

The Nuts & Bolts of MRO: Using Inventory Data to Strengthen Your Supply Chain

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Successful inventory management programs start with a thorough understanding of the inventory itself. Just as there are a lot of different types of inventory, there are a lot of different ways to manage it. Identifying who uses the inventory, how they use it, why they use it and where they store it is the first step to determining the type of inventory management solution that is most appropriate to meet the business' needs.

A large U.S. equipment manufacturer, and [Grainger](#) [1] customer, was looking for opportunities to reduce the cost of their inventory. The manufacturer's operation includes 2 million square-feet of indoor production space, in addition to multiple off-site R&D buildings. More than 3,200 employees run three shifts 24 hours a day, six days a week, and pull all MRO (maintenance, repair, operations) parts from two centralized tool cribs.

Several years ago, Grainger and the manufacturer started to analyze their current process for managing inventory. Initial reports confirmed the majority of their inventory was inactive, showing that less than 10 percent of the 22,000 items on hand were used during the previous year. The manufacturer established a [KeepStock](#) [2] Store on their campus, a fully stocked and staffed Grainger store located inside their facility. The store reduced the manufacturer's overhead and decreased their Grainger inventory to just 2,700 SKUs.

Grainger and the manufacturer continued to monitor inventory data from the KeepStock Store solution. In June of 2011, they found another significant opportunity to reduce costs and improve productivity by moving MRO parts from the centralized tool crib to their point-of use. Grainger recommended installing KeepStock Secure dispensing machines to make PPE products more readily accessible to the nine different production areas in the facility and minimize the

number of trips to the main tool crib.

The Productivity Cost Of Inventory

Before the machines were installed, a round trip to the tool crib averaged six to eight minutes, and total foot traffic represented more than 20,000 annual trips. By reducing foot traffic and employee travel time, as well as allocating the time to scan, deliver, and put away products to Grainger resources, the manufacturer realized a 77 percent efficiency gain in processing time.

The [KeepStock machines](#) [3] reduced inventory costs by moving PPE items to their point of use, which was the program's primary objective. However, as the data from the machines was reviewed, the results gave insight to more cost savings opportunities. The manufacturer created measurements to evaluate Weekly Costs, Item Usage Cost by Employee, PPE Cost/Labor Hour, Top SKU Spend, and Cost by Area.

Measure The Savings

For the first time, a baseline was established to track individual use of PPE items. Weekly consumption rates of PPE declined significantly as employees used the vending machines, resulting in a 32 percent reduction in the PPE cost per labor hour and an annual savings of \$150,000. In addition to creating accountability among employees, individual usage data provides a baseline to effectively measure changes or quality enhancements to the PPE the manufacturer decides to supply for employees.

Exact item usage data, down to the specific area and individual using the item, helps staff evaluate if the best product is being used for each application on the production floor. For example, one employee never realized the gloves he used multiple times each day cost \$40 a pair. One conversation and the results were immediate — usage of the gloves fell into place with the other production areas, resulting in \$10,000 in annual savings.

There is always something driving usage. Sometimes there's a perception that the products are "free," according to the facility's Supply Chain Leader. As more data is reviewed and opportunities are evaluated, more cost savings will be realized by effectively managing the inventory on hand.

Manage Inventory To The Bottom Line

The best inventory management programs are supported by strong data. When inventory usage data is properly evaluated and used to make changes, businesses can realize significant savings from every step of the procurement process — from stocking and consumption to analyzing and measuring adjustments.

"Anybody can get you a dispensing machine; it's not about putting a bunch of machines filled with products and resources in a plant just to get more revenue," says Robert Hammond, Grainger Consulting Manager. "It's the whole partnership: what's coming in, is it the best valued product, who's using it, how much is needed, what comes out, and why? It's about creating a continual cost savings strategy for the long term."

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Published on Food Manufacturing (<http://www.foodmanufacturing.com>)

To learn more about inventory solutions, visit www.grainger.com/keepstock [2].

** Please note: Eligibility for KeepStock Store is subject to certain qualifying criteria, might require an on-site assessment to be conducted by Grainger's Consulting Services Group, and shall be subject to written agreement on certain facility operation matters. Contact your Grainger Representative for more information and details regarding availability.*

Source URL (retrieved on 04/27/2015 - 10:35am):

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[1] <http://www.grainger.com/>

[2] <http://www.grainger.com/content/keepstock?redirect=keep+stock>

[3] <https://www.youtube.com/embed/p9zEKZug4xs>