

**Challenge: Corporate Initiative to Reduce Inventory**

A DCL customer was consistently writing off significant dollars associated with obsolete inventory. The customer's lowest unit-cost, single-source supplier purchasing initiative coupled with their philosophy of "never running out" resulted in inventory build-ups of 4 to 6 weeks. Inventory turns were less than 12 times per year. Being in the technology segment, the customer had significant updates to their product lines throughout the year.

DCL Solution:

DCL implemented a multi-vendor strategy, taking advantage of pricing, shipping time and costs and adding capacity during new releases. DCL formalized the fiscal quarter to key procurement decision dates; increasing the frequency of purchases and reducing the volume per purchase. Based on the shipment data, DCL provided a weekly analysis of forecast against actual. This weekly analysis provided more frequent adjustments to the procurement volume.

DCL analyzed past SKU shipping history and segmented them by volume and frequency. DCL matched their manufacturing operations to build inventory when needed. Using these advanced material planning tools, DCL segregated the Finished Goods requirements into three categories: Build-to-Requirements, Build-to-Order and Build-to-Stock requirements for optimum availability.

Benefits:

- Inventory turns were increased from less than 12 to 22 turns per year
- Obsolescence costs were reduced by \$1.4 million in first 5 months
- Defined "no inventory" SKUs were now built and shipped within 72 hours of the demand
- Reduced warehouse storage requirements
- Elimination of overtime charges to build unplanned inventory requirements

About DCL

Founded in 1984, DCL has emerged as the leading provider of next-generation Supply Chain Services. More than a logistics company, DCL is a trusted business partner who reduces operating costs and improves end-customer service via a full menu of order entry/processing, call centers, warehousing, final assembly, fulfillment, and returns management. DCL's advanced IT infrastructure is Internet-enabled for complete integration with enterprise-level business systems; its customizable solutions enable companies of all sizes to focus on their core competencies. DCL currently serves some of the best-known names in the high-tech and healthcare fields.