

Inventory You Can Count On

If your inventory record accuracy is less than 95%, a program to measure, monitor, and improve the quality of your inventory records to world-class standards is one of the best investments you can make in your company's success.

TDCI's *Inventory You Can Count On* service is designed to help you quickly improve your inventory record accuracy and then maintain it at the high levels required for superior manufacturing and supply chain performance.

This proven and affordable packaged service includes the guidance, tools, and assistance you need to achieve fast and lasting results while avoiding common pitfalls and non value added effort.

Service Deliverables

TDCI's Inventory You Can Count On service provides the concrete deliverables you need to quickly improve your inventory record accuracy to world class levels – and to keep it there forever:

- **Training and education** on principles of inventory accuracy and cycle counting to heighten your staff's awareness of their importance.
- A **corrective action plan** to eliminate specific causes of inaccuracies in your environment.
- A **control group cycle counting program** to test and confirm improved procedures
- An **on-going cycle counting program** with performance measuring and monitoring to prevent future problems.

Service Steps

The primary steps we will guide you through are:

- Establishing inventory accuracy standards and measurement techniques.
- Evaluating current performance based on the most recent physical inventory.
- Implementing a control group cycle counting program.
- Performing root cause analysis.
- Developing and testing corrective actions.
- Repeating root cause analysis and corrective actions if/as needed until inventory accuracy issues are sufficiently resolved.
- Establishing a cycle counting program that will correct existing inaccuracies and continuously monitor performance.

Why Inventory Accuracy is Critical to Your Business

As your company enters the era of Internet-based e-business, all aspects of customer service become more critical than ever. Your ability to make and meet customer delivery promises, offer competitive lead times, and minimize costs is highly dependent on how well your production planning and control systems operate. The effectiveness of systems such as Enterprise Resource Planning (ERP), Advanced Planning and Scheduling (APS) and Supply Chain Management (SCM) is impacted by a number of issues, but the experts all agree - *the single most important factor is inventory record accuracy.*

Without accurate and up-to-date inventory records, none of your systems can create proper plans or provide the information you need for good decision-making. Poor inventory record accuracy is a direct cause of operational problems such as:

- Frequent material shortages and production delays
- Excessive expediting activity
- Year-end write-offs of excess and obsolete materials

The negative impact to the business can be significant:

- Lost sales due to poor customer delivery performance
- Higher costs
- Lower profits
- Poor return on assets

What We Need From You

- Information:
 - Facilities and locations where inventory is stored.
 - Current inventory accuracy measurement standards (if available).
 - Inventory classifications (e.g. product lines, status, consigned, ABC classes), transaction processes (e.g. do you use back-flushing techniques?), and transaction records.
 - Organizational structure for individuals involved in inventory transactions.
- Personnel:
 - Materials Manager, Inventory Control Manager, or Warehouse Manager to set goals and standards and serve as executive sponsor.
 - Inventory Control personnel to help investigate root causes of inventory discrepancies, develop corrective actions, and conduct control group cycle counts.

Sizing the Effort

- Typical elapsed time: approximately 2-3 months:
 - About 2 weeks for initial steps, including set-up of control group cycle counting and on-going cycle counting program; follow-up within about 2 months.
- Typical TDCI Consulting time: approximately 10 man/days:
 - About 7 days for initial steps over first 2-3 weeks, with 3 days of follow-up within 2 months.
- Typical in-house staff time:
 - Executive sponsor: less than 1 day over a 2 week period.
 - Inventory control personnel: 8 hours per day for two weeks.

Return on Investment

Your return on investment from improved inventory record accuracy can be significant. Some of the sources of financial return are:

- Reductions in inventory carrying costs (e.g. WIP waiting for short parts or material sitting unused while you buy more of the same).
- Increased sales due to improved delivery performance.
- Reduced staff costs for expediting and tracking down lost parts.
- Lower year-end write-offs of excess and obsolete inventory.
- Elimination of cost and disruption associated with annual physical inventory.

The Benefits of High Inventory Record Accuracy:

ERP, MRP, Advanced Planning and Scheduling (APS) and Supply Chain Management (SCM) systems working with consistently accurate inventory records can deliver:

- Better customer service
- Greater production efficiencies
- Reduced inventory carrying costs
- Lower excess/obsolete write-off's

It's simple... World-class inventory accuracy ultimately drives higher sales and lower costs, resulting in more profit and better return on assets

