

CASE STUDY
—
INVENTORY CONTROL &
MANAGEMENT



Managing expenses through inventory controls

A large consumer products company with multiple facilities located in several different countries consulted with SYSTEMA to address requirements for the implementation of a manufacturing execution system (MES). This company recognized the value in transitioning away from paper-based methods of inventory accounting and viewed automation as an opportunity to reduce expenses and maximize cash on hand.



Reliance on manual methods inevitably result in unnecessary expenses



An Industry Challenge: Gaining real-time insights into inventory

Granted inventory management is not a particularly novel challenge to be solved, many manufacturers still rely on relatively manual methods to account for and report on inventory or stock in a warehouse and on the shop floor. Spreadsheets and paper-based systems will certainly get the job done though not with the accuracy and immediacy of integrated software to support the effort.

Reliance on manual methods inevitably result in unnecessary expenses as human-error and delays in reporting can lead to too much or too little inventory on hand. In the absence of real-time inventory and consumption data, procurement operations must base supply orders on planned rather than actual consumption values. Basing supply orders on estimates risks falling short of materials if, perhaps, production was going really well one day – or not so great and there was a major scrap event – and more material was consumed than had been expected, the next day there may not be enough material on hand to execute all production orders. This can lead to last-minute purchasing which often results in higher costs due to lack of time to find a cost-efficient source for the material needed for production or paying expedited shipping costs. Conversely, if too much material is sitting unused in inventory, the company has less cash on hand to acquire other income producing assets or invest in income producing activities.

To prevent imbalances in either direction, SYSTEMA was asked to help this company to deploy a solution which would provide real-time accounting and reporting related to warehouse and shop floor inventory levels using actual values from the shop floor reflecting true material consumption.

IT Challenge: “Invisible” data

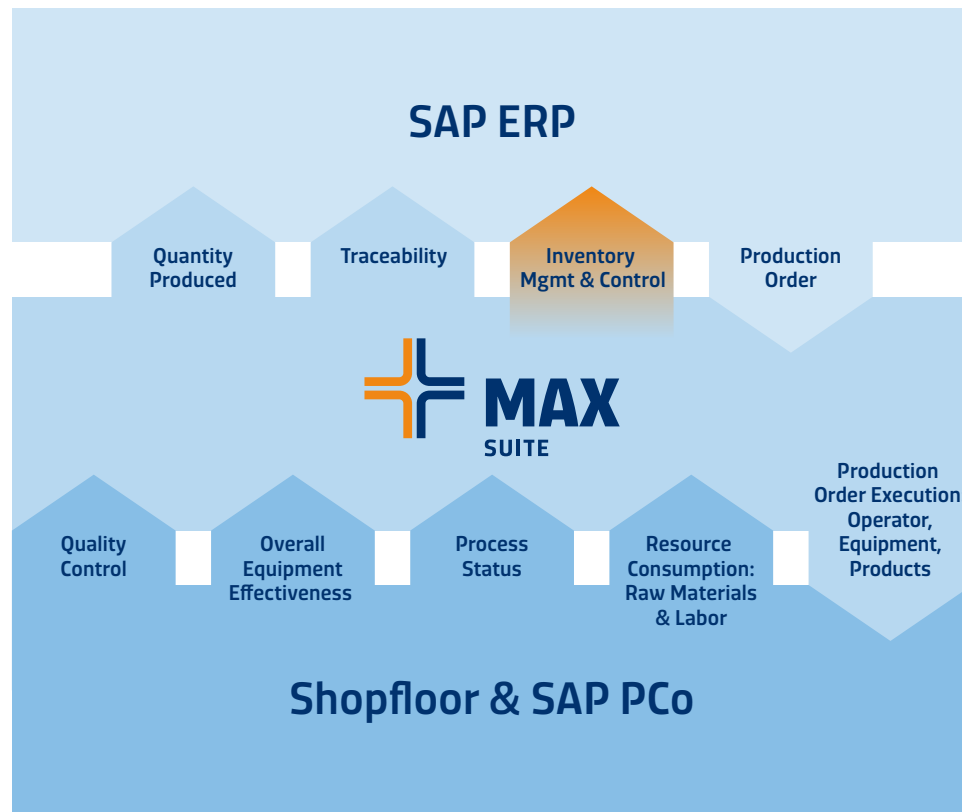
Though this manufacturer had an ERP system, the warehouse and shop-floor material consumption data resided in a paper system which was “invisible” to the ERP. Lacking the ability to automatically integrate that data with the ERP system, logistics and supply chain staff relied on estimates to determine when, what, and how much material needed to be ordered to keep production running.

The Solution: SYSTEMA's MAX Suite

While [SYSTEMA's SAP MAX Suite](#) isn't an inventory management tool on its own, it supports inventory management by integrating with the ERP and shopfloor equipment to provide real-time, automatic updates as materials are consumed.

MAX Suite's native integration with SAP ERP and [SAP Plant Connectivity \(PCo\)](#) ensures that shopfloor events will trigger the ERP to adjust material orders based on consumption and adjust production plans by accounting for resource availability. The net effect is that the manufacturer has real-time visibility into inventory and supply orders can be based on real-time inventory on hand along with customer orders in queue for production thereby preventing buildup of excess inventory and ensuring that there is always just enough material on hand to execute production orders.

Integration between SYSTEMA's SAP MAX Suite, SAP ERP, and shopfloor equipment enables automatic material consumption updates in real-time.





What's next for this manufacturer?

Partnering with SYSTEMA, this manufacturer was able to achieve real-time inventory accounting as part of their MES implementation along with a 10% reduction in inventory and improved order management and fulfillment capabilities.

What's next? With their successful initial roll out at the pilot location, they have paved the way for quick implementations of this solution at their other locations and are in the process of doing so.

This manufacturer was able to achieve:



Real-time inventory accounting



Reduction in inventory



Improved order management and fulfillment capabilities

[Click here](#) for a detailed demonstration of SYSTEMA's SAP MAX Suite capabilities.

Feel free to contact us with questions at contact@systema.com.



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