

BLOOD SUCKING INVENTORY

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Inventory is like a living breathing thing. Inventory is born, grows up, gets mature, sells hard for a good while, then starts to taper off and eventually dies, in some cases even looms around in an almost dead state. During the inventory life cycle there should be caretakers like hospital nurses or in some cases hospice care workers. If not, your company's inventory will sit there like a vampire and suck every last penny of extra capital from your bottom line.

In my career I have become an inventory and supply chain enthusiast. In most cases, finding the right people to care for the inventory is not as difficult a task as I thought early on. Almost all the time, the right people are already there, they just do not know their value or understand inventory. Even worse, most of those people do not have managers that truly understand their personal value and how that may affect inventory and the company bottom line.

A good example of this is a situation happened to me one day as a purchasing agent. I was sitting at my desk pushing along doing my job and received a disturbing phone call from the warehouse. The warehouse personnel told me she had received my request to use inventory for a specific job but she did not want to let me use the parts. Through the entire history of the company, inventory had never been held or used for anything more than a "per job" type situation. What I mean by that is, inventory was purchased for job A, B, and C for example. This inventory then was consumed within a few months and "inventory" was gone and replaced with job D, E and F. In a perfect world, the

inventory disappears from the bottom line and capital remains to purchase for jobs G, H and I.

Unfortunately this is not a perfect world, and customers don't always decide to complete job B, and move on job D. Perhaps there will be a complete redesign and some of the parts ordered will work as purchased. Worse, there may be a cancelation and none of the parts will be used, ever. For years and years this company just sat on these unused orphaned parts. Over time they became like invisible vampires sitting on the warehouse floor. Every so often, the warehouse was expanded in physical size to near massive. Motors, gaskets, fasteners; the list went on. Floor to ceiling, end to end covered in new and old inventory just here there and everywhere. Many a manager and employee had become blind to the inventory that had now expired and become money sucking vampires.

Buyers kept buying, blissfully unaware of the inventory that lurked in every corner of this massive building. One day the purchasing manager went out to the warehouse on unrelated business and was astounded by the amount of inventory that just stared at her covered in years of dust and debris. So just like shining a light on a vampire, she pulled open the doors and immediately ran to upper management announcing she had found money the company can capitalize on hoping they would evaporate into piles of dust. However any good vampire is persistent, so they lingered in the shadows a while longer with the help of warehouse workers.

Even as the old inventory vampires were every so often being exposed

to the light, they were not being extinguished. The warehouse personnel loved those vampires. Like a security blanket a child cannot give up, the employees fought to keep the inventory there, the vampires stayed alive like. Their reasoning for the behavior was revealed in questions such as, why would the company increase the size of the warehouse if the inventory wasn't important? Or statements about the inventory being company assets and we need assets to keep our jobs if the economy turns and we can resell these items.

When I started at the company, being very passionate about inventory control, I chose not to believe the gossip and lore. Immediately upon my hiring decided to make the challenge my own personal fight. Every day was an uphill battle both ways. Like a young soldier with fight and determination, I pressed on to slay each and every one of those capital suckers to no avail. The vampires had too many allies. I was unable to slay them myself, and no one in power seemed to possess the knowledge or influence to really affect change. This meant the vampires went back to doing what they did best: suck any potential net profit straight off the top. They did this by staying invisible to the buyers. Buyers would just repurchase and restock when that was not necessary. New parts would come and go right past or sit on the shelf temporarily with other matching old parts.

As time passed, with pushing and shoving and massaging, the purchasing department eventually received a spreadsheet of items/vampires that were available to use for per job purchases. This went well for a while.

However, no one kept up with counts or spreadsheets or what was actually out there and still viable for use. So, every so often deadlines would come and go and parts were not actually available. Even worse, no one would realize the shortages until the parts were needed somewhere down the line. This caused panic and extreme high prices for overnight and custom solutions. The vampires were laughing all the while, protected and hidden in the dust filled shelves.

The real issue was that 'security blanket' mentality. No one in the warehouse wanted to see the vampires die. If a buyer called to use an old piece of inventory/vampire the warehouse employee would ask, quite simply, why? Or, the answer to the request was simply no. The deep fear is completely based in a total lack of inventory understanding. No one realized that with a good MRP system (which they did not have – hence the spreadsheet) running out of inventory or stock could be a thing of the past. Eventually, buyers went back to not using old stock and warehouse employees continued to love the vampires new and old alike.

There is a solution: education and empowerment of the employees. If stock is not being cared for and led through a healthy life by employees that love every single piece, vampires will emerge. Imagine this scenario again, but with employees who could identify each piece of inventory as a dollar sign. Imagine how a supply chain could be built with people who got excited when vampires were eliminated and felt that their employment was being positively affected. Imagine if every "replacement" item was met with accountability and signing in or out items for traceability. This would cause less need for rogue purchases. The money the company would save could be astronomical. The entire culture of the warehouse would change because

their purpose would be to use the enormous space for actual needs. What if truckloads of recurring high use items could be purchased at industry lows like South West Airlines does with their jet fuel? The cost savings would be immense! But remember in our scenario, the warehouse did not have any more room for more usable inventory because the vampires had run amuck.

Check out your warehouse culture. What do your employees feel for your inventory? Do they fully understand that they are the keepers of the health and livelihood of your bottom line? Are there vampires lurking in your midst? If you need to know more about how to create value in the very people you have on staff now, just ask! I would be happy to help you figure out a great solution to a real blood sucking problem.