



ASIL, Inc.

Inventory Pipeline Reduction 45 to 7 days

The following case study is based on our experiences in a Fortune 100 hi-tech company.

Problem Statement

Material processing time for a defective part to be in service ready condition took an average of 45 days. This inventory pipeline required excessive inventory levels and excessive material handling. Customer Satisfaction levels were low, and the Balance Sheet was growing.

Typical Inventory Cycle:

Field Engineer (Returns defective) >> Remote Stocking Location >> Distribution Center >> Repair Vendor >> Distribution Center >> Remote Stocking Location >> Field Engineer (Receives good part)

Current vs. Desired State

<u>Current</u>	<u>Desired</u>
Extended Inventory Pipeline	Reduced Inventory Pipeline
Excessive Inventory Levels	Reduced Inventory Levels
Low Customer Satisfaction	High Customer Satisfaction
High Operational Costs	Reduced Operational Costs

Measured Objectives

<u>Starting Point</u>	<u>Big Hard Aggressive Goals</u>
45 Day Replenishment Pipeline	10 Day Replenishment Pipeline
\$279M Total Service Inventory	\$220M Total Service Inventory
87% Local Level Of Availability	96% Local Level Of Availability
\$180M Annual Operating Expenses	\$160M Annual Operating Expenses

Approach Taken

We reconstructed the Repair Vendor Network and introduced new information exception management priorities. This allowed us to move the inventory faster to the correct end destination without excessive queuing in the Distribution Centers. By changing the inventory flow path, we were able to eliminate two Distribution Centers.



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Results Achieved

1. \$200M Total Service Inventory, an inventory reduction of \$79M <28%>
2. 98% Local Level Of Availability, an increase of 11 points
3. \$159M Annual Operating Expenses, a decrease of \$21M <12%>

Improved Inventory Cycle:

Field	>>	Repair	>>	Remote	>>	Field
Engineer		Vendor		Stocking		Engineer
(Returns				Location		(Receives
defective)						good part)

Lessons Learned

We focused on engaging our Supplier Network and challenging them to solve for our Customers. This allowed us to leverage the combined knowledge of our Supplier Network to determine the best steps to take to reduce our inventory pipeline. Once we jointly set the long term strategy of reducing the inventory pipeline, the Suppliers worked with us to evaluate the current state, propose solutions based on previous experience and restructured to implement the changes across the entire Supplier Network. We held semi-annual Supplier Vision Conferences with our Suppliers (often competitors for the same business) to understand our company's long term strategy, review the current productivity of the Supplier Network, recognize Supplier successes and to brainstorm solutions on current challenges. The result was that we gained mindshare with our Suppliers during the conferences which enabled us to exceed our joint goals.