

How to reduce raw material inventories



ThyssenKrupp Aerospace



ThyssenKrupp

The challenge

Aluminum
Steel
Titanium
Aluminum-Bronze
Nickel
Copper



**optimize material
consumption**

As credit has tightened, a company's need to generate cash has never been greater. However, because customers and suppliers are in the same position, the traditional approach of 'pay late and get paid early' doesn't work.

Companies have therefore looked at other approaches including reductions in material inventories.

The problem is how to achieve this without disrupting production.

To meet production needs, a company needs sufficient material to meet its usage and at the same time to provide a buffer against variations caused by sudden changes in supply or demand.

In reality, because of poor analysis or a lack of trust in supplier performance, companies also carry further inventory on a just-in-case basis.

The process...

By working closely with customers, we have been able to develop some advanced tools which simplify analysis. We use these to devise novel supply arrangements, which result in significant inventory reductions combined with high standards of on-time delivery performance.



...to a customized solution



- The manufacturer enters parts requirements into joint EDI system.
- At ThyssenKrupp Aerospace operators prepare parts in accordance with the agreed service level agreement.
- Material is packaged to protect components.
- Material is delivered to the manufacturer's point of use.
- Full online visibility of parts inventory and min/max levels.



The case study



This approach was taken with a leading global aerospace manufacturer:

- The ThyssenKrupp Aerospace planning team reviewed the customer's demand forecast for cut to size tube and bar and following an electronic upload was able to use its planning software to compare the future with its historical usage.
- This enabled forecast accuracy and other variables such as mill lead times to be established and an initial forecast by part number was produced.
- It was agreed that the customer's inventory should be reduced to one week. To support the change, ThyssenKrupp Aerospace agreed to carry a buffer to instil confidence and bought back the customer's excess inventory.
- Within 6 months of the change this buffer was reduced and the increase in confidence encouraged the customer to outsource the first stage of processing which resulted in reduced material use and improved process flows.

The benefits of this approach were as follows:

- Inventory reduced from 6 months usage to 5 days worth €2.1 m
- 1000 m² of storage and processing space converted to high value assembly work
- Materials costs reduced by 5%
- On-time delivery and right first time quality consistently exceeded 99%





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Africa

Tunisia, Tunis +216 29 432 402

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Canada, Montreal +1 514 782 9500

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USA, Hutchinson, KS +1 620 802 0900

USA, Indianapolis, IN +1 317 217 1560

USA, Seattle, WA +1 253 239 5700

Asia Pacific

Australia, Sydney +61 297 577 777

China, Shanghai +86 21 5665 5959

China, Xi'an +86 29 8665 8857

India, Bangalore +91 80 4040 7529

Taiwan, Taipei +886 87 8076 69

Europe

Belgium, Lokeren +32 9 348 49 21

Finland, Jämsänkoski +358 20 127 4400

France, Paris +33 1 30 69 67 00

Germany, Frankfurt +49 6104 648750

Netherlands, Venlo +31 77 324 9999

Poland, Warsaw +48 22 594 08 20

UK, Birmingham +44 121 335 5100



ThyssenKrupp Aerospace · Global Headquarters

Am Thyssenhaus 1 · 45128 Essen · Germany

rene.kloepper@thyssenkrupp.com

www.thyssenkruppaerospace.com