

WHEN TRACK CONDITIONS CHANGE

To maximise the chances of winning, an F1 car has to be set up just right

You need to balance the way all parts of the system operate together, and on different circuits the balance point will shift. You will need harder or softer suspension, more or less fuel, different tyre compositions, one, two or three stop strategies...all these factors need to be set to suit the conditions and to match the speed and cornering stresses expected on a circuit.

Optimising the set-up

Similarly, if you are setting up your inventory system, you want to tweak your settings so that each item is set up just right at each point over time.

Ideally that means that for say, a brake pad early in its product life, you might want to emphasise a higher service level to ensure you win the early race for market share. Later in its life however, you might want to take a lot more account of potential obsolescence in case you get caught with too much to write-off in the final lap.

Realistically of course it is very hard to individually tweak the settings for each and every item in your inventory range. Rather what you need to do is easily tune different sections of your product portfolio to suit the prevailing conditions, and to do in a way that you only need to drive the high-level policies and strategies. The details of how that is translated into action, need to be left to your inventory planning system.

Handling the prevailing conditions

Different parts of your portfolio, or even all of it, will experience different conditions over time.

If you look at what happened at the time of the Global Financial Crisis (GFC), there were very different regimes that pertained before, and after and since. Pre-GFC the world was in an expansionary bubble, capacity was constrained, businesses were trying to milk as much as possible out of the assets that they had, and supply lead times were longer. At the time of the GFC, demand collapsed, a lot of manufacturing capacity was freed up and lead times were reduced. Very similar comments could be said of what happened when the heat went out of the mining boom a couple of years ago.

So, how might you adjust to such changes in conditions? Well, the first thing you have to do is recognise that the needs of your customers will likely change. People and businesses with less cash will not go out and buy new equipment. They will drive what they have into the ground.

In those circumstances having more product range is likely to be more important than product depth. You might not need to have the part immediately available as the customer might not be as fussed about very high availability. They might be able to tolerate a bit more downtime. However, having a part somewhere in your network that can be transferred in could just keep that old engine or gearbox running rather than your customer having to buy a whole new unit. They can also probably tolerate a slightly higher price on a new part as they are comparing the economics of the spare part versus a complete replacement. Ideally your inventory planning system can help you perform these sorts of tweaks very quickly and easily and enable you to evaluate the effects of each your adjustments.

So, as interest rates start to turn back up and the US market starts to consume more of the available manufacturing capacity, how are you going to react to possible increased lead times? How are you going to cover increased risks without significantly growing your inventory holdings? Do you need to look at some alternative suppliers and have your planning system help you make better choices from the options you have? Can you increase ordering frequency but still do so with your existing purchasing headcount? Well you can if your inventory planning and purchasing system can help you do so efficiently.

One of our clients achieved a five-fold improvement in purchasing productivity. Importantly that kind of improvement can free you to look at the different challenges that will inevitably confront you in a changed business environment. Imagine what would happen if an F1 driver had a four-speed manual change and a gear stick – they simply could not run at the speeds they do. They can do things much faster as changing gears can be done at the press of a button.



Different Cars – Different Circuits – Different Winners

In an F1 season, you often see different teams doing better on different circuits, Monaco versus Melbourne versus Monza. Ideally you would want to win on all of the street circuits or the specialised racetracks. The fact is that in spite of the many ways you can set a car up there are limits to what certain builds of cars can achieve. Before the season even starts you have to make choices as to the type of car (engine, chassis etc) that you want to use, and then from race to race you want to tune and tweak it to maximise performance on the different tracks under the different conditions.

In the same way, each supply chain and branch network will constrain just how much you can achieve in any different business environment. Ideally therefore before you even buy a new warehouse or attempt to change your supply chain in any substantive way, you should model it to see how it is likely to behave under different conditions.

Your inventory planning system ought to be able to help you simulate the effect of different strategies and different configurations and to do so easily and quickly. A few dollars spent on good design can pay back many fold later before you discover that all that investment in racking and automation does not deliver the right performance specs. An Excel spreadsheet (or worse) simply does not cut it against the kinds of inventory modelling capabilities in the tuners that are available through genuinely advanced systems.

F1 racing evolves every year. The F1 administrators refine the rules to even out the playing field and keep the sport competitive and every year F1 teams find ways to push their cars to the very limits of those rules. For them standing still is not an option, going faster is the only option.



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