



The Role and Use of Inventory in Supply Chain Planning

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Delivering Predictable Customer Service at lowest Supply Chain Cost

The demands of greater service at lower cost are unrelenting. The challenge, which is already significant with local manufacture and supply, grows exponentially with extended, low cost supply chains. Without effective means of control, low cost quickly becomes low flexibility, poor service and low margin. Strategically deployed, inventory “lubricates” even the most complex supply chain to deliver a robust lower cost service.

Inventory: “lubricating” the engine of supply

The highly sophisticated supply chain planning tools that exist to manage complex supply chains often seem only able to deliver with huge effort, and frequently outside the formal processes.

But does it have to be like this? The answer is no! If inventory is deployed as a strategic asset and not a tactical sticking plaster that is used to cover over the inevitable supply chain disjoints.

Our significant track record of strategic inventory deployment has delivered:

- Higher service, combined with lower levels of inventory
- Enhanced, often differential service
- Simplified supply chain planning and execution processes
- Improved product life cycle management
- Reduced obsolescence
- A significant liberation of cash.

Strategic understanding of inventory needs effective tactical deployment

Understanding that inventory is a strategic asset is valuable, but only if:

- The merits of the current inventory usage can be modelled and assessed.
- Alternative strategies can be developed and their implications tested and compared before implementation.
- Detailed inventory positioning and profiling can be delivered at an individual piece part or SKU level.
- The inventory profile can be reviewed and continually re-aligned as the profile of business evolves.
- You have the skills and tools to make the transition and use this as a starting point for ongoing incremental change.

Whilst every business need and culture is unique, the principles of strategic inventory optimisation remain the same. Our experience in over 200 locations worldwide shows this to be universally true.



“Even if you are operating in a truly ‘Lean’ environment, is the inventory you have really meeting your strategic business needs and those of your customers and suppliers?”

Richard Wale
Principal Consultant
The Consultancy
Company



“The keys to success are effective interpretation of the analysis, skilled and motivated staff and robust processes”

Fraser Geekie
Director, Industry and Supply
The Consultancy Company

The benefits and how they can be sustainably delivered

Deploying the inventory profile from the initial extract will give real benefit, but may not be optimal when considered in the total business environment. Taking a step back allows you to:

- Define the inventory points in the supply chain that you wish to consider – in isolation or as an integrated part of the supply chain
- Factor the current detailed operating process limitations into the analysis
- Identify and assess alternative strategies and their implications on the wider business
- Understand the financial and physical storage implications of each strategy
- Develop approaches to integrating data in your existing systems
- Provide the skills and understanding to ensure sustainability and commitment.

Working with these principles, our bespoke approach will match your specific needs and will deliver a clearly defined inventory strategy, along with a plan for its implementation, future development and maintenance.

Delivering early benefits

There are no complex software installations; our analysis tools use the extracted data to determine the optimal control parameters, which can be uploaded into your ERP or business management system to enable it to manage your business in a more effective way. The benefits can be delivered rapidly with short and easily defined payback. The rate that demand burns off excess inventory, or the capacity to build inventory to improve service, inevitably constrains the rate at which cash or service benefits are delivered.

Our team of expert consultants will provide the support needed to ensure you have the skills and confidence to sustain and build on the initial implementation.

What next?

Optimising the inventory part of a supply chain provides the catalyst for wider and more ambitious optimisation that can include:

- Restructuring the deployment and management of inventory across complete supply chains
- Use inventory strategically to “lubricate” and balance supply chain activities
- Repositioning inventory around the supply chain for maximum benefit
- Integrating inventory and distribution strategies to provide lowest overall operational cost
- Creating the environment for providing market-leading product availability.

The Kidlington Centre
High Street
Kidlington
Oxford OX5 2DL
T 01865 841177
F 01865 841155

The Genesis Centre
Science Park South
Birchwood
Warrington
WA3 7BH
T +44 (0) 1925 661715
F +44 (0) 1925 661800

info@the-consultancy.co.uk
www.the-consultancy.co.uk

REGISTERED ADDRESS
15-19 CAVENDISH PLACE, LONDON W1G 0DD
REGISTERED NUMBER 2861227