

Delivered additional profit of US\$ 1.33 million per annum through effective warehouse management

BUSINESS CASE

Organizational Trends

- It is observed that inventory carrying cost of warehouse is increasing
- There is a huge difference between traceable inventory and book stock of inventory in the warehouse
- This created a need to improve the warehouse operations in the refinery

CHALLENGE

What is the challenge

- Inventory is not traceable due to reasons such as
 - Frequent relocation
 - Lack of inventory code/RFIDs
 - Damaged inventory code/RFIDs
 - On-field personnel capability
 - Non standardized storage locations for inventory

Where is the challenge

- At the warehouse in the refinery

From when is the Challenge

- Since 3 years

IMPACT

What is the impact

- Higher lead time for retrieval of inventory from warehouse, impacting operations
- Additional inventory cost due to repeat purchase of untraceable inventory
- Need for setting up a new warehouse due to lack of space to accommodate new inbound inventory

How much is the impact

- US\$ 8.2 million worth inventory is untraceable in the warehouse
- Increase in inventory carrying cost by US\$ 0.23 million in the last 1 year
- CAPEX of US\$ 4.7 million being evaluated for setting up an additional warehouse

TARGET

What is the Target

- Locate US\$ 8.2 million worth of untraced inventory
- Reduce inventory carrying cost from US\$ 3.1 million to US\$ 1.7 million per annum
- Remove non-value added steps in the warehouse operations
- Reduce cubic feet of warehouse space utilization from the current projected number of 100% to a realistic 80%

OUTCOMES

Improved Profits

- Reduced cost worth US\$ 1.33 mn / annum by reducing inventory carrying cost from US\$ 3.1 million to 1.4 million per annum
- Reduction in non value added steps by 29%
- Out of the US\$ 8.2 million untraceable inventory, US\$ 6.1 million worth of inventory has been located in the first 3 months and appropriately coded
- Reduced cubic feet of warehouse space utilization from the projected number of 100% to 86%, thus eliminating an investment of US\$ 4.7 million towards setting up an additional warehouse

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