

Case 3 Albvía International B.V.

Cost Reduction / Process Simplification

Type of Business: Personal Computer company (in the top 3 world-wide). They offered a service of providing back-up CD's on demand from consumers.

Problem: Internal process considered to be too costly and complex. Orders were received via a web shop and automatically entered into the company's ERP system. A small inventory was held of each of the 1800 different CD's. The material planners ran MRP twice daily to generate batch production orders. They also reserved material against customer orders and updated order statuses. Once available, the CD's were picked, packed and delivered to the consumer.

Approach: Listen to the people involved in the process. Document the process steps and who does what. Starting with the end in mind (i.e. what did we want to achieve with the process), reduce the process to a bare minimum and then highlight the non value-add steps in the current process.

Solution: The solution involved agreeing with Finance that an infinite inventory could be booked into the systems for the CD's. In practice, the starting inventory of each part was set at 999.999 pieces. These parts were coded so that Finance could see that the financial inventory could be ignored. Finance took an average default value of 10 x each of the 1800 CD's as the financial value. This meant that when an order arrived, it automatically was reserved for shipment, whether there was any inventory or not.
No need to run MRP, no need to adjust system statuses.
In the warehouse, a simple two-bin system was set-up using physical cards which was managed by the warehousing operation. As the first bin ran out, a card was sent to production for a replenishment job. If the second bin ran out, that card was put in the second bin tray which had a higher priority.
The delivery history continued to provide the individual demand information.

Result: In total 20 steps were removed from a 42 step process. This released 2 material planners for activity elsewhere in the company. The service level actually marginally improved as there were fewer people involved and therefore fewer potential delays.

Follow Up: Through measurement reporting of customer Level of Service, adjust production quantities of high runners as necessary.