

LEAN INVENTORY MANAGEMENT PROGRAM REDUCES COSTS FOR PRODUCTION ENVIRONMENT

Problem

A medical diagnostics manufacturer was struggling to address the high costs of managing cleanroom consumables inventory. A **VWRCATALYST** Lean Six Sigma Process Consultant assessed current-state processes, including warehouse management, requisitioning, procurement, receiving, and cleanroom supply. Using lean methodologies, such as activity-based costing and value-stream analyses, the assessment showed that the cost to create and issue a purchase order (PO), receive, put away, and deliver to cleanroom areas represented more than \$33,000 in non-value added activity or expense.

This high cost was the result of:

- Using a paper-based requisitioning system
- Redundant processes for determining reorder quantities
- Unnecessary order reviews and approvals
- Warehouse pallet positions for raw materials for manufacturing
- Receiving and issuing from the warehouse management system, resulting in additional non-value added labor

Solution

Our consultant developed an optimized future state to demonstrate how a lean inventory management process could eliminate non-value added activities. The goal was to maintain quality, control the procurement process, improve end-user satisfaction, and reduce the cost by streamlining requisition to inventory to product use.

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PROBLEM

The time and expense of managing cleanroom consumables was too high for a medical diagnostics manufacturer.

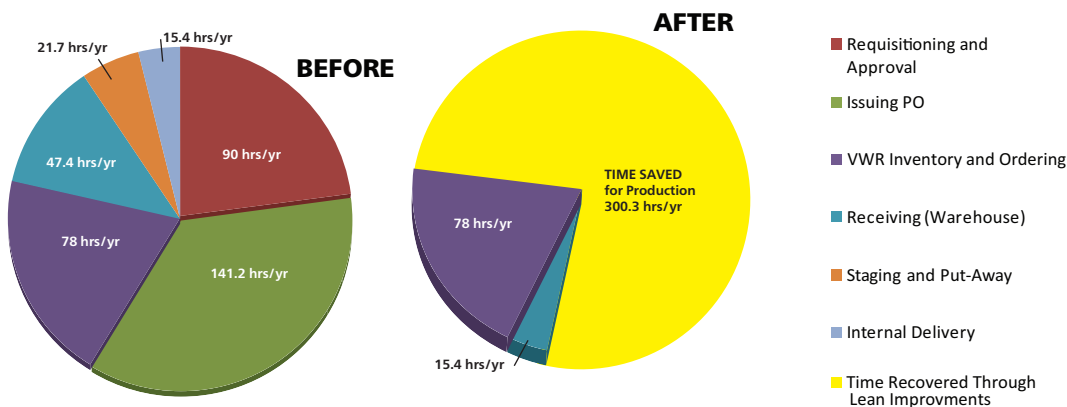
SOLUTION

VWRCATALYST assessed the process and recommended a program that streamlines product delivery to the point of use.

RESULT

A reduction in acquisition and process cost of **\$11,318**, recovery of **\$7,224** in warehouse space, and elimination of **\$14,722** in excess inventory.

TIME RECOVERED THROUGH NEW INVENTORY MANAGEMENT PROCESSES



Summary of results from lean business process improvements

Result

The new process eliminated the receiving labor costs of data entry into the ERP system. Direct delivery to the point-of-use locations bypassed the receiving department's process of storing material in their warehouse and the associated work of inventory maintenance. The new process also eliminated a complex paper-based process of issuing out of the warehouse and the associated system entry that was required. **VWRCATALYST** also improved organization at the stocking locations, leading to neater appearance and better functionality of the inventory points of use.

Streamlining the receiving and issuing processes has reduced the amount of time spent on inventory by more than **300 hours per year** and resulted in direct labor savings of **over \$11,000 per year**. The recovery of warehouse pallet positions saved **\$7,224 per year**, and excess inventory valued at **more than \$14,000** was eliminated.

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