

# SUPPLY POINT SYSTEMS

## Management of Engineering and Production Consumables

The Supply Point System, 'point of use' dispensing equipment is ideal for managing and controlling maintenance spares, production consumables and personal protection equipment.

The system provides a drawer and/or locker dispensing facility which is accessible, secure and controlled 24 hours a day. Users, maintenance fitters or production operators log in to the equipment via a touch screen and key in or select the identity of the item and quantity they wish to withdraw. The users can be required to select the machine number, job number or budget code as designated by the company processes and procedures. The user can only withdraw the requested quantity of the specified item from the equipment. There is also the capability to return items by keying in the required information. The system therefore gives the business total 24 hour control of the use of maintenance and production consumables. There is a set of standard reports, but the system administrator can create tailored reports and have them emailed to him with whatever frequency required. The creation of reports is as easy as ticking the boxes of required parameters.

The Supply Point System is impressive in that it offers a complete solution to managing the business's stock and usage of consumables.

Whatever method of order procurement and traditional stores procedure is being used the Supply Point dispensing system will reduce the time and cost of collection and ordering of production and engineering consumables. The simplicity and control of an identified operator selecting an item followed by real time electronic automated dispensing and auditing of the whole supply chain process yields proven savings of direct and indirect costs.

More and more companies are looking for line side delivery of consumables with consignment stock. Automated invoice transactions reduce the costly time spent in goods receiving and matching delivery notes, advice notes and goods received to corresponding manual orders.

Manufacturing operations are looking to achieve very accurate "real" cost per item analysis. Theoretical costs per item systems have very poor accuracy (less than 70%). The system and controls offered by the Supply Point equipment produce accurate and efficient results at a reduced cost.

### **1 Direct Saving of Expenditure on Engineering and Production Consumables**

The savings on engineering spares and production consumable expenditure can be significant. The savings available will be dependent on the spend and how the consumables are currently managed. Savings actually achieved on engineering and production consumables have typically been 20-25%. The lowest figure has been 11%, but there have been several cases where over 50% has been achieved.

A conservative achievement of a 15% saving on £200,000 consumables expenditure yields an annual benefit of £30,000.

### **2 Assessment of Indirect Savings**

Placing Supply Point equipment adjacent to production lines, and ensuring consumables can only be automatically issued to the appropriate person for a valid task, can achieve the management and control which results in significant savings in time and usage.

In a case study drawn up from experience of a number of recent installations, the value of the indirect labour is in the order of £12.50 per hour.

#### **2.1 Time to Issue Items**

The estimated hours saved by replacing a stores issue process (of these sites) with the automatic dispensing of the items at point of use can be summarized as follows,

Using a conventional manual store,

- the average time taken by the operator to walk to the stores and back to the line was around 12 minutes.
- the time taken from request to issue of the item was 3 minutes
- the average number of items collected per visit to the stores was 2.25
- the average number of items issued per month was 630
- the average time used for collection of items from the stores was 70 hours per month
- the cost per month was 70 x £12.50, £875 per month



18 Wrekin Drive, Tettenhall, Wolverhampton,  
West Midlands, WV6 8UJ  
Tel: +44(0) 1902 755347

Grove Court, Blounts Court Road, Peppard,  
Henley-on-Thames, Oxfordshire, RG9 5EU  
Tel: +44(0) 118 972 4945  
Fax: +44(0) 118 972 4946



DAVID JAMES  
Supply Management  
www.djism.co.uk

Using the Supply Point dispensing equipment,

- the average time taken by the operator to walk to the SPS equipment and back to the line was around 2 minutes.
- the time taken by an operator to withdraw items was 1 minute
- the average number of items collected per visit was 2.25
- the average number of items issued per month was 630
- the average time used for collection of items from the stores was 14 hours per month
- the cost per month was 14 x £12.50, £175 per month

Average saving per month, £700

## 2.2 Production Downtime

Depending on the item and the circumstances, production downtime can be ascribed to the time for an operator or engineer to fetch an item from the stores, but the actual downtime attributed to this cause is small and has therefore been discounted in the summary of savings.

## 2.3 Inventory Control

The Supply Point equipment can lower inventory levels without causing stock outs.

Companies fall into two categories, those that run the stores at a minimum and are therefore at a higher risk of 'stock outs' or those that employ an overstocking policy (maybe an individual's choice, not company policy) to avoid 'stock outs'

In the former there was an average of 15 'stock outs' per month.

The average man hours lost per stock outage was assessed as 3 hours which equated to £560 per month.

The average production time lost per stock outage was 1 hour. The value of production hours lost is specific to each individual company and production line, so no cost has been attributed to this aspect.

In the case where a company is overstocked with production and engineering consumables an assessment of the cost of the excess stock and the resultant financial costs need to be taken into account.

## 2.4 Savings in Procurement of items

Whatever existing ordering methods are in place the Supply Point system will reduce time and cost as it will generate both top up and min/max reordering figures. This data can be made available automatically as a report to the purchasing department, or can be sent directly to suppliers.

An assumption was made that 10 hours per week was saved in procurement administration, a saving of £500 per month.

## 2.5 Cost Saving Summary – example

	per month	annual
Direct spend		£30,000
Time to Issue Items	£700	£8,400
Production Downtime	<i>dependent on hourly cost of production line</i>	
Inventory Control	£560	£6,720
Procurement of goods	£500	£6,000
Annual saving	£51,120	

## 3 Payback

Depending on the nature of the engineering and production consumables, size, usage rate and cost, a rough guide would be that the items totalling a £200,000 annual spend could be housed in five Supply Point drawer cabinets (one control plus 4 additional units). The size and usage of the items determines the drawer configuration of the units, but assuming a typical configuration the cost of the installation would be in the order of £25,000. Based solely on savings on item expenditure the payback would be 10 months. Depending on the ability of the business to capture the more intangible indirect savings the payback could be as low as 6 months.

