

Part One:

Automating Incoming Inventory Management Reduces Loss

Is the inventory used to start your supply chain being given the attention it needs? Unlike fixed assets, inventory, especially raw materials or components used in manufacturing are sometimes treated as another cost of doing business. Consider this: Companies ranging in size from the local machine shop to the Fortune 100 collectively spend billions of dollars each year trying to prevent losses in order fulfillment, but don't know when inventory needed for production was received, where it was placed, how old it is or what its present value is.

The Cart and the Horse

Those same companies spend huge amounts of time and labor collecting all kinds of data on fixed assets from telephone desk sets to PC's to printers, desks, chairs, tables, cell phones and machinery. They not only know where it is, they know where it is in their depreciation schedule.

The amount of information they gather is enormous: Vendor names and numbers, model numbers, serial numbers, software versions and release dates, physical location, current configuration, number installed at each location, original purchase price, replacement cost, and annual service agreements and on and on and on. Even the lowly trash can is categorized, itemized, described, logged and accounted for. What company doesn't keep up with everything, including light fixtures, drapes, pictures on the wall, towel dispensers in the rest rooms and vases on the conference room tables, quantity and size of paper towels, and ink pens? Moving a fixed asset, such as a desk and chair, requires sign-off by at least three managers and a physical inventory at the new location to update the records.

Incoming Manufacturing Inventory: An Orphan?

Yet in those same organizations, maybe even yours, raw materials and components needed in manufacturing arrive on site, usually unannounced. A mad rush through purchasing locates the vendor order. Then the goods are manually received against the purchasing manifest and moved to a holding location. If there is a discrepancy, more paperwork is started to back trace the order with the vendor and create a back order for the item. If the items must be sent for quality testing, more paperwork is needed to show the move from receiving goods holding to QA testing. A tickler file is created to remind someone that the materials need to be moved from QA when they're released.

What about tracking the value of the materials received? That's a purchasing problem. Where to put them until they're needed? "Over there" is a common solution. In one recent plant walk through a supervisor sheepishly noted 1,650 pounds of raw materials received and moved into storage until needed. The palletized material was covered with dust and soot. Spider webs ran from the material to the support beams on the pallet rack. Here were hundreds of thousands of dollars in raw materials, obviously received months before, that somehow got lost in the paperwork jungle.

“The sad part,” he said, “If we looked in the system, we’d see this pallet was received, but its location never entered. So someone was told to move it out of the way, and they did. It’ll sit here until someone decides they need it and send someone out to find it. If that doesn’t happen, it will sit on the books until someone higher up runs a report on aged inventory and decides to scrap it.”

How many items like this one are received for manufacturing are lost? “You don’t want to know,” was his reply.

The Disconnect

When any manager in the company can generate a report at will to tell him where trash cans are, where they were, even their size, date of purchase and cost, but doesn’t know nearly a ton of raw materials is in the plant, should Plant Management be concerned?

Let’s look at it another way: At \$.50 a pound, that’s \$1,000 in raw materials lost. Not a big number, but what if the company had 10 pallets a month out of some 17,000 received getting “lost?”

Sure, that’s less than six tenths of one percent of the volume of pallets processed and received, but it equates to \$120,000 in materials “lost” each year. Now consider if raw materials equated to less than 2% of the cost of goods sold? That “lost” inventory meant the company forfeited \$6 million in revenue. If the value of the materials is worth more than \$.50 a pound, well, the math is pretty easy. “Losing” raw materials or manufacturing components inventory at receiving impacts the bottom line, and not the good kind of impact.

Wouldn’t you rather “lose” trash cans?

The Incoming Inventory Solution

Many companies look to Lean Manufacturing and Six Sigma process improvement to streamline their operations and eliminate bottlenecks in manufacturing and order fulfillment.

Many more are beginning to realize that these same quality improvement standards can be applied to their incoming receiving processes as well. The results can be staggering improvements in material availability, reduced inventory costs and streamlined production.

To fully realize the benefits of these concepts, we believe automated receiving, combined with the power of the company’s ERP system, provides the activation needed to control incoming receiving. A fully automated Inventory Management System, like A3 Technologies [Fontana IMS](#), uses the information gathered from Lean Distribution methodologies, Kaizen events and Six Sigma Process Improvement to manage stock movement from incoming inventory to quality assurance to manufacturing to final goods storage to pre-ship staging to shipping. Through integration with the company’s ERP system (or as a standalone system) the result is full control of each movement, precisely orchestrated to minimize time and maximize productivity.

ABOUT A3 TECHNOLOGIES, INC.

A3 Technologies, Inc. is a systems integrator. We are in the business of developing and delivering supply chain management solutions to customers in the distribution, warehousing and manufacturing markets. Our flagship software, Fontana IMS, is a fully automated, error-free, end-to-end inventory management solution developed specifically for those markets. Our specialty is combining our software with our experience in integration services to deliver tangible, bottom line benefits, whether as a stand-alone system, as the input for a customer's ERP system, or to activate LEAN manufacturing and Six Sigma process improvements throughout the supply chain.

OUR MISSION

Our mission is to combine the accuracy of advanced Auto ID technologies and the real-time speed of wireless data systems with sophisticated server and end-user applications to streamline operations throughout the customer's supply chain. Whether a standalone system or fully integrated into the customer's back office ERP systems, A-3 Technologies, Inc. software can identify and eliminate waste, improve operational processes, eliminate data collection and data entry errors, support Lean manufacturing initiatives and Six Sigma process improvements in manufacturing. Using sophisticated, but easy-to-use tools, customers will not just control inventory and distribution costs, but reduce them as well. We deliver value by creating a partnership with customers, which allows them to improve product quality, increase levels of responsiveness and offer superior customer service while delivering positive, measurable bottom- line results and increased shareholder value.

OUR FOCUS

Our focus is improving our customers business. Making our customers more successful drives us to do what we do.

For more information:

Shalonda Williams, A3 Technologies

Tel: (704) 708-3871

Fax: (704) 708-8557

Email: sales@a3-tech.com

Website: www.a3-tech.com