



We have ways of saving you cash

Reducing inventory investment and transport costs, increasing inbound and outbound service levels (OTIF) and inventory turns Let's summarise life at an imaginary plant; it could be an automotive component manufacturer or a manufacturer in the food and drink sector with, for example, £25m annual sales.

Life at the plant is complex – products are manufactured, assembled, converted and put in the correct batch size, some are made to order and some made to stock. There are variable lead times to customers and from suppliers, every KPI imaginable, even penalties for non-conformance. There are various ordering methods, production processes and transportation that have to be carried out; then the customer service department and finance department have to maintain the relationships and ensure that you receive payment.

Multiply this by tens or hundreds of customers and you get a complex picture, another way of saying a lot of firefighting.

Generally there is too much stock, although not enough of some parts, OTIF is mediocre and transport costs are unpredictable. Specials are being controlled but still too high. The cost to manage this supply chain is high and there are a lot of avoidable costs associated with non-value add activity, although remarkably the financial controller says it's difficult to say what these cost are. These costs are rarely recorded on any accounting system.

This model is flexible, but let's say our vision would be to improve the following areas:

Key areas	Current	Target	Benefit
Cash in inventory, raw material, component and packaging	£2m	£0.9m	55% reduction
Inventory turns	8	22	74% increase
OTIF (on time in full) inbound service	80%	98%	20% increase
Transport	£980k	£860k	12% reduction
Other logistics costs i.e. warehousing and non value add activity	£275k	£200k	25% reduction

These benefits will increase your bottom line with no capital cost. It would seem a bit of a 'no brainer', but put yourself in the shoes of the plant manager and why he or she may decide to sit on the fence. Internally there is misalignment. Externally there have always been many challenges – we are now in a recession it just got a lot worse – we are just too busy swimming through treacle to make the changes and follow them through.

Understanding the solution is one thing, then they start to preempt the complexity and the probability of success. The improvements can be seen as just too out of reach. This is not for the faint hearted, it involves reengineering, so leaning towards radical change rather than 'tweaking' here and there. In order to get a high probability of success there are some prerequisites

First, strategic support and departmental alignment is required and then using robust and reliable processes there are a sequence of logical and controlled steps to follow.

Establishing where we are by conducting a diagnostics is required. Once completed the picture becomes clearer and is broken into the component parts, supplier relations, warehousing, demand planning, transportation, service levels, controls, visibility etc. The diagnostics is documented and validated. With a baseline established and an approximate idea of a desired solution the opportunity benefits can be estimated and a business case produced to proceed to the next level.

Next is a more detailed exercise to simulate the desired solution. This will form the platform for the implementation. It is important to reinforce the prerequisites and commitment must not waiver. Once completed the business case is signed off with the risks fully evaluated. Implementation can be launched and an opportunity to achieve a superbly efficient supply chain platform with a high probability of success will be in process.

SWS's service model delivers benefits at zero capital cost. Software, if required, is free and the probability of success is extremely high (provided that you meet the prerequisites). You can apply our model to most industry sectors and sizes. Once this model is implemented, there are further supply chain enhancements adding value to your plant, your customers, even your suppliers.

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