WCTR Seminar on Green Urban Transport in China

Title: Milk-run Logistics by Japanese Automotive Manufacturers

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Abstract

Recently, Japanese auto manufacturers are trying to procure parts by so-called milk-run system at most of their foreign factories.

Through a survey on Japanese auto manufacturers, we find that they introduced milk-run in order to increase efficiency of logistics at the first stage when the number of vehicle production was several tens of thousands and they intended to increase the load factor of trucks by consolidating different parts.

Later and now they are operating milk-run in order to achieve more frequent and accurate procurement of small-lot parts with the least environmental impacts, synchronizing with manufacturing process to decrease inventories. In the case of Toyota Samrong Factory in Thailand, foe example, they have five different milk-run zones to cover 120 suppliers, where 600 trucks are dispatched. Averagely they pick up the necessary parts four times a day.

We conclude that auto manufacturers control procurement process, calculate costs of logistics accurately, and try to involve suppliers into continuous improvement (kaizen) by introducing milk-run system, resulting in the reduction of CO2 emission.

Keywords: automobile manufacture, Thailand, parts procurement, just in time, Milk Run logistics, third party logistics, consolidation, real-time monitoring, environmental impacts

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