

# A global solution for the Packaging function

**Best practice:** The packaging process in our steel mills involves several operations like wrapping coils with paper for protection but also strapping, using either steel or polyester strips plus seals. The function of these materials is to maintain goods leaving the mill or to ensure the good fixing and protection during the entire life cycle of the products until they reach the final customer. The strapping machines, manual or automatic, require regular maintenance. Global Purchasing has developed an alternative source of spare parts for the strapping function that can deliver substantial cost savings and improved efficiency, without losing out on quality.



Frédéric Lourme  
Global Buyer Industrial Products/Packaging

“With the support of our Lead Buyer, Gerda Kopp, and my team-mate Claudiney Pedrosa, the job as Global Buyer is to study the global packaging function, not only specific materials and services. As such, we try to bring added value to our users (internal customers), the steel mills. We can help them with change management by developing best practices and finding the best compromise between quality and price. Our recent strides in the area of **alternative sourcing of spare parts for strapping machines** are a great example of how we can bring tangible benefits to our internal customers.”

### Competitive advantage

The same types of machines are used throughout the world; some are automatic while others are manually operated. Usually the system suppliers (the machine manufacturers) provide spare parts, most often bundling them in a maintenance package deal. Even if a steel mill opts to keep machine maintenance in-house, they are still obliged to buy original spare parts from system suppliers. This leaves no room for maneuver or negotiation on price. “When we visit steel mills, we always try to get a

detailed vision of the packaging costs and an understanding of the local specifications with the users. In the case of spare parts, the global objective is to optimize the packaging process and implement a customized solution, giving the necessary freedom for alternative sourcing.”

### Equivalent quality at lower prices

For strapping machine spare parts, there is an alternative. In 1996, a former director of Signode, Rudolf Graf, realized that unlike machines, spare parts are not copyright protected, so there was no reason why systems suppliers should retain a monopoly on their manufacture or sale. He founded **Generica GmbH** and started supplying spare parts directly to operators for the most commonly used machines in the world (Signode, Titan-Lenzen, Fromm packaging, MJ Maillis, Orgapack...).

“The Generica business concept offers a viable solution for our own spare parts sourcing. It brings together in one global database all the spare parts for every major machine on the market. These generic parts are not made by Generica, but by some 70 manufacturers specialized in precision industrial items. Quality is guaranteed because they are one and the same manufacturers as those producing the originals. **The result is an average 25% reduction in price; this is real TCO!** Customers shop for spare parts via the on-line Generica catalogue and UPS or DHL make the deliveries. Most importantly, each delivery is insured (the average value of a spare parts shipment reaches 3-4,000€).”

### Creating synergy

“Global Purchasing has negotiated a non-binding supplier agreement with Generica, giving us a 30% saving on all available brands

of spare parts. We receive a quarterly report from Generica on which spare parts have been purchased within the company, thus we know which of our sites and machines are developing Generica. This helps us to spot synergies”.

### From Europe to the US and beyond

More and more internal customers are following ArcelorMittal Duisburg and Hochfeld, two of Generica’s first customers. Hochfeld has been using Generica spare parts for ten years. Plants like ArcelorMittal Bremen, Fos-sur-mer and Châtelet have joined, with an annual saving of 40,000€ obtained through working with Generica.

“There is high potential here and this generic sourcing concept is now expanding to seals, with a sister company of Generica called Leicatex, based in Ontario (Canada). Again, this is an area where finding a reliable alternative source of supply is particularly challenging, so we welcome the initiative. We’ve now successfully created synergy between steel mills located in Europe so **Global Buying is now presenting the Generica solution to the US, Canada and Brazil.** ■

