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EPICENTRAL

A Newsletter from Epicenter Development Group highlighting ideas that improve organizations
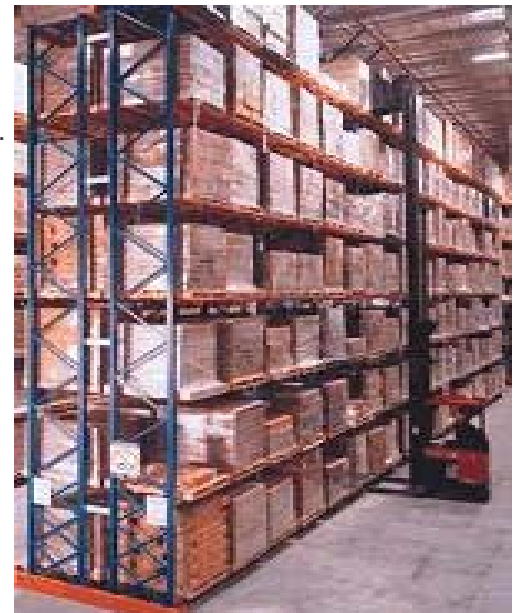
Welcome to Epicenter Development Group's newsletter, EPICentral. The purpose of this newsletter is to highlight fundamental ideas that have helped organizations develop and maintain great manufacturing and service operations. We hope that you find our EPICentral newsletter helpful, and we would welcome your comments on its content.

The Inventory Right-Sizing Process

One of the basic wastes identified by Lean practices, is the waste of excess inventory. Excess inventory robs you of office and warehouse space while tying up capital dollars that could be used for other investments. In addition, the odds of material becoming obsolete rises significantly the more it sits - especially in markets where customer needs are rapidly changing. If you are interested in taking a fresh look at your inventory, the following article offers a basic process and some points to consider.

Inventory Right-Sizing Process Steps

1. The first step of the process is to develop a list of items to be stored:
    1. Start with a list of what you are currently storing.
    2. Eliminate items that are now obsolete or no longer worth storing.
    3. Add items that you are not storing at this time but would like to add (spare parts? / planned new parts).
2. Next, identify the container information for each item to be stored:
    1. Product size/weight.
    2. Units per container.
    3. Containers per pallet.
    4. Pallet size.
3. Determine the usage or sales volume for each product (units sold or used per week or month).
4. Determine the amount of inventory to store. Typically this is measured in days-supply-on-hand (DSOH) or

weeks-supply-on-hand (WSOH). Some factors to consider in this review are:
1. The time to replenish inventory (longer time to replenish = more inventory).
2. Cost of item (higher cost = less inventory).
3. Potential for obsolescence (higher risk = less inventory).
4. Size of item (larger items = less inventory).
5. Frequency of use (more use = more deliveries or more inventory).
5. Identify locations for products to be stored.
   1. Can be stored on pallets or as individual units.
   2. An ABC analysis can be used to determine the best location to minimize handling time and costs.
   3. There are many types of storage mediums (pallet racks, flow-through racks, etc.) that are applicable depending upon the type of material to be stored.

Considerations:

- In order maintain an efficient system, it is important to review storage needs on an annual basis. This is a time to identify obsolete materials and adjust the inventory levels to best support the sales or usage levels of materials.
- To handle seasonal materials, some companies will use outside public warehouses for material storage.
- For more information on how to move towards storage systems that support Lean processes (Kanban supermarkets, Flow-Through racks, etc.) please give us a call. Also note that some information on Kanban systems can be found in the December 2006 EpiCentral newsletter.

Next Steps

If you would like more information on this topic or other similar types of tools, please contact Bill Proctor with your request at wproctor@epicentergroup.com or 216-702-0952. You can also find previous issues of EPICentral at Newsletters.

Mr. Proctor also speaks on a variety of problem-solving and system design topics that can help companies significantly increase the success and profitability of their businesses. If you are interested in having Bill speak at one of your upcoming meetings/events or would like more information on any of the speaking topics, please visit Speaker Services or you can emailsales@epicentergroup.com.

Epicenter Development Group is a unique consulting firm that seamlessly integrates the disciplines of Systems Engineering and Organizational Analysis & Development to

create practical design solutions to your toughest challenges. It is on the cutting edge of problem-solving solutions and the creator of a unique process called GreenRoom Engineering. This process adds greater value and cost savings for clients as compared to traditional engineering methods.

William Proctor, Epicenter's founder and president, has provided services around the country to more than 100 companies consisting of a variety of organizations; and Epicenter continues to grow as a resource for firms of all sizes.

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