

Monday, August 22, 2011

Study: auto part makers squeezing each other

CWRU study says car parts suppliers should take the "high road"

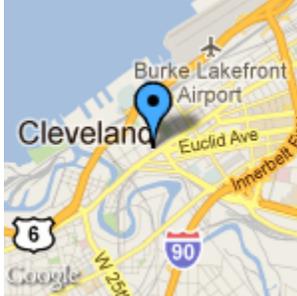
by WKSU's **KABIR BHATIA**

and Anna Staver



Reporter
Kabir Bhatia

In The Region:



A new study from Case Western Reserve University says auto parts suppliers will have to take the -- quote -- "high-road" in manufacturing if they expect to survive. WKSU's Kabir Bhatia has more on the nuts and bolts of what that means for the way one of Ohio's biggest industries does business...

Auto part makers squeezing each other

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Ohio parts suppliers are getting squeezed on the low end by China and Mexico, and on the high end by Germany and Japan. And the Case study says, since they can't continue competing on price, they need to invest more in worker training, research and efficiency. Only about 20 percent of U.S. manufacturers are doing that now, says Susan Helper, who headed the study. But those who did were better equipped for the last recession, and may be better prepared for the next one.

"(HELPER)...They saw less of a sales decline during the automotive crisis. They also have a number of indicators that suggest they're going to do better in the future, because a greater percentage of their products are new or innovative, as opposed to being older products in which they have a lot of competitors..."

She says success requires improved supplier relations, too. For example, the company making car doors can't afford to be overly stingy with the company

supplying door handles.

“(HELPER)...That’s not necessarily to just reduce the price. If all you’re doing is squeezing the margin of the supplier below you, then that’s going to have medium- and long-term impacts because nobody’s going to have the money to invest.”

The Weatherhead School of Management at Case looked at one thousand second- and third-tier auto-parts suppliers across the county. Those are the ones employing fewer than 500 people. They also do not supply the automakers directly, as first-tier suppliers do.

Listener Comments:

The US auto parts industry must become more efficient in the way parts are received by auto-techs, DIYs and hobbyists. With margins becoming smaller and smaller the tier 2 and 3 participants in this area must be able to tie in with a supply chain that is efficient and understand where the niches are in the market to get customers the parts they need quickly and locally. Any waste that is added to the value-chain of the smaller tier players in the market must understand that any advantages they once has will quickly erode against cheaper imports.

Posted by: PartSniffer (Colorado) on August 23, 2011 1:08AM

Speaking of which...I notice you have yourselves a thingy where you can donate a car to support this website? Will you be taking the junk that these non-investing, third-tier, blotto-parts are making. I almost got the skunk smell out of my glove box with car trees. Soon as that's good to go, i'll push it over. It may not start, but it's light...specially without the doors. I call it a sideways convertible.

Thanks much for the info!