



Engine Remanufacturer Lowers Inventory Carrying Costs While Maintaining Market Responsiveness

Highlights



- Reduced inventory carrying costs
- Increased market responsiveness (e.g. shorter cycle-time)
- Flexible warehouse solution that integrated reverse and forward logistics operations
- Increased material visibility and control while cutting material handling labor
- Leveraged proven Continuous Improvement efforts to further enhance performance
- Improved overall safety performance

The Challenge: A Fortune 500 engine manufacturer was looking to respond to market pressures and enact a strategic change to shift from a make-to-order to make-to-stock model for some key remanufactured product categories.

The client was looking to balance customer order fill rates and shorter order-to-delivery timelines against the cost of carrying necessary inventory. Additionally, this client wanted to maintain their responsiveness on customer deliveries while taking advantage of some affordable, yet flexible, warehousing options in close proximity to their existing distribution facilities.

The desired solution was to include a ‘flexible’ storage facility for certain oversized products that tend to consume significant amounts of floor space and often require specific material handling protocols. This value-added warehouse & distribution (VAWD) facility would serve as the client’s on-demand replenishment hub for their larger high-velocity forward logistics distribution center.

The Approach: Spinnaker’s leadership met with client sponsors to ensure all expectations were in alignment, and then immediately started to put ideas into action on critical elements of the solution. By leveraging deep supply chain expertise and tapping into a proven set of Transformation Tools, Spinnaker executed a rapid transition into another facility with no disruption to the business – while maintaining industry-leading service delivery performance levels. In just a few weeks, the

facility was set up, staff was selected and trained, enabling technology was configured and tested, and a readiness review was completed to verify the operation was in a position to perform successfully. Finally, the team established a governance and service management model to keep all parties informed, provide visibility to inventory levels, and maintain alignment of the services over time.

The Solution: **Within the center**, Spinnaker established an efficient storage configuration that would help to preserve product integrity, allow for rapid put-away and retrieval, and ultimately allow for more effective material handling. Working collaboratively with the client, the team configured the Red Prairie Warehouse Management System (WMS) and barcoding technologies to enable more effective management of the goods stored and track inventory movements between physical locations.

Beyond the center, Spinnaker helped to classify the inventory based on velocity. They also evaluated other product characteristics in order to enable proactive positioning of the client's slower-moving goods in a cost-effective node within their overall distribution network. By agreeing upfront to a regular schedule for drop-off / pick-ups, the parties were able to manage customer order fill rates while minimizing labor and transportation costs.

Spinnaker's Transformation Tools enabled the client to achieve and exceed their desired objectives. Leveraging disciplined governance models, jumpstart materials and formal cross-training programs, the service delivery team drove higher levels of workforce flexibility, reduced operational risk, and increased visibility throughout the entire process.

The Results: Spinnaker's services provided the client with a flexible solution that could quickly address their near-term needs and adapt over time. The solution has helped this client cut inventory carrying costs and trim labor costs without materially affecting the time to fulfill orders or risk adversely affecting end-customer satisfaction.

Spinnaker's expertise in several leading technology platforms enabled the client to integrate their WMS and fine tune the operating procedures to support aggressive customer delivery intervals. By looking for ways to integrate the reverse and forward supply chains, Spinnaker's expertise helped the client better align their material requirements plans. Ultimately, the client was able to handle the critical shift from a make-to-order model to a make-to-stock model, while balancing inventory cost and maintaining the customer order responsiveness that helps differentiate them in the marketplace.

Spinnaker's services have resulted in the following tangible benefits:

- Lowered inventory carrying costs by quickly establishing a cost-effective, flexible, yet reliable alternative to 'in-house' warehousing
- Consistently achieved 'perfect' order fulfillment within aggressive order-to-ship lead-times

- Improved responsiveness by leveraging optimized stock positions and intelligent location of goods • Reduced the handling of product by as much as 25%

About Spinnaker: Spinnaker is a supply chain services company that helps clients grow, manage risk, reduce costs, and improve customer service by developing world-class supply chain capabilities. Our services help clients develop the right supply chain strategy for their business challenges and implement the process and technology solutions to improve Demand/Supply Planning, Procurement and Sourcing, Logistics and Warehousing, and Reverse Logistics business performance. Spinnaker offers a unique service delivery model that combines the strength of deeply experienced management and technology consultants with a seasoned team of business process outsourcing (BPO) and 3rd-party logistics (3PL) professionals. Founded in 2002, Spinnaker has offices in Boston, Columbus, Denver, Houston, Memphis, Pittsburgh, London, and Singapore.

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