

What Drives Inventory in Your Supply Chain?



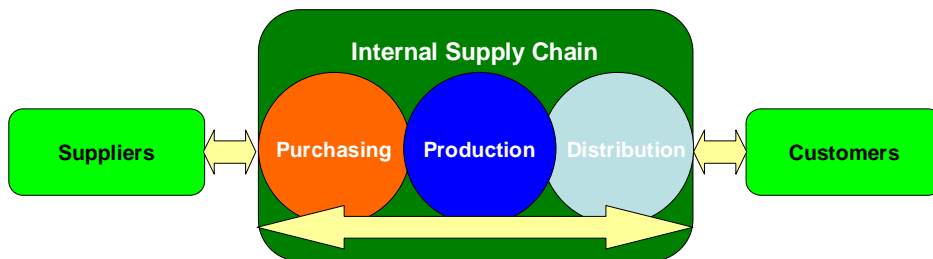
Inventory impact both top line revenue
and bottom line results.



APICS Peel Chapter
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Facilitator: Dennis Lord, CPIM

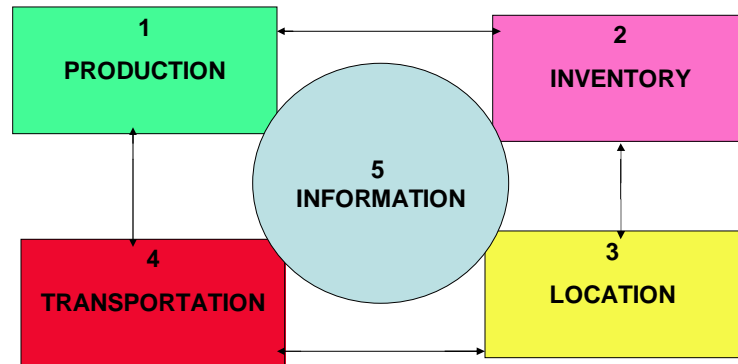
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The Five Major Supply Chain Drivers



Responsiveness vs Efficiency

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Responsiveness and Efficiency



Discussion

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Responsiveness vs Efficiency

Responsiveness vs Efficiency

1. Production	- Excess capacity - Flexible manufacturing - Many smaller factories	- Little excess capacity - Narrow focus - New central plants
2. Inventory	- High inventory levels - Wide range of items	- Low inventory levels - Fewer items
3. Location	- Many locations close to customer	- Few central locations serve wide area
4. Transportation	- Frequent shipments - Fast and flexible mode	- Shipment few, large - Slow cheaper modes
5. Information	- Collect & share timely, accurate data	- Cost of information drops while other costs rise



Safety Stock Drivers: Demand Variability

Factors Impacting Demand Variability:

- Bull whip effect
- New product introductions
- SKU proliferation
- Increased competition
- Increase promotions



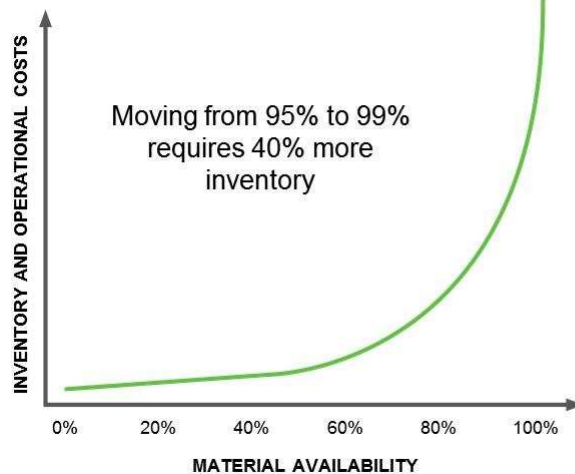
Safety Stock Drivers: Lead-time Variability

Factors impacting lead-time variability

- Transportation schedules
- Capacity limitations
- Equipment shortages
- Inspections/customs
- Weather
- Labor issues
- Security
- Service Level Objectives

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Service Level	Safety Factor Multiplier
70%	.524
75%	.674
80%	.842
85%	1.036
90%	1.282
95%	1.645
97.5%	1.960
99%	2.326
99.9%	3.291

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Cycle Stock Drivers

Factors impacting cycle stock variability:

- Lot size and frequency
- Replenishment review
- Supplier performance
- Minimum order quantity (MOQ)



Anticipation Stock Drivers

- Seasonal demand
- Capacity constraints
- Promotions
- Plan vacations
- Planned shutdowns



**Do you really know the inventory levels
that will maximize your financial,
service and operational performance?**

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