocks of completed products for customers who operate with the JIT method, ensuring that the required parts are immediately available when needed.

6. Supplier Selection

All too often, supplier selection is a matter of habit or convenience. Though they may not be your best option, the suppliers that you already know are easier to work with than new suppliers, who would take time and effort to find. Finding a new supplier is undoubtedly among the most difficult tasks a business may undertake, but it is extremely important to find one that offers the highest return on the lowest investment.

How you measure return against investment depends on a number of factors: material quality, supplier reliability, supplier services, and the overall value for your investment are just a few variables. When searching for a new supplier, there are a few important tips to keep in mind:

Think Strategically	What are your organization's goals? For example, if you are attempting to shrink service time for your own customers in the future, the delivery time of a supplier should be an important factor in your decision.
Balance	Don't forget the big picture by accidentally letting strategic goals overshadow the basics, such as the supplier reliability, the quality of supplier materials, and so on. Quick delivery is important, but it loses its effect if your chosen supplier only meets delivery times for 50% of shipments or if the material they ship is of inconsistent quality.
Research	Do your research to ensure you are selecting a supplier from a good sample set. While getting references by word of mouth can be helpful, it can only get you so far. Instead, use all of the resources available to you: scour supplier directories and trade publications, talk to trade associations and business advisors, and attend exhibitions or other trade events.

With more than 50 years of experience, CGR Products has developed a highly regarded reputation as a supplier.

Expansive raw material inventories maintained in three facilities — strategically located across the United States — combined with a JIT-compliant business model allows CGR to meet strict shipment deadlines in locations across North America. Each of CGR Products' facilities are ISO 9001:2008 and TS 16949 compliant and have fully integrated quality assurance programs, so you can be sure all materials and parts you purchase are of unrivaled quality.

CGR Products is the supplier that you have been looking for.

Learn more about how CGR Products can assist you with supply chain optimization.

Contact Us

CGR Products
www.cgrproducts.com
info@cgrproducts.com

North Carolina
4655 US Highway 29 North
Greensboro, NC 27405
T: 877-313-6785
F: 336-375-5324

Alabama
1025 Brooks St SE
Decatur, AL 35601-6564
T: 877-313-6785
F: 256-355-6884

Wisconsin
1011 Sentry Drive
Waukesha, WI 53186
T: 262-549-8300
F: 262-549-8305