INVENTORY CONTROL

How important is Inventory? What role does it serve in any business enterprise? Did you realize that better than 50% of companies activities are impacted by inventory? How well does your organization control inventory accuracy? Why is this level of accuracy not improving?

We would like to provide a series of questions which you can employ as self assessments as to how well you are addressing the need to better control your inventory.

Here are a few facts to ponder, when answering the questions:

* Inventories role is to handle the unexpected-act as a "BUFFER"
    - Sometimes we allow too much buffer or "Just-in-Case" inventories.
* There is a cost associated with carrying inventory-it can be as high as 45%
* Most organizations do a very poor job of minimizing their investment, especially when times are good.
* Many companies do a poor job of measuring Inventory Performance.

Use these questions to appraise your own capability to control and reduce inventory.

1. What is your average inventory level?
    * How is it planned or determined?
2. How is it distributed?
    - Material
    - In process
    - Finished product
    * What makes these the appropriate levels for your business?
3. How much slow moving and/or obsolete inventory is there?
4. What are the present turns of inventory?
    - less than 4_____ Poor (however, it depends on a couple of factors)
    - 5 - 8__________Fair
    - 9 - 12_________Good
    - 12 - 18________Better
    - 18 - >________ Excellent

5. How often do you direct Purchasing to delay receipt of material to keep inventory investment down at particular times?

6. How often do you stock out of particular items in inventory?
   - Is it the same item?
   - What is the cause of the stock-out?
     - Is it people, records, suppliers, excess demand or we don't really know ?

7. What is your cost of carrying inventory?

8. As a result of physical inventories, how much is the adjustment in $ and in each category (+/-).

9. How accurate are your inventory balances?

10. How often do you count your inventory?
    * What drives you to count (accounting or customer needs or both)?

11. If you use a Cycle Counting methodology, what is the gross and net variance %?

12. What are the causes of the variances and how are you ensuring their reduction?

13. Inventory error transaction history is measured, what is % of error and what are the causes?

14. What measurement/s are in place that provides the company leadership with a view of how well the Inventory is being managed?

HOW WELL DID YOU RESPOND TO THESE QUESTIONS?

IF YOU ARE RESPONSIBLE FOR INVENTORY, YOU SHOULD HAVE ANSWERED ALL OF THEM!!

IF YOU COULDN'T, YOU'RE OUT OF CONTROL!