

ROC Solid

By Bob Bunsey

Here are some ways to make the MMOG compliance process a money-maker, as savings in labor, errors and premium freight costs go right to your bottom line.

Return on compliance (ROC) is not just a play on words to combine the concepts of compliance and return on investment (ROI). Rather, it is a term used to convey the idea that meeting customer compliance mandates should be an incentive to streamline procedures within your operations and derive substantial savings by eliminating waste and errors.

To meet the external compliance and internal ROI objectives, supplier firms must look to incorporating best practices and the associated infrastructure into their internal business processes. When best practices are implemented and a firm has control of its business processes, compliance occurs as a natural consequence. This is especially true for compliance mandates such as the MMOG, which encompass so many core business processes within a supplier's operation.

The MMOG places high value on the accuracy of material identification (MMOG Section 4.8) and accurate receiving/shipping processes (MMOG Section 4.9). It has long been acknowledged by the automotive sector that scanning is a best practice for accuracy of data input. For a supplier to really meet best practices criteria today, scanning should be integrated into each business process within the four walls—ideally, by using the barcoded data that is being printed on the compliance labels. Some platforms integrate labeling and scanning and subsequently scan the labels at critical points in real-time to control internal processes, in addition to updating the supplier's information systems automatically.

Real-Life Example

Let's look at an example of how an integrated radio frequency (RF) labeling and scanning platform will streamline manufacturing business processes and meet associated MMOG requirements, while providing a solid ROC for your company.

Let's say you have a manufacturing plant that has multiple production lines producing a variety of parts. Section 4.8.1(a) of the MMOG requires accurate label printing and application. With an integrated RF labeling and scanning platform, wireless printers are placed anywhere in the facility and easily relocated as needed. Ideally, these printers are placed in the work cells, so as parts come off the lines and are packed, labels are printed and immediately applied to the shipping containers. If the parts were made for a specific customer, then customer labels are printed and applied at this point. If the parts were made to stock, an internal label is printed. In either case, printing at the point of production eliminates the error-

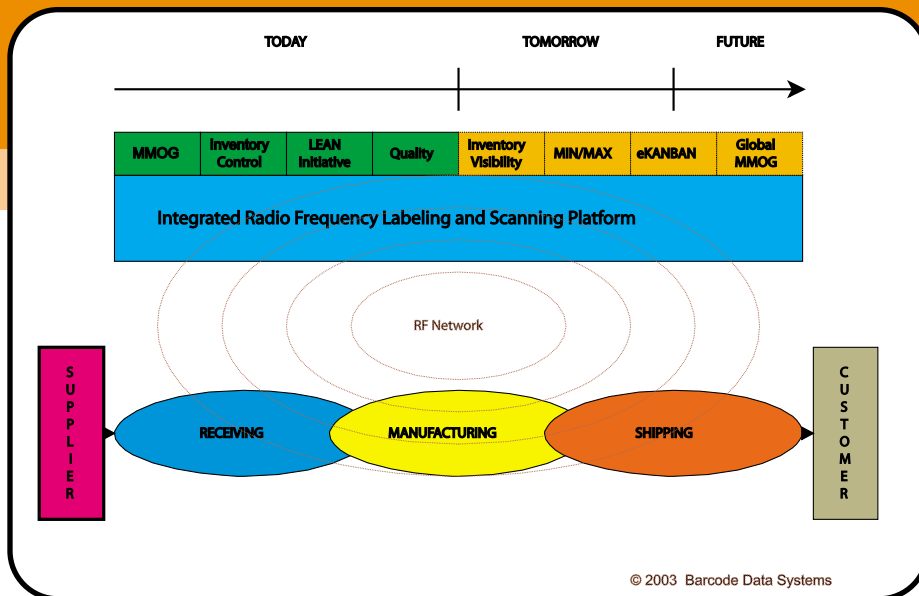
plagued process of matching-up labels and products somewhere down the line.

Controlling the labeling process at the work cell helps ensure that the right label goes on the right product. This not only provides compliance with MMOG, but also helps drive down costs by eliminating the problem of mislabeled parts and by streamlining the labeling process. After packing, labels are scanned to report production and to control and track the routing of parts either into storage or to the loading dock for immediate shipment to the customer.

If the parts are warehoused, the internal labels are scanned to record the putaway locations and automatically update ERP or WMS. With this simple scanning procedure, you will meet MMOG 4.8.1 (b) and (c), which recommends a process to correctly identify and trace all material in the facility using bar coding. At the same time, you will gain real-time visibility of your inventory.

If the parts are packed to go directly to the shipping dock, the label applied at the point of production is printed in the required customer format. MMOG 4.9.2 (a) calls for scanning the shipping label "to create or verify the data content of ASNs and to reconcile the label against the customer's shipping requirements." Using the integrated RF labeling and scanning system at trailer loading, the customer label is scanned to verify the parts against the order information, verifying that the label reflects the latest customer EDI data and creating the ASN from the scanned data. To accomplish this, the systems must share data.

Section 4.8.2 of the MMOG requires serial and lot traceability. It should be noted that the serial number on the label can be a highly effective means to control material movement and to achieve inventory



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accuracy and visibility. Scanning the serial number as an integral step of each material transaction puts controls into place that prevent errors in WIP routing, production reporting, FIFO picking, trailer loading and other shop floor processes. Furthermore, if the serial number is associated with a lot number, you will have created a record of the part's genealogy as a by-product of scanning material transactions. In the event of a quality problem, you can easily trace the specific lot and serial numbers to be recalled, minimizing your firm's liability, the scope and cost of a recall and customer inconvenience. Incidentally, in addition to meeting MMOG 4.8.2, you will be positioned to meet TREAD Act requirements.

Reducing Errors

Failure to comply with just one F3 requirement will result in a supplier receiving no higher than a "C" level MMOG compliance rating. There are also F2 (yellow) requirements that are less critical to the compliance score, but essential to process improvement nonetheless.

However, it's important to note that using the integrated RF labeling and scanning platform reduces the chance for errors in a cost-effective manner. Labor-intensive, non-value-added manual procedures can be eliminated. Material and information flow can be synchronized and controlled,

with accurate real-time updates to your enterprise systems. All of this can be accomplished while meeting the MMOG requirements and driving down internal costs. In essence, this is equivalent to using MMOG compliance to make money for yourself, as the savings in labor, errors and premium freight costs go right to your bottom line. The return on compliance is high.

By making the concept of return on compliance a part of your initiatives to meet MMOG requirements, compliance becomes a by-product of new streamlining processes. By combining this activity with other lean manufacturing and mistake-proofing projects, MMOG compliance can be achieved as the result of internal improvement activities, rather than a painful, compliance-only endeavor.

Keep in mind: meeting MMOG mandates must be performed in a manner that still permits your company to maintain profitability. Earning a high ROC is accomplished by implementing best practices to upgrade your business processes, and then maintaining them in a cost effective way. The MMOG challenge can help your business become more "ROC solid," as you position your firm to meet tomorrow's constantly changing business world.

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