

MODERN

mmh.com

MATERIALS HANDLING

Reed Business Information.

April 12, 2007

A.O. Smith realizes substantial supply chain savings using Georgia-Pacific's Packaging System Optimization Program

Program streamlines packaging operations, improves packaging effectiveness and provides measurable sustainability benefits.

Once a leading provider of automotive parts, Smith Corp. made a strategic decision to exit that business in 1997 to focus on water heaters and electrical motors. Today, its largest operating unit, A.O. Smith Water Products Company, is an industry leader with plants in the United States, Canada, Mexico, the Netherlands and China.

To reduce its supply chain costs and achieve greater environmental sustainability, Smith turned to its corrugated packaging supplier, Georgia-Pacific.

Through its Packaging System Optimization (PSO) program, GP developed a comprehensive plan to reduce fiber content, energy use and transportation costs, while significantly increasing productivity. The ongoing program was implemented for the company's residential electric water heater packaging lines and will be rolled out to its gas water heater lines in the near future.

In less than a year, A.O. Smith has

seen a substantial reduction in total packaging systems costs. For instance, reducing packaging material without compromising performance has provided an improvement directly impacting the company's customers. This savings is linked to sustainability improvements, including a 529 ton fiber reduction, a 1,423 ton decrease of greenhouse gas (GHG) emissions and a 12,492MM BTU usage cut.

"The PSO assessment brought efficiency to our supply chain and resulted in a more environmentally friendly packaging strategy that is critical for doing business today," says Brian Welte, advanced buyer division purchasing at A.O. Smith.

Better packaging, less damage, lower cost

One of the first steps was to radically redesign the locator base, the foundation of the box that secures the heater in place. GP enhanced the package de-

sign by reducing the footprint and the total cost of the package. The new locator base nests together and enables GP to more effectively ship to A.O. Smith. The successful design, in turn, makes it easier for A.O. Smith to package the water heaters for distribution to its customers with significantly less likelihood of damage. It also reduced the storage requirements for packaging.

Initially, the PSO program was put in place in A. O. Smith Water Products Company's Juarez, Mexico, and Ashland City, TN facilities where a large percentage of the company's residential water heaters are manufactured. The program is now underway at a Johnson City, TN, location that was part of a recent acquisition.

"The benefits we have realized by extending Georgia-Pacific's program to our newest plant have been twofold—a better performing package that provides for product protection at a reduced cost," says Welte.

Reprinted from Modern Materials Handling, April 12, 2007. Copyright © Reed Business Information, a division of Reed Elsevier, Inc. All rights reserved.

Page layout as originally published in Modern Materials Handling has been modified.

#1-20573991 Reprinted by Reprint Management Services, 717.399.1900. To request a quote online, visit www.reprintbuyer.com.



Georgia-Pacific

Making Life's Simple Necessities.®