LeanCor CONSULTING

We do.

We consult.

We teach.

CASE STUDY

INBOUND MATERIAL FLOW ASSESSMENT

INDUSTRY: Hospital Equipment Manufacturer

$1.2 MILLION IN LOGISTICS & RESOURCE REQUIREMENT COSTS

MATERIAL FLOW ASSESSMENT FROM SUPPLIER ORDER THROUGH DELIVERY TO THE MANUFACTURING FACILITY

With Growth Comes Complexity

The client, a hospital equipment manufacturer, had experienced significant growth through organic means as well as through the acquisition of similar organizations in the same industry.

The customer partnered with LeanCor Consulting to analyze the current state of inbound material flow and inventory management for one of Midwest facilities in order uncover opportunities for waste reduction and efficiency throughout its manufacturing and distribution network.

Developing a Material Flow Strategy

The client desired an in-depth on-site analysis of its Midwest manufacturing operations, which consisted of two separate facilities within close proximity where fabrication and assembly take place. The client was challenged with a lack of material flow, accumulating inventory, and over-processing.

A secondary, but highly relevant, objective was to understand material flow through its transportation network inbound from suppliers and between the two facilities.

The client needed an internal and external material flow strategy to align supplier replenishment and transportation to its manufacturing line in a stable, level, predictable, and visible manner. This would manage complexity, increase material velocity, and ultimately better serve the client's customers.

LeanCor Consulting team provided the following recommendations:

- **An inbound logistics network assessment** to identify waste in the current inbound network and identify cost reduction opportunities through development of a stable, planned transportation design that allows optimal mode utilization, shipment consolidation, and visibility to in–transit material
  - Assessment of current state transportation mode selection inaccuracies and associated freight cost reduction opportunities through selection of the optimal type of transportation

CASE STUDY

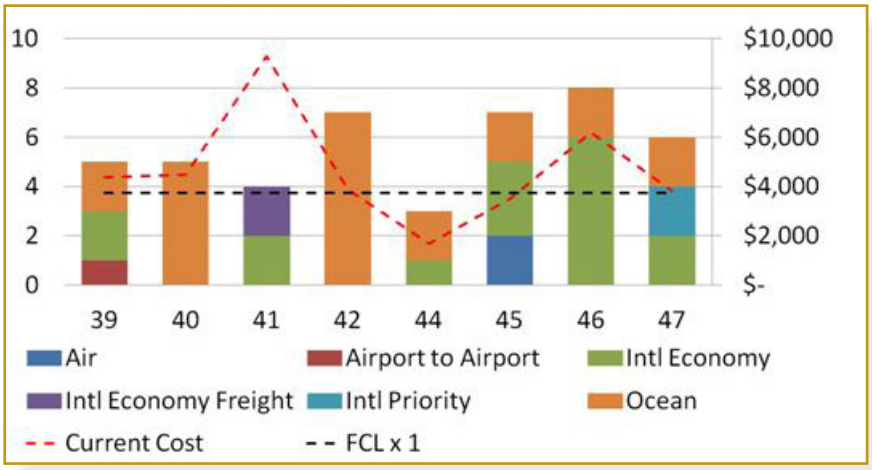
Leverage PFEP data to identify opportunities to improve flow and stability → Reduce quality inspections to critical few → Implement systems and processes to reduce receiving exceptions → Implement disciplined receiving schedule and reduce to one shift → Deliver material direct to point of consumption and elminate parts shuttle

- Current state domestic and international delivery variability assessment and cost reduction opportunity through leveling of inbound material to the dock door

■ **Intra-plant material flow analysis** to identify and assess opportunities to remove waste within the four walls of the two facilities
- The team identified internal plant areas with wasteful over-processing, leading to material flow stoppage and excessive resource administration.
- They recommended specific systems preventing greater than 50% of exceptions in the receiving area that led to rework, over-processing, and reduced material velocity.

■ **Inventory analysis** to understand appropriate levels of A, B, and C SKUs, identify both overages and shortages in raw material stocks, and determine the appropriate amount of safety stock to maintain a minimal amount of inventory using defined risk parameters
- LeanCor analyzed inventory levels and opportunities to free cash flow and decrease line-down occurrences.

■ **Step-by-step road map** to guide transition from the current state to the proposed future state



Consolidation Opportunities

High-Impact Results

Deliverables and Improvements

As a result of this assessment, the client would save within the first year:

$1.2 MILLION
in logistics & resource requirement costs

$793k
International transportation costs

$881k
Inventory carrying costs

LeanCor SUPPLY CHAIN GROUP
www.leancor.com

Headquarters/Operations Center
7660 Turfway Road, Suite 200
Florence, KY 41042
P: 859.283.9933

Atlanta Consulting Office
2002 Commerce Drive N
Peachtree City, GA 30269
P: 770.486.8531