

## The Right Track



Inventory: Not always such a dirty word until cost pressures took to task the traditional storage and fulfillment methods of the average manufacturer.

According to Grainger, an industrial supplier with a significant global footprint, manufacturers are moving to just-in-time inventory as much as possible to reduce excess spend on items that do not turn quickly. “Manufacturers now better understand the cost savings and efficiency gains that come from stocking only what inventory is critical to have, and leveraging supplier partners to deliver all other items as they are needed,” explains Meeta Kratz, Senior Director, Customer Business Issues for Grainger.

To better understand the general opportunity, Grainger conducted extensive research that found 40 percent of inventory on shelves is only turned one to five times per year. In addition, says Kratz, 50 percent or more of an organization’s inventory is “inactive” and is not used in a year’s time — yet the organization must still stock and manage these items. The bottom line, she explains, is that there is a big opportunity in nearly all facilities to better manage inventory.

### Leveraging a Supplier

In a recent survey by Industrial Distribution magazine, only 14 percent of survey respondents said they charged a fee for inventory management. This trend towards inventory management as a value added service suggests that manufacturers can utilize this offering from many suppliers with little to no direct costs. In fact, nearly a third of supplier respondents said they believed their vendor-managed inventory programs were a primary reason behind their customers doing business with them.

So if suppliers are on board, what’s the next step? Quite possibly, it’s an issue of manufacturers easing into a level of comfortability with giving up some control. “To

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become more comfortable with a vendor managed program, it is important to work with a partner who invests in your needs and understands what you're trying to achieve," says Kratz. "You must ask questions up front to ensure your concerns are addressed. You should also challenge your partners to make sure you understand the program to ensure it fits your needs and not just theirs."

You should also do your homework, she says. Talk to peers in your industry who are using vendor managed inventory to learn what they like about their programs and where there are opportunities for improvement. And remember, you can start off slowly with a more simple solution and graduate to a more complex strategy as you comfort level increases."

### How & What to Track

Besides leveraging a supplier for assistance in this area, some manufacturers have discovered relief from the inventory problem via the use of technological advancements in internal tracking. Things like scanners, mobile computers, printers, and software can help serve as "scaled down versions of complicated, incomplete enterprise products," explains Cliff Anderson, Product Marketing Manager for Wasp Barcode Technologies. Wasp offers out-of-the-box solutions to help manufacturers deal with stocking issues because, says Anderson, "Manufacturers need to know exactly how much of each item they have in stock, so that they know how much inventory to re-order. Running out of stock or having too much stock can cost a business money, storage space, productivity, and customer satisfaction."

One organizational solution can take the form of an industrial vending system, something many industrial suppliers — Grainger included — have begun offering their customers. When it comes to these on-premise dispensing solutions, the value is apparent when used and placed appropriately and stocked with the right products. "Vending solutions are best used for high volume, potentially valuable inventory that an organization wants to make readily available to their employees when needed, while still being able to control and monitor usage," says Kratz. Anything from PPE (gloves, eye protection) to assembly components (fasteners) and drill bits, "A dispensing solution also helps to eliminate crucial downtime for plant staff."

Knowing current stock levels of items that are consumed is key to also keeping an eye on compliance issues. For things like safety supplies, having a dedicated management program in place can ensure management that employees are using the right equipment at the right time. It also prevents businesses from running out of crucial safety items at critical times.

### The Asset Element

Another important consideration, says Anderson, is keeping an eye on your assets as well — something distinct from inventory management, but equally important. "Assets are company-owned items that are needed to effectively run the business, such as employee computers, hand tools, or cell phones." Employees may check

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these items in and out for assignment, but Thompson cautions keeping a watchful eye of where these critical items land. "The objective is to keep track of who has each item, and where each is located."

It's the productivity losses that often get overlooked in these cases. Referred to as "searching waste," the mass disorganization of internal assets (like in tool cribs or supply closets) can create a time vacuum for employees on the hunt for a specific item. Besides its inventory management solutions, Wasp offers asset tracking software designed to instantly locate any asset, eliminating wasted time spent searching for missing items and unnecessary expenses to replace lost assets. This can include anything from vehicles, tools, IT, and more.

### Conclusion

Ultimately, manufacturers need to take a hard look at both assets and inventory and determine whether their enterprise is lacking organization in any one key area. Not to be confused with simply the need for clean-up, "organization" can take the form of knowledge of, as Kratz referenced, the number of annual turns a specific SKU may see. Long story short: If you've ever found yourself in need of cash, take a look around your warehouse. It's probably everywhere.

*For more information, please visit [www.grainger.com](http://www.grainger.com) [1].*

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