

Inventory Management



WMMPA Annual Meeting 2003

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Discussion Points

Inventory is a Significant
Corporate Asset

Not Just an Event

It's a Team effort

Lean vs. Lots

Management Process

Management System

The Key to ESCM



Not Just an Event

- Counting Inventory is not Inventory Management
- Historically Viewed as Accounting Function
- Part of Your Business Process - Not Just Something to Count
- Integral Part of Extended Supply Chain Management (ESCM)
 - Internal SCM
 - Upstream SRM
 - Downstream CRM



Significant Corporate Asset



- How Valued can Skew Book Value vs. Profit
 - LIFO
 - FIFO
 - Average Cost
 - Actual Cost
- Balance Between Cash & Inventory
 - Cash is King - But not Sole Driver
 - Safety Net vs. Need
 - Inventory Levels Impact Cash Flows
 - Cost of Space
- Impact on Profit & Loss
 - COGS
 - Sales
 - Borrowing Cost
- Impact on Customer Service



Lean vs. Lots



- Set an Inventory Policy
 - Buy - Hold - Sell (Just in Case)
 - Sell - Source - Supply (Just in Time)
- Establish a Process that Sets Inventory Levels
 - Look Beyond Minimum Levels
 - Take a Wholistic Approach (Extended Supply Chain View)
- Factors to Consider (Beyond Gut Feel)
 - Demand & Demand Variability
 - Supply Lead Times
 - Manufacturing Capacity and Capability
 - Customer Purchasing Characteristics
 - Desired Service Levels



» It's a Team Effort

- Designing and Implementing an Inventory Management Process Is Not Just a Management Event - Need Buy In
- Don't Start from Scratch - Involve a Professional with Experience
- Who Should be Involved?
 - All Key Management Personnel
 - Receiving, Shipping, Warehouse & Set-up Personnel
 - Suppliers
 - Customers
 - Shippers
 - Technology Providers



The Process

- Inventory Flow Diagram
- Look at Historic Patterns
 - Sales Patterns
 - Inventory to Sales
 - Inventory to Usage
- Chart Replenishment, Usage & Distribution Times
- Establish Forecasting Model
- Create a Process to Eliminate Obsolete Stock
- Establish Realistic Service Levels
- Align Metrics
- Standardize Process (80/20 Rule) >>



The System



- Once the Process is In Place - The System Adds Ease & Efficiency
- Client Server
 - Wired Network vs. Pure Internet Architecture
 - Integrating Systems and Databases
 - Need Internal IT Resource(s)
- Application Service Provider (ASP)
 - Pure Internet Architecture (VPN)
 - Fully Integrated System and Database
 - Reduce or Remove Need for Internal IT Resource



The Key to ESCM



- A Properly Designed Inventory Management System Enables Extended Supply Chain Efficiencies
 - Customer Inquires or Supplier Offerings Are Readily Handled
 - Demand & Supply Can Be Coordinated & Balanced
 - Shipping Can Be Coordinated & Maximized
 - Customer Service Levels Can Be Increased
 - Another Point of Differentiation is Created
- It Removes Friction Points Internally
- It Smooths Out Procurement, Production, Sales and Distribution
 - Never Up Against It When Purchasing
 - Can Implement MRP Systems
 - Can Implement SMI Programs
 - Logistics Planning is Possible



Conclusion



- Inventory is a Significant Corporate Asset - Treat it That Way
- Inventory Management is a Team Effort
- Inventory Management is Part of Your Business Process
- Make Sure Your System Fits Your Process
- Proper Inventory Management Synchronizes the Entire Supply Chain
- Managing Your Customer's Inventory is the End Game (SMI)



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