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## Employing Materials Management Best Practices to Drive Down Costs and Improve Support for Operations

### The Situation

A large agribusiness company was modernizing and streamlining its operations to increase its ability to compete on a global level. The manufacturing division recently implemented a \$300 million modification of production equipment in many areas. Multiple storerooms were designed to support two business operations, one in agriculture and the other in manufacturing.

### The Challenges

The maintenance teams in both manufacturing and agriculture were very reactive and were not being well supported by the storerooms with the parts to do repairs. Materials management practices were very limited. One major challenge was integrating the inventory from one mill that was being closed; the agriculture storeroom; satellite storerooms; and the manufacturing storeroom into a single central storeroom location. About 60% of the repair parts purchased were direct buy items that were not tracked using inventory control methods, or monitored to maintain accurate equipment repair history or material cost.

### The Approach

With help from Life Cycle Engineering, the company

- Implemented a Best Practice storeroom operation, including implementing kitting and repair-replace processes and creating storeroom security.
- Identified overstock levels and disposition plans
- Implemented a vendor-managed inventory program in both the agriculture and manufacturing divisions.
- Implemented the use of high density cabinets.
- Created Key Performance Indicator metrics to track storeroom performance.

### The Results

This company now has a centralized storeroom operation and items stored in protective areas with locations to facilitate quick access when needed. Financial benefits of implementing materials management best practices include:

- Identified and disposed of \$2.7 million in obsolete inventory items, saving \$47,000 a year in state inventory tax.
- Including a \$60,000 credit received for parts returned to suppliers, savings in MRO inventory carrying cost totaled \$492,000.
- \$30,000 was recovered from selling overstocked electric motors.
- Identified \$2 million in direct purchase activity from one major supplier. Newly established partnership should reduce this expenditure by at least 25%.



### **About LCE**

As a leading maintenance and reliability solution provider for over 30 years, Life Cycle Engineering (LCE) ([www.LCE.com](http://www.LCE.com)) helps public and private enterprise gain increased profitability through greater capacity, lower operational costs, and decreased downtime. By combining a range of industry experts, unique processes with proven success, and a comprehensive array of educational courses, LCE has gained reputable status as the premier provider of innovative and successfully executed reliability and maintenance solutions worldwide.

