

## **Developing an Effective Supply Management Process**

Circle Bolt & Nut (CBN) offers multiple solutions to your supply management requirements. We can provide hands-on support through bin stocking programs to complex technology driven VMI (Vendor Managed Inventory) systems. Our team of supply management specialists is available to help you design a custom supply process to meet your cost and supply management objectives.

The process of supply management (inventory management) can be thought of in terms of a conversation between two parties. In the simplest terms, a purchase order that a customer uses to order product from a supplier can be compared to a monolog between two parties. In a monolog, one party speaks without input from the other side. The customer defines all aspects of the supply process and the supplier simply reacts to the purchase order.

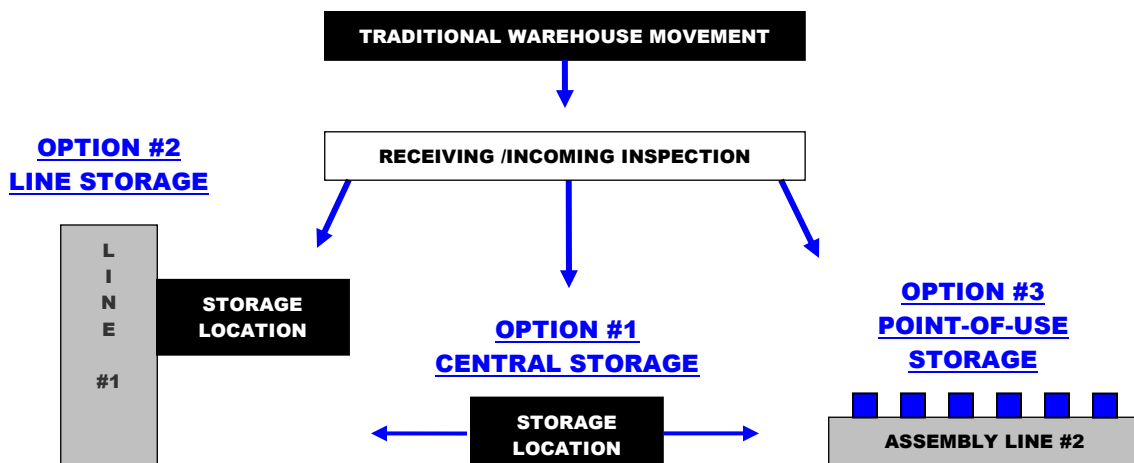
In a dialog, there is an exchange of ideas between two people or parties. This exchange allows for a customer and supplier to receive an increased level of return from their relationship. The level of return can be maximized by the depth of the dialog process and the establishment of clear and formalized objectives.

The following information is being presented as consideration of options for supply management (inventory management). The manufacturing culture of a customer will help define the best supply option to maximize the results to insure parts/product availability, cost containment, and process efficiency.

