



Safety Stock: Finished Goods, WIP, or Raw Material?

Professional Development Meeting

Tuesday February 6, 2018, 5:30 PM

Coast Bellevue Hotel/Hotel 116

625 116th Avenue NE, Bellevue, WA 98004

Abstract:

In many manufacturing, kitting, or packaging environments, one can shift inventory from expensive finished goods to cheaper work-in-process or raw materials, optimizing the total, while providing the same service level to the customer but with significantly lower total inventory. Doing this also dramatically increases the flexibility of the organization to respond quickly to unexpected shifts in customer demand, compared to a finished-goods-only safety stock policy. This approach significantly reduces the risk of obsolescence and/or wasting scarce capacity by producing the wrong products.

For example, consider a simple packaging operation where a chemical is sold in quantities ranging from pints to rail cars and everything in between. If the raw material arrives in rail cars, packaging it into 5 gallon buckets is a normal operation; but if no raw material is available, and a customer needs buckets urgently, it's hugely inefficient to have to repackage pints (if that's all you have) into 5 gallon buckets. The problem is exacerbated when raw material lead times are long. So the question becomes: how does one compute an accurate raw material (or WIP) safety stock, so this never happens? The answer is properly calculated Component Safety Stock (CSS).

Syllabus:

1. Rationale behind Component Safety Stock (CSS)
2. Applicability of CSS—when to use it and when not to use it
3. Using CSS for inventory reduction
4. Using CSS to manage production interruptions and expedites
5. Using CSS to reduce lead times and increase production flexibility

Biographical Information:

John A. Estep, CFPIM, is president of E/Step Software Inc., a Yakima, Washington based company specializing in education and software for finished goods/service parts forecasting, and inventory & replenishment planning. A frequent speaker at industry conferences, Mr. Estep has written dozens of conference and trade journal articles and was a columnist for APS (Advanced Planning & Scheduling) Magazine, writing their "On Demand" column. With a background in mathematics, statistics, operations research, and electrical engineering, he worked on his first forecasting system for an apparel manufacturer in 1970, and has since counseled hundreds of companies on their forecasting and inventory planning needs. Mr. Estep is the chief architect for his company's Finished Goods Series demand forecasting and inventory planning software.

[Details and Registration](#)

Agenda:

5:30 Registration & Networking
6:00 PM Dinner & Networking
6:40 -8:00 Presentation
8:00-8:15 Q&A
8:15 Adjourn & Networking