



# Public Utility Inventory Reduction Assessment and Analytics

**The Challenge:** After benchmarking against industry peers, one of the largest public utilities in the United States determined that their inventory levels were nearly two times the value of comparable utilities. New corporate wide goals around cost savings combined with troubling benchmarking data spurred the client to trim capital expenses and reduce inventory across the supply chain. The client partnered with Spinnaker to evaluate Transmission & Distribution (T&D) and Nuclear Generation inventory to understand why and to identify and recommend reduction strategies.

**The Solution:** Spinnaker brought utility experience, a structured supply chain assessment methodology, and a set of structured inventory analytics to the effort to identify both process and operational opportunities and to recommend specific changes in planning parameters and strategies. Spinnaker was tasked with both the analysis and with designing a roadmap for transformation and the team used qualitative and quantitative methodologies to complete these tasks. This included performing interviews with all related functions to unearth process and system challenges and analyzing historical data on usage and ordering to recommend changes going forward.

The Spinnaker team worked closely with the client data team across disparate systems to pull reliable history; this undertaking was considerable. Using two years of usage data, the team built an analytical inventory model to assess the client's current stocking strategies against best practice statistical calculations. The analysis included specialized statistical models for planning slow-moving parts, which was required due the slow velocity of some utility spare parts and components.

**The Results:** Spinnaker helped the client understand their current inventory position by highlighting where current processes were working, and where process or system opportunities existed. The client gained significant understanding into the velocities and stratification of their various parts via inventory segmentation analysis. Spinnaker compared

current inventory positions with recommended inventory policy strategies to highlight key areas for inventory reduction. Finally, Spinnaker undertook an assessment to determine what additional opportunity may exist by risk-pooling common spare parts.

By undertaking a strategy to pool some non-critical spare parts in a central location, Spinnaker identified inventory value reductions of 30% within Generation. The analyses showed that more than 50% of Generation inventory dollars were tied up on parts with no movement for five years or greater. Similarly, for T&D, the analysis found significant aging of key inventory categories as nearly 25% of its inventory had no recent or known future demand. A focused strategy to reduce this inventory by incenting design engineers to use existing inventory vs. buying different components was required. The segmentation analysis also highlighted the opportunity to standardize disparate parts between legacy utility organizations that was contributing to redundant stocking of many like products.

In addition to specific analytical findings and recommendations Spinnaker defined process changes allowing the client to evaluate and score potential projects on the ability to utilize excess materials and reduce materials returned to stock. Through both the analysis and process recommendations, the project addressed the root cause of excess inventory and helped shift the mindset to focus on policies that keep inventory out of the supply chain before it becomes slow-moving.

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**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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