

# Original equipment manufacturer

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**Original equipment manufacturer (OEM)** is a term used when one company makes a part or subsystem that is used in another company's end product. The term is used in several ways, each of which is clear within a context. The term sometimes refers to a part or subassembly maker, sometimes to a final assembly maker, and sometimes to a mental category comprising those two in contrast to all other third-party makers of parts or subassemblies from the aftermarket.

In the first usage, the OEM is the company that makes a part that is marketed by another company, typically as a component of the second company's own product.<sup>[1]</sup> For example, if Acme Manufacturing Co. makes power cords that are used on IBM computers, Acme is regarded as the OEM of the power cords.

In the second usage, *OEM* refers to companies like value-added resellers, which are the *second* manufacturer in the definition above. If, for example, Hewlett-Packard sells circuit boards to Acme Systems for use in Acme's security systems, H-P refers to Acme as an OEM.<sup>[2][3][4]</sup>

In the third usage, *OEM* is a mental category for all of the makers involved when a final assembly was first built (**originally equipped**)—in contrast to whoever made aftermarket parts that were installed later. For example, if Ford used Autolite spark plugs, Exide batteries, Bosch fuel injectors, and Ford's own engine blocks and heads when building a car, then car restorers and collectors consider all of those brands as OEM brands, in contrast to aftermarket brands (such as Champion plugs, DieHard batteries, Kinsler fuel injectors, and BMP engine blocks and heads). This can mean that Bosch injectors are considered OEM parts on one car model and aftermarket parts on another model.

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## Automotive parts

When referring to automotive parts, OEM designates a replacement part made by the manufacturer of the original part.<sup>[5]</sup> As most cars are originally assembled with parts made by companies other than the one whose badge appears on the vehicle, it may happen that a car company sells OEM spare parts without claiming to have manufactured the part itself.

An automobile part may carry the designation OEM if it is made by the same manufacturer that made the original part used when building and selling the vehicle.<sup>[5]</sup> The term aftermarket is often used for non-OEM spare parts.<sup>[5]</sup>

In purchasing parts at national, discount auto parts retailers (e.g., NAPA, Auto Zone, Halfords, Advance Auto Parts, Auto Parts Warehouse, Pep Boys, Motrio, Autobacs, etc.), many parts will have OEM prominently

displayed but followed by a qualifier such as "meets OEM standards". Such auto parts are not OEM; they are simply claiming to have been manufactured to the same specifications as the OEM parts—specifications that may well be unpublished and unknowable.

## Economies of scale

OEMs rely on their ability to drive down the cost of production through economies of scale. Also, using an OEM allows the purchasing company to obtain needed components or products without owning and operating a factory.

## See also

- Rebranding
- Original design manufacturer (ODM)
- Electronics manufacturing services (EMS)
- Contract manufacturer
- Golden sample
- Open design
- Open hardware
- Outsourcing
- Private label
- Secondary market
- Value-added reseller

## References

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2. "Build Your Brand on HP: HP OEM Partnership" ([http://h22168.www2.hp.com/docs/oem/4AA4-7081ENW-314\\_jeedits.pdf](http://h22168.www2.hp.com/docs/oem/4AA4-7081ENW-314_jeedits.pdf)) (PDF). *Hewlett-Packard Website*. Hewlett-Packard. Retrieved 2014-09-27.
3. Ken Olsen: PDP-1 and PDP-8 (page 3) (<http://www.economicadventure.org/pdfs/olsen.pdf>), economicadventure.com
4. Kidder, Tracy (1997). "Book Excerpt: The Soul of a New Machine" (<http://www.businessweek.com/chapter/kidder.htm#contents>). *Bloomberg Business Week*. Retrieved 2014-09-27. "...hence the rise of companies known as original equipment manufacturers, or OEMs—theythey'd buy gear from various companies and put it together in packages. (Chapter One, paragraph 17)"
5. Original Equipment Manufacturer (OEM) and Aftermarket Parts ([http://web.archive.org/web/20130307091455/http://www.thepartsbin.com/oem\\_vs\\_aftermarket.html](http://web.archive.org/web/20130307091455/http://www.thepartsbin.com/oem_vs_aftermarket.html)) thepartsbin.com

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