

Supply Chain Solutions for Durable Goods Manufacturers

Understanding the Challenges of the Durable Goods Supply Chain

Durable goods are defined by the U.S. Census Bureau as products with an expected life span of at least three years. Durable goods are an integral part of the U.S. economy, with monthly production levels watched closely as a key indicator of overall economic performance.

Durable Goods Categories

- Wood Products
- Nonmetallic Mineral Products
- Primary Metal Manufacturing
- Fabricated Metal Products, NESOI
- Machinery (except electrical)
- Computer & Electronic Products
- Electrical Equipment, Appliances, Components
- Transportation Equipment
- Furniture & Fixtures
- Miscellaneous Manufactured Commodities



Durable goods supply chains are highly complex and demand precise coordination.

What are the Supply Chain Challenges?

Durable goods manufacturers face a unique challenge — economic volatility requires lean inventory levels with an emphasis on cost efficiency and synergies. At the same time, global competition and rising consumer expectations mean that manufacturers need to be able to ramp up production and delivery cycles on a moment's notice. Today's durable goods supply chains are highly complex, interconnected networks that demand precision-like coordination. A well-managed supply chain must have flexibility to adapt to changing needs, expertise with global regulatory mandates, highly effective distribution networks, and, perhaps above all else, skilled and experienced personnel to manage the entire process. A supply chain is only as strong as its weakest link, and, durable goods manufacturers have several areas of potential concern including the following:

- **Outsourcing.** Historically, manufacturers have looked outside of the U.S. for lower-cost materials and labor. Obtaining those cost savings have come at a price. Namely, the need to manage production and shipping, often from several time zones and continents away. In addition, language barriers, inferior infrastructure, and government regulations must also be taken into account.

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- **Multiple Touchpoints/Handling.** Even manufacturers that keep operations close to home, either in the U.S. or Canada, face the challenge of coordinating multiple suppliers and ensuring that parts and supplies are delivered on time and with maximum efficiency. In addition, the more touchpoints within a supply chain, the greater the likelihood for damage, theft, or missorts.
- **Inventory Forecasting.** Accurately predicting demand is perhaps a durable goods manufacturer's biggest challenge. A business needs just enough inventory to meet demand, have it located precisely where it's needed, and have resources on call to seamlessly move it to its final destination.
- **Supply Chain Flexibility.** Because most businesses are cyclical, it's critical to have maximum supply chain resources available during peak times and to be able to turn down the volume during less busy periods.
- **Reduce Transportation Spend.** With transportation costs accounting for as much as four to eight percent of total sales, it's no wonder that cutting costs is a top priority for manufacturers. Businesses are determined to scrub their logistics plans and wring out every possible efficiency. The right logistics partner can offer solutions including route optimization, consolidation, intermodal options, and even "shared" services such as horizontal collaboration and consolidation.
- **Customs and Regulatory Mandates.** One major U.S. automaker with a parts plant in New York State and a manufacturing center in Ontario reports that trucks carrying parts between the two facilities cross the border roughly 18 times each day. That's 18 trips through the U.S./Canadian customs process, each of which triggers volumes of paperwork and potential delays. And that's just between the U.S. and Canada, which have multiple favorable trade agreements in effect! Customs compliance can be a very complicated and bureaucratic process, as many businesses have learned the hard way.

To learn more about these and other supply chain innovations, visit www.purolatorinternational.com/whitepapers.