

The MRO Mart

Point-of-use technology becomes a more compelling option as manufacturers are forced to take a hard look at their spending in the area of MRO.

By Anna Wells

Lean manufacturing—though hardly a new concept—has become more and more refined over the years. For those manufacturers who have implemented Lean operational practices, the recent recession has given them good reason to consider expanding the program to other parts of their facilities, specifically MRO.

Technology providers in the area of industrial vending—along with many industrial distributors with a goal of better inventory management throughout the entire channel—have begun touting point-of-use inventory control as an easy first step for manufacturers dealing with a tool crib, or worse—“junk room”—that’s gotten a bit out of hand.

Cribs To Vending

“Tool cribs, manned or automated, are an incredible waste of manpower and materials,” says David J. Simbari, President and CEO of SupplyPro Inc., provider of automated point-of-use dispensing technologies. “Look at the process: Skilled, high-paid labor leaves their work area to go to a tool crib. Studies have shown the average walk time to and from is 20 minutes. Add to this the cost of labor to operate the tool crib and you end up with one very expensive pair of gloves! The issuance of materials become even more costly if the organization needs to maintain a 2nd or 3rd shift where materials are either completely locked down, management has to physically open the crib, or it is just left open for anyone to shop.”

In an effort to help refine these processes, industrial vending technology providers have continued to emphasize the positive effects these solutions can have on traditional materials management. Vending can be used for a variety of reasons within a plant, but these machines are typically the keepers of indirect materials and MRO. As manufacturers look for more areas in which to drill down operating costs, MRO has been given a hard look.

According to Larry Harper, President of WinWare Inc, manufacturer of the CribMaster Inventory Management System, this is just an expansion of lean efforts that many manufacturers used to primarily apply to their indirect materials. “For years, manufacturers have focused lean initiatives toward their direct supply chain and direct automation processes,” he says. “Manufacturers cut out additional steps, applied automation, and focused heavily on the direct side of things. Great strides have been made in many organizations by doing this and now their focus has changed to also include the indirect side of things as well. More and more we see interest from SixSigma Lean Coordinators and professionals with like titles that are looking to eliminate waste from the indirect supply chain and internal distribution process.”

This internal focus has driven many manufacturers to automate their existing tool cribs and equipment storage areas by introducing industrial vending machines. These point-of-use systems provide secure, self-service access to the inventory, says Harper.

“With that comes a higher level of accountability and automation at point-of-use, but that in itself is not managing inventory. Managing inventory is much more,” explains Harper. “Managing inventory is taking into consideration every process involved with that particular piece of inventory and making sure that it effectively goes through those processes from the time the inventory is received until more is ordered,” he says.

But the machine itself is not a complete solution. According to Harper, the key to comprehensive inventory management lies in the technological resources driving the more complex requirements. There is plenty of grey area, according to Harper, and purchasers might be looking at the following details (among others) that require software solutions to address:

- Is the inventory a re-workable item and was the dull item returned?
- Is the inventory managed using the LIFO or FIFO methodology?
- At what point do we order more and is that accurate based on usage of the product?
- Is it consigned inventory or do we own it?
- What are the speeds and feeds of this cutting tool?
- Is the item expendable, durable, serialized, part of a kit, etc.?

These are the types of things that the software behind the scenes should be managing, says Harper. “The vending machine is simply a way to trigger a transaction and the software behind the system is the key to properly man-



aging all of this. So when you are evaluating a vending system, do your due diligence on the software. This is the key to a good solution."

Suppliers, Manufacturers Adapt to the "New Normal"

For Simbari, technology is only one part of an overall culture change for organizations on both ends of the supply chain. "The power of this information is compelling in that management, for the first time, has the upper hand in negotiating the purchase of indirect commodities from their suppliers," says Simbari.

"Moving forward the technology to collaborate directly with suppliers when consumption occurs is a trend we see taking hold. Organizations can move to a consignment-based model using the device, a 'supplier warehouse' at the work cell, only paying for what is consumed and not for what is in stock. This is a true model of 'Just In Time Inventory.'"

As an added benefit, this has become a great vehicle for supplier involvement in inventory management for manufacturers. As industrial distributors trend towards value added services, these types of programs often help them retain their customer base (and increase exclusive spend) by improving their value proposition.

A recent survey of *IMPO* readers found that nearly 32 percent of respondents use their suppliers for inventory management services. While this number indicates a certain level of adoption, there is still a long ways to go: 60 percent plus either don't realize they can obtain these specialized services, or don't care to.

But according to Harper, the "New Normal" economy may be the pressure that forces the hands of manufacturers when it comes to looking closely at these services. He sees a trend towards integrated supply as one that might increase the propensity of manufacturers to simply hand off the responsibility of inventory management to a local or national supplier. Vending can help facilitate this process, he says. "That supplier is responsible for monitoring, ordering and often times, running the tool cribs on-site. Vending machines take integrated supply contracts to the next level and they make sense for both the manufacturer and the end-user to reduce labor costs, reduce stock outs, reduce order entry, prove cost savings, properly account for costs, and more," he explains. "Vending helps to form a solid partnership between manufacturer and supplier, and reduces waste in both the manufacturers' processes and the suppliers' processes."

Accountability

Industrial vending won't just change the nature of MRO supply for

management and suppliers: Users will be faced with increased accountability related to their consumption of these items. In the end, says Harper, point-of-use technology has a "drastic impact on accountability, which reduces hoarding and reduces inventory spend by an average of 20 to 30 percent."

Hoarding might sound dramatic, but it's a real problem for manufacturers contending with lots of unaccounted-for indirect materials, and lots of employees. Many managers find that employees tend to keep their own stockpile of items for emergency scenarios, yet might not consider the added carrying costs that come with dozens of people employing that same strategy.

These seemingly small events—keeping a drawer full of drill bits, for example—become compounded and, when calculated into the total cost of MRO, can add sometimes thousands of dollars to the equation. The vending solutions are also a great way to see whether consumables—like disposable gloves or shop towels—are being used efficiently and effectively.

And even if employees are using these items sparingly, it may come down to time usage that's just not Lean-compatible. "It's just natural that productivity escalates and materials use decreases exponentially when you distribute materials in a controlled manner where access is tailored for that specific user, for that specific function at the actual point of use."

This method however, according to Simbari, must be coupled with an investment in the right technology. "Organizations need to focus on true process change, as opposed to employing technology that simply accelerates the same process," Simbari says. "The message is clear: Leverage technology to make a sea change in the process rather than using it to speed up a pre-existing inefficient one." *IMPO*

Where Is RFID Now?

The 4-letter acronym has experienced a bumpy ride in perception and adoption over the course of the past decade or so. According to WinWare, RFID (radio frequency identification) technology provides specific value for vendor-managed inventory programs. WinWare's use of passive issue technology has grown to 30 percent of its business, and it allows end users to remove items from a cabinet, for example, and barcode or weight sensing technology (think hotel mini-bar) alert the inventory management company. "We have invested heavily into technologies that enable us to accomplish this with great accuracy, and believe it is the future of point-of-use inventory distribution," says Harper.

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