Yakima firm's software helps manufacturers reduce inventory, increase customer service

By Mary Hopkin
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Two of the most difficult problems that manufacturers and distributors face are accurately predicting future demand and setting inventory targets to achieve the desired level of customer service.

John Estep, president of E/Step Software Inc., said these problems have become more serious in recent years because so many products or components are obtained overseas, forcing companies to keep higher levels of inventory. In today's strained economy that leads to other problems because banks won't lend money for inventory purchases if there is already too much inventory on the shelf—especially if a company can't show that inventory is turning.
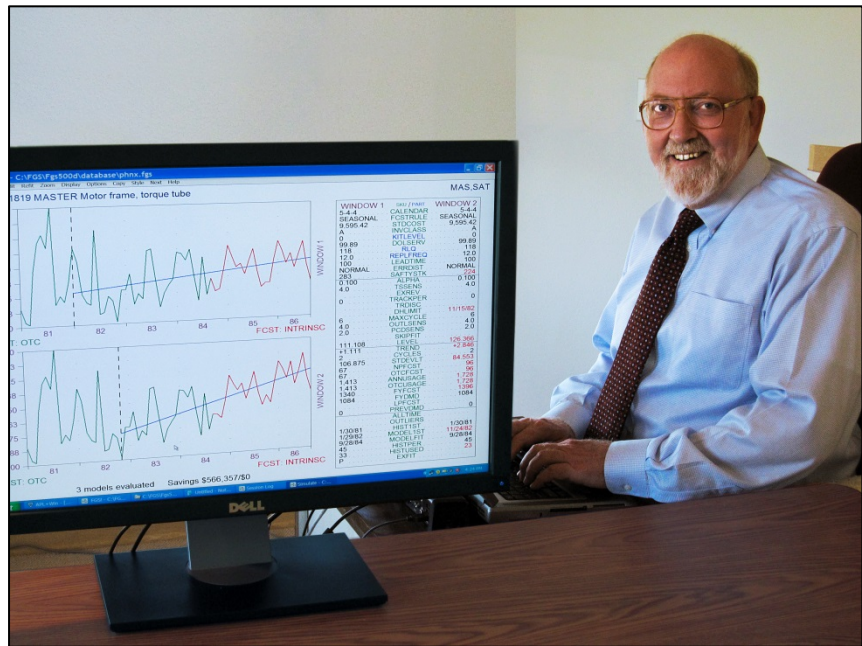
Estep has developed software that can calculate forecasts and inventory targets more accurately, helping streamline manufacturing processes and saving companies time and money.

While these may sound like simple concepts, calculating forecasts and inventory targets accurately is difficult and best left to a computer, which can take all of the relevant variables into consideration, Estep said.

"Unfortunately most companies instead use simple rules of thumb for setting inventory targets and the result is too much inventory for many products, too little for others, and hours of disruptive expediting," he said.

Estep, who has studied these problems for decades, noticed that while companies are often different on the surface, they usually have many of the same fundamental problems. His company's Finished Goods Series — or FGS — software contains solutions to these problems.

He said FGS has been applied successfully to a diverse range of products including aerospace service parts, industrial service parts, fast food, electronics, chemicals, building materials, processed foods, food

John Estep, president of E/Step Software Inc. in Yakima, developed the Finished Goods Series (FGS)™ software that helps manufacturers and distributors calculate forecasts and inventory targets more accurately, saving companies money and allowing them to provide better customer service at the same time.

Contributed photo.

machinery, apparel, steel, aluminum, electrical utilities, appliances, and housewares. The software includes interfaces to ERP systems to provide clients with fully integrated solutions.

Estep says that every company's needs are somewhat different and subject to change over time, so he designed FGS to be amenable to change by ordinary users, without having to involve clients' IT departments.

As a result, many clients have been using the software for decades. The Transportation division of General Electric in Erie, Penn, has been using FGS for more than 25 years.

"For us, FGS is particularly attractive as we do not require our own internal IT support to manage it and make changes based on our changing needs," said Mark Gerrain, GE forecast and planning analyst. "We can either do it internally within our own group, or with the assistance of the FGS Tech Support Team."

Though FGS contains the most advanced algorithms and sophisticated statistical modeling tools

available, Estep said one of its best features is the ability to hide that technology from the user.

He said it's like driving a car with an automatic transmission.

"All you need to know is park, drive, and reverse," Estep said. "You don't have to know anything about gear ratios or engine RPM."

Estep said while companies today may use obsolete rules of thumb, with the right tools, they can cut inventory investment drastically while improving customer service and reducing expediting.

Estep said his typical client reduces their inventory by one-third and improves customer service dramatically. One of his clients cut $300 million out of inventory without hurting customer service, he said. And when customers call E/Step Software's customer support, they reach U.S.-based industrial engineers, who not only answer clients' questions, but probe for information behind the questions, so they can help solve any underlying business problems.

"E/Step Software's technical support is awesome," said Jason Jack, forecast manager at Forum Oilfield Technologies in Houston, Texas.

Software companies often target specific industries, but Estep says FGS is applicable to any company that carries $500,000 or more in inventory, regardless of the industry.

"We've been using FGS to forecast and plan our consumer packaged goods business for over 20 years," said Val Shepler, former planning manager at Tree Top in Selah. "More recently, we have expanded our use to include our industrial dried and frozen business. Now, as we are integrating our newly purchased puree business, we are building an FGS database to forecast and plan that business. The ability to customize FGS and optimize it for the different types of products that we produce provides nearly endless opportunities."

Estep, a Yakima native who was drawn to numbers as a youth, majored in math after high school, combining it with computer programming when he discovered computers in college. In graduate school he studied engineering and worked his way through school at several manufacturers and distributors—starting with Yakima Pallet & Bin Co. in Lower Naches. He says the combination of theoretical math and engineering, which he regards as applied math, on top of programming, manufacturing, and distribution experience, gave him the perfect background to create software to solve problems for manufacturers and distributors.

He founded E/Step Software in 1983 near Boston, Mass., where he worked after graduate school. When the IBM Personal Computer was introduced he was astounded by its speed and by the fact that it had five times the memory of the mainframe computer he had been sharing with others. The $5,000 cost—compared to millions for mainframe computers— convinced him the time was right to quit his job with a remote computer services firm and become an independent software developer.

Estep said he knew that future PCs would only be more powerful and even less expensive, so he launched E/Step Software Inc. He wrote programs nonstop for an entire year before landing his first client.

Today, 28 years later, his company helps manufacturers and distributors around the world plan the timing and quantities of their production and material purchases. In addition to developing software, Estep provides technical support, education, and consulting. He is also an internationally recognized expert in the field of demand forecasting and inventory planning and often speaks on these topics at industry conferences.

In 1989 he moved the company home to the Yakima area. His wife, Lee Ann, also works for the business. In his spare time, Estep teaches a pro bono mathematical computer programming language (APL) class to senior high school calculus students one night per week throughout the academic year. This workshop is in its ninth year and has included students from seven local high schools.