

Product availability up. Inventory levels and transport costs down.

This paper reveals how one American industrial manufacturer is using DDR Data Feed to consolidate inventory and reduce transportation costs while improving product availability to critical customers.

This very large industrial North American manufacturer operates 4 manufacturing plants and about 30 warehouses across North America.

It makes approximately 3,000 individual SKUs —for multiple customers, spread out across North America, in a make-to-order environment.

Operating on a 24/7 basis with a new ERP/MRP system, the challenge for this company was to find a way to maximize customer service levels and increase sales while minimizing transportation and inventory costs.

The solution and implementation process

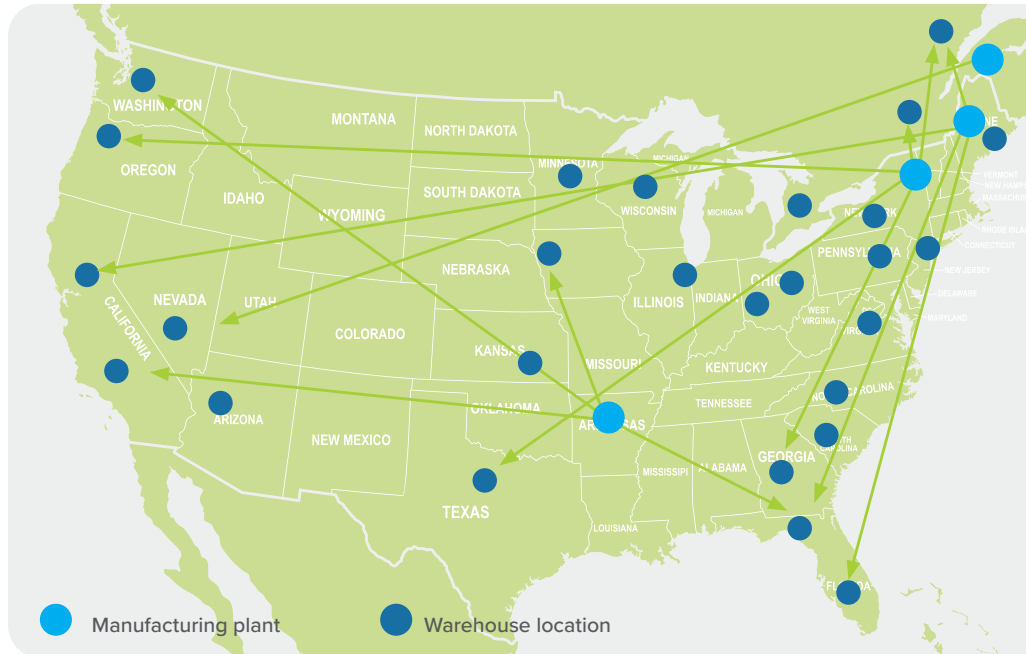
CMS Montera has been working with the client to overhaul the structure of the organization's supply chain.

CMS RoadRunner Rx based inventory simulation under Demand Driven Replenishment methodology suggested a multi-pronged approach would yield reductions in transportation costs, held inventory, while increasing product availability to end customers.

The first step was to establish stock buffer targets for high-moving (high-demand) items.

Simultaneously, they identified strategic warehouse locations for holding stock and implemented two rules:

- 1 There should be as few stocking locations per individual item as feasible (in order to reduce complexity and take advantage of demand aggregation);



- 2 Primary warehouse locations should be close as possible to major consuming customers purchasing those items.

These new stock buffers are used to automate the generation of replenishment signals and synchronized to the plant production schedule with an emphasis on as frequent as feasible production batches and shipments based on the actual consumption of buffer levels.

And — for both efficiency and cost — stock replenishment would now be shipped by rail as often as possible, and as far as possible, before switching to alternate methods such as trucking.

Putting the customer service team to work to vet and consolidate the high-demand SKU list, the company has settled on approximately 300 items that currently account for 60% of all shipments.

Promising early results — with much more to come

Initial progress implementing DDR is extremely promising.

There are now 364 key SKU-locations in 19 strategically located warehouses across the country. Nearly all customers have at least one item stocked at one of these warehouses.

Stock availability is already up while the client is holding less on-hand inventory — increasing available cash. And ordering accuracy steadily improving stabilizing plant schedule.

It already becomes visible that multi million dollars operating expense savings and significant inventory reduction can be accomplished simultaneously with revenue increases.

About CMS Montera

CMS Montera are specialists in software and consulting that help clients solve problems in Operations and the Supply Chain. World-leading experts in Theory of Constraints and Lean Thinking.

cmsmontera.com 📞 +1519 624 9856 ✉ info@cmsmontera.com

montera.