

Inventory Visibility

to Cut Fixed Costs, Boost Customer Service, part 2

BY DANIEL BRODY

Metal service centers are beginning to recognize how supply-chain management tools can help them achieve “inventory visibility,” for their own use and as a service to customers. Inventory visibility can alert planners when inventory falls below a certain levels, and provide options for dealing with the problem. It can look at many constraints in the supply chain and offer suggestions for resolving these. The system can be configured to reschedule orders so that high-priority customers are not adversely affected by problems.

As such tools become more widespread the pressure from customers and shareholders to deliver such value will grow.

But, it's catch-up time for metals service centers. They must recognize the trend toward inventory visibility in spite of the organizational limits and resistance. Consumer goods suppliers are further along with inventory visi-

bility systems, which will pressure basic materials companies to join the effort. There will be rewards.

The returns are often substantial; the paybacks often fast. With the right technology, improving inventory visibility has cut cycle times by more than 20% and reduced inventory by more than 20% in other industries — both while improving in-stock customer service.

Providing customer self-service over the Web is another source of payback; forward inventory visibility and order/shipment status are key elements of Web self-service.

For many companies, even a fraction of those gains would pay back an investment in inventory visibility many times.

Tracking inventory at each stage is the target, but that can be difficult, particularly for goods sourced from overseas. Some real-time location systems physically track items using radio-frequency bar codes scanned at each stage and tracked in an integrated information system. Location information can be made available to every party in a supply chain via the Web or XML updates. With event-/exception-processing and intelligent messaging, potential problems that need solving can be automatically picked out of the information flow, and the appropriate manager alerted. While these are achievable results, it means adopting a technology that creates a real supply-chain community.

Recognize the whole supply chain, linking all the trading partners — from raw materials suppliers, to contract

manufacturers, to delivery and distribution. At an operational level, information can be shared along the supply chain about a product's status: where

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it's at, where it's delayed, The benefits just for customer self-service are huge, between 12:1 and 20:1 savings versus long-distance phone calls and fax follow-up to find out what's going on. It is all in one spot and accessible over on the Internet. An additional, frequently unrecognized benefit is loyalty from both customers and suppliers. When you make things easy for someone to do business with you, you convert that account from customer or supplier to business partner. You become as strategic to them as they are to you.

Managing demand and supply via the Internet will solve much of the technical challenge to inventory visibility, such as system compatibility between trading partners. But, it may require a new business model that established, transaction-based technology does not support. Current technical applications may not even be appropriate in the future, as a lot of them are keyed to processing transactions. In the “new world,” there are very few transactions. Trading partners replenish the player ahead of them in the supply chain in an eco-

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BENEFITS OF INFORMATION VISIBILITY

Sharing data such as demand and supply information is the first step towards supply-chain integration and e-business and it can:

- Avoid high inventory costs and shortages.
- Deliver consumer insight via “point of sale” data to mills, processors, distributors, manufacturers, and retailers.
- Give manufacturers knowledge through a broader market vision.
- Open a route to collaborative product design.
- Facilitate collaborative planning and forecasting.

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nomie way based on the real take-away by the consumer.

A metal service center or processor can balance its output with customer demand, so inventory in the pipeline is precisely matched to what will sell. Still, despite a heavy emphasis on just-in-time supply-chain management, excess happens. True inventory visibility illuminates where the supply chain can be fine-tuned, how schedules can be coordinated better, and what little “black holes” product falls into along the way. With the right information, service centers can reduce asset costs in the supply chain.

What information systems are needed to achieve this sort of visibility? One, which provides visibility and scalability, is the Steel Enterprise Management Systems (SEMS) from Steelman Software Solutions Inc.,

SHORTCOMINGS OF INFORMATION VISIBILITY

More information is not always better information. Problems include:

- Overcoming the impulse to reserve (i.e., hide) information from other organizations
- Meshing incompatible information systems
- Recognizing that information can reveal strategies that organizations prefer to keep hidden
- Managing too much information, and identifying what to pay attention to, to avoid “analysis paralysis”
- Taking time to build trust with partners, to the point when sensitive information is shared willingly

built on the ORACLE 9i infrastructure. Others are available, too, and there are a handful of software vendors providing ERP to the metal industry. But, most of these systems are

out-of-date, written in programming languages that are obsolete and incapable of collaborative functions. Some companies have upgraded Windows technology under client-server architecture, but this approach is also outdated by centralized core technologies like Oracle 9i.

Metal services businesses need a system that is built from the ground up for their needs and provides visibility today, not sometime down the road. This industry is too volatile for that.

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