



Dedication at every turn.

## CASE STUDY

# A Penske Logistics Customer in the Automotive Industry

This customer is the biggest motor company in the United Kingdom (UK), with seven locations and over 550 dealerships. They have several large plants, where they manufacture vehicles, engines and transmissions, as well as parts and components.

In total, this company and its dealers employ around 35,000 people in product development, manufacturing, sales and marketing, and service roles. Penske manages two of the four major manufacturing sites around the UK.

At one of the plants, they produce around a million diesel engines a year. Thanks to its strategic position on the Thames, plus excellent motorway and rail connections, this is also the UK transport hub - thousands of vehicles, engines and components pass in and out daily.

Penske also provides material planning and handling services at another UK facility that produces approximately 30,000 vans each year.

### Getting Started

In late 2006, Penske was approached for help with internal logistics within one of the customer's UK sites. The site had just launched a new car model, and part of its logistics was outsourced to a third party provider. The quality of the program did not meet expectations and therefore a change was needed. Penske was awarded the business with specific goals.

### Challenges

- Document and control work processes needed to be updated
- Identify and measure Key Performance Indicators (KPI) or Critical To Quality's (CTQ)
- Provide a high quality and consistent delivery of sub-assembled and sequenced parts
- Reduce scrap costs

### Solutions

- Continuously improve quality and reduce operating costs per unit, through process analysis, training, capacity management and leveraging with other Penske operations
- Coordination and management of all line feeding and market place activities, critical part shortage handling and 56 sub-assembly and sequencing operations

### Scope of Services

To initiate this contract, Penske took over 168 hourly and

salaried associates via TUPE within the minimum legislative time-frame. Pre-transfer meetings with the employees were held to introduce and help focus the new team on Penske goals, most importantly being safety first. As quick transition was imperative, the team worked for the old provider on Saturday overtime shift and started with Penske on Sunday. Supervisors and managers met with Penske Sunday morning to receive transition plan assignments. To ensure minimal transition issues, Penske supported the management change by bringing experienced Penske personnel in operations, quality, human resources and safety on site.

The operation consists of on-site logistics; unloading of materials from incoming trucks; storage of material in racks and bulk locations; delivery of material via KanBan to point of use; handling of empty containers; sub-assembly of 22 unique commodities, including ABS modules, wiring looms, drive axles and brake calipers; sequencing of another 29 commodities, including head linings, mirrors, windshields and radiators; ordering for consumption paint and other fluids; and supporting functions such as inventory monitoring and shortage handling. The operation takes place on the customer production site and at an off-site Penske Logistics center.

Using the existing staff with minimal additions, Penske was able to make the following improvements:

- Within six months, quality measurements showed 60 percent improvement from the first 10 days of operation and by the end of the first year, they were 84 percent improved
- Safety incidents were reduced 72 percent after one year and 46 percent in the second year
- Overall scrap costs were reduced 84 percent in year one and are now 91.4 percent reduced from baseline
- Year after year, salaried costs have been reduced more than 10 percent through process efficiencies

### Achievements

By process analysis, training, capacity management and leveraging with other Penske operations, we were able to continuously improve quality and reduce operating costs.

As a result of outstanding performance, Penske has been named part of the customers Aligned Business Framework, a network of key suppliers, as well as winning their World Excellence Award twice.