LFM Webinar Series on Supply Chain Strategies:
Leveraging Design to Tame Inventory Management

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Topics

• Supply Chain Design

• Case Studies
  ➔ Industrial Equipment Manufacturer
  ➔ Computer and Office Equipment Company
  ➔ Industrial and Consumer Packaging Manufacturer

• Q&A
Recent survey shows minimal savings in inventory

While companies achieved 70+% of their on-time delivery (OTD) goals, they reached only 25% of their inventory targets — the most-cited reason for investment in supply chain planning tools!

Source: PRTM, March 2002
Inventory Planning and Policy Design

The primary cause of not reaching inventory targets is that a critical aspect of comprehensive inventory management is often ignored.

- What inventory mix?
- Where to put it?
- When to put it there?
- How much?
- Who owns it?
A New Class of Solutions

Traditional supply chain management solutions have typically not addressed these questions...

- What inventory mix?
- Where to put it?
- When to put it there?
- How much?
- Who owns it?

...yet making optimal inventory planning and policy decisions can deliver 10% to 30% inventory savings.
Traditional Approach

*Inventory policy is often established on criteria that has little to do with desired performance.*
Better Approach

Optimizing inventory consists of routine planning and flawless execution, built on optimal design.

### Defining the optimal inventory policy on a cyclical basis
- Build a repeatable planning process that reflects the realities of your given industry (seasonality, product lifecycle, etc.)
- Re-plan as often as required to reflect required changes in inventory policy (based on supply and demand variability)
- Differentiate between safety stock and cycle stock
- Optimize mix and location, where postponement may be an opportunity or multiple sources for inventory exist

### Deploying visibility and adaptive processes to respond to real-time changes
- Implement appropriate technology to collect, manage, and disseminate information regarding inventory and related metrics
- Design and implement adaptive business processes and organizational structures that support real time identification and resolution of problems
- Create balanced performance objectives so that all stakeholders at different levels stay aligned by design
- Implement demand-supply balancing

### Optimal Supply Chain Design
- Begin with an inventory strategy that compliments sourcing, manufacturing, and deployment objectives
- Develop inventory policy that reflects differentiated customer service priorities
Case Study
Industrial Equipment Manufacturer
Case Study

Computer and Office Equipment Company
Case Study

Industrial and Consumer Packaging Manufacturer
Leveraging Design to Tame Inventory Management

An optimal plan, routinely executed, will yield best-in-class supply chain performance.

- Visibility into current inventory and inventory exceptions or problems
- Continuous alignment of supply (inventory) with demand
- Measured performance to continuously set and optimize inventory
- Regular process for establishing inventory levels (inventory management is a continuous process!!)

Repeatable, Adaptive Process for Inventory Planning and Execution
About Optiant

**History:** Built on 10+ years of MIT research and development partnerships with multiple Fortune 500 manufacturers

**Recognition:** Industry Week – 2002 Technology of the Year

**Offices:** Boston (HQ), Chicago, Rochester, Columbus, Los Angeles, San Francisco

**Products:** PowerChain™ Suite: includes Inventory and Architect modules

**Example Customers:** Imation, CNH, Kodak, Sonoco, St. Gobain/CertainTeed
Questions?

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