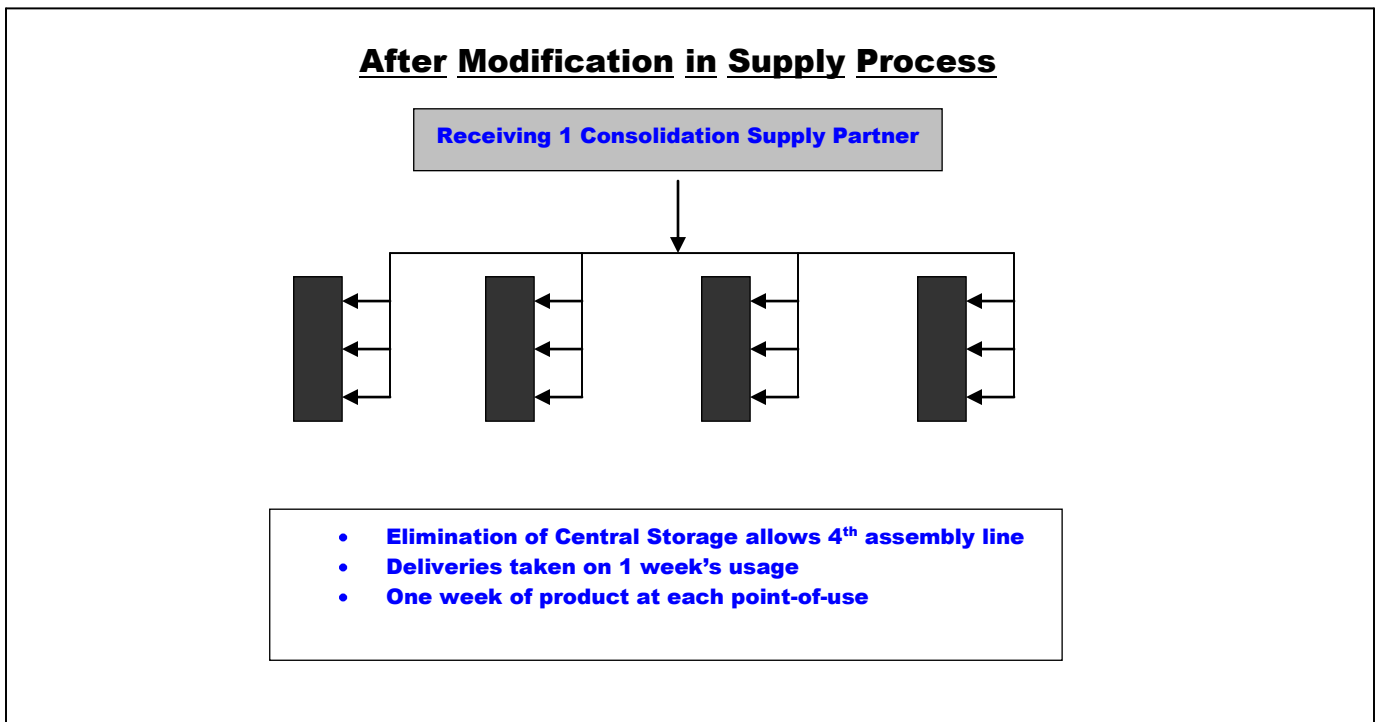
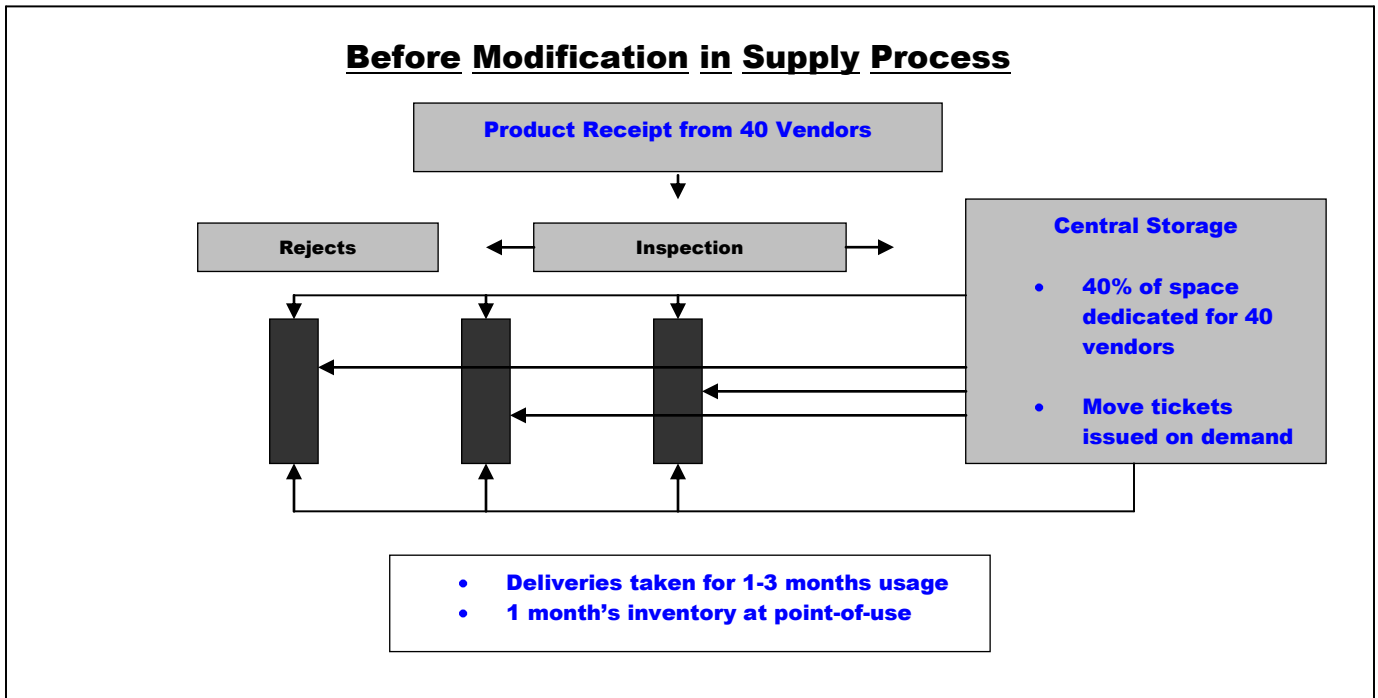
### **Three Supply Management Process Options:**

1. **Central Storage** – Product is stored in a central location and distributed to the production areas. Replenishment to production areas occurs through general requisition or a Market Basket/Breadman approach.
2. **Line Storage** – Product is directed to specific production areas. Line personnel pull directly from Line Storage.
3. **Point-of-Use Storage** – Product is directed to specific production areas or cells through destination codes. This type of replenishment format requires an accurate Bill of Materials and product use information, but virtually eliminates excess inventory and waste in material management.

### **Illustration of the Three Supply Processes**



## The Effect of Vendor Consolidation and Extensive Streamlining of the Supply Process



**Defining the Method of Replenishment:**

Once the supply management format has been defined, (Central Storage, Line Storage, or Point-of-Use), the next step is to define the method of replenishment and who has the responsibility. A sampling of replenishment options are noted below:

- Customer driven shipments to schedule
- Visual supplier review of the storage location(s) and shipment to customer for stocking
- Visual supplier review of the storage location(s) and manual replenishment by supplier
- Technology driven replenishment in which product use information is electronically communicated to the supplier for shipment to the customer for stocking
- Technology driven replenishment in which product use information is electronically communicated to the supplier and product is directed to Point-of-Use through destination codes

**Employing Lean Manufacturing Practices**



**Bin Stocking**



**Portable Storage Unit**



**Kanban Systems**



**On-Site Scanning**



**Wireless Scanning**



**Closing Comments:**

The Circle approach is to work with the customer to offer custom tools for cost containment and process efficiency. The question of the right format is based upon an evaluation of the culture of the production facility, the accuracy of the Bill of Materials, the security of the inventory, and the level of process efficiency that is desired.

In addition, the level of formality that is employed will contribute to insuring a process of continuous improvement. We recommend the use of a “Letter of Understanding” or similar document that outlines the items to be replenished, how costing is structured, QA requirements, the supply format, and areas for continuous improvement.

Thank you for the opportunity to offer creative solutions to your supply management requirements.