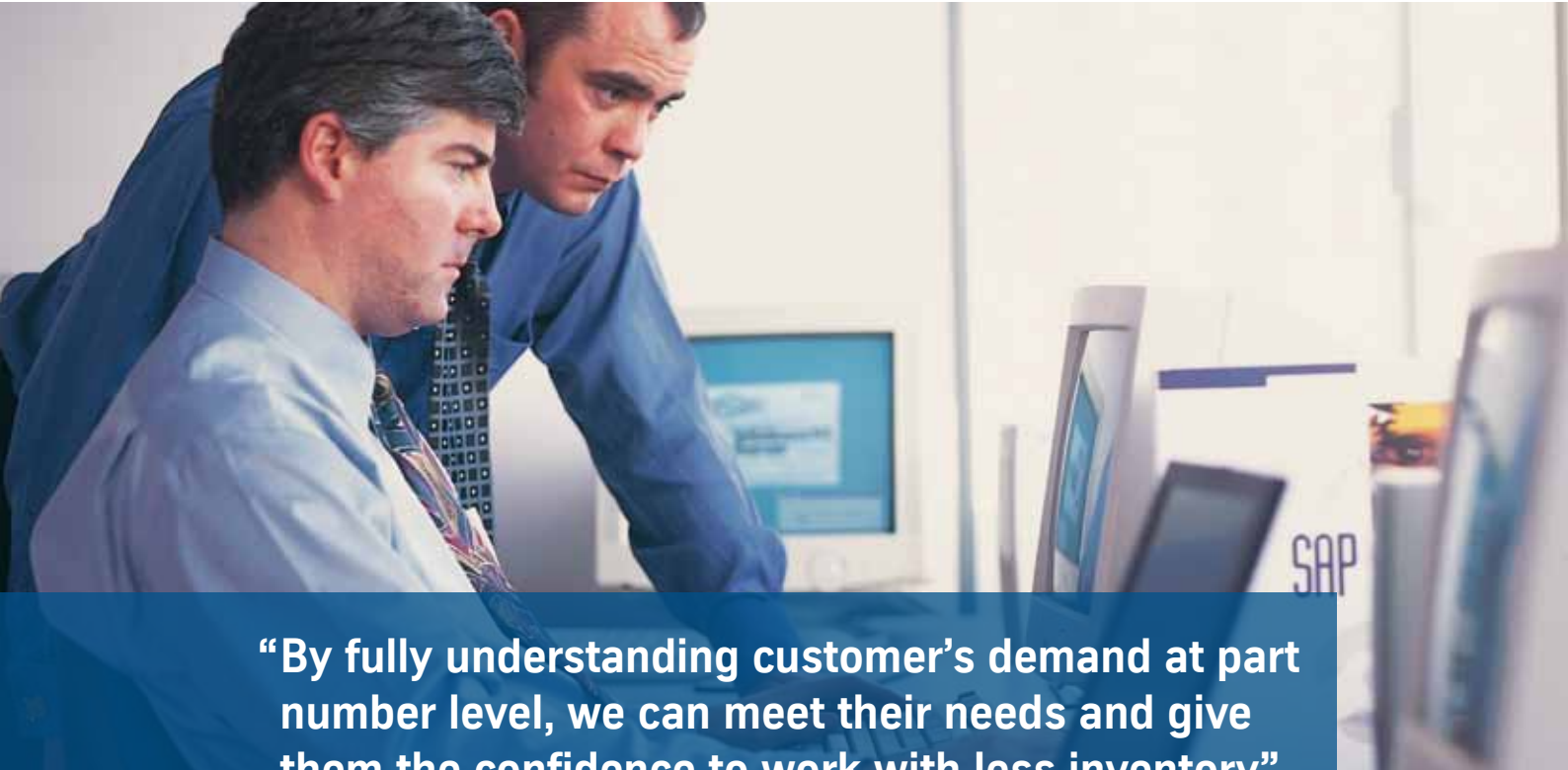


How to reduce raw materials inventories



“By fully understanding customer’s demand at part number level, we can meet their needs and give them the confidence to work with less inventory”

The problem

As credit has tightened, a company’s need to generate cash has never been greater. However, because customers and suppliers are in the same position, the traditional approach of ‘pay late and get paid early’ doesn’t work.

Companies have therefore looked at other approaches including reductions in material inventories.

The problem is how to achieve this without disrupting production.

The solution

To meet production needs, a company needs sufficient material to meet its usage and at the same time to provide a buffer against variations caused by sudden changes in supply or demand.

In reality, because of poor analysis or a lack of trust in supplier performance, companies also carry further inventory on a Just In Case basis.

By working closely with customers, we have been able to develop some advanced tools which simplify analysis. We use these to devise novel supply arrangements, which result in significant inventory reductions combined with high standards of on-time delivery performance.

ThyssenKrupp Aerospace

the world’s aerospace materials team



ThyssenKrupp

Case study



This approach was taken with a leading global aerospace manufacturer:

- The ThyssenKrupp Aerospace planning team reviewed the customer's demand forecast for cut to size tube and bar and following an electronic upload was able to use its planning software to compare the future with its historical usage
- This enabled forecast accuracy and other variables such as Mill lead times to be established and an initial forecast by part number was produced
- It was agreed that the customer's inventory should be reduced to one week. To support the change, ThyssenKrupp Aerospace agreed to carry a buffer to instil confidence and bought back the customer's excess inventory

- Within 6 months of the change this buffer was reduced and the increase in confidence encouraged the customer to outsource the first stage of processing which resulted in reduced material use and improved process flows

The benefits of this approach were as follows:

- Inventory reduced from 6 months usage to 5 days worth \$2.5m
- 10,000ft² of storage and processing space converted to high value assembly work
- Materials costs reduced by 5%
- On time delivery and right first time quality consistently exceeded 99%

For further information and contact details please visit our website:

www.thyssenkruppaerospace.com

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