

LEARN TO TRUST YOUR TOOLS

In this article, Horizon Inventory's John Allen takes a look at how we choose to adopt new tools and how this may play a role in your inventory management processes

Recently I was completing my preparation for the first meeting with a potential new customer. I always feel it is important to be on time, and preferably early. The day before I tapped the destination address in and it suggested that it would take 45 minutes to drive the distance to arrive in time for the meeting at the target time of day. Given that I had never been there before, I felt it would be prudent to arrive maybe 10 minutes early just to give me a bit of a buffer.

On the day of the meeting, I was getting ready and the last thing I did as I jumped into the car was to select the destination address. The little graphic whirled around while the phone app did its calculations. It confidently spat out that it would take 55 minutes to get to this important meeting. Hold on, my buffer just evaporated. When am I going to arrive? 9:45 am it said. Oh well, cutting it fine but 9:45 was the target arrival time so "let's go".

As I start to drive on my normal route it tells me to take a left and go another way. No, I am not doing that. My normal way is dead ahead. So I reach the lights and there are an unusually large number of cars backed up. Finally I get through the lights and proceed down Windsor Road and it is now showing that I will arrive at 9:47 am. A kilometre down the road, it says totally unexpectedly that I should take the next right and then a left. I then proceed to meander through all the back streets. Right! No that's crazy – that is away from where I want to go.

After what seemed like ages, being told "at the roundabout, take the second exit and go straight ahead" and all the other helpful instructions, I arrive at a set of lights where I re-join Windsor Road, near its end. Windsor Road is the main road on which I would normally have stayed. I sneaked a look at the screen and it tells me that it had just driven me around a 6km traffic jam. It now says I will arrive at 9:44 am.

The journey continues and the arrival time fluctuates between 9:42 am and 9:47 am. My blood pressure probably rises and falls with each change of the ETA, and every time I am stuck at some lights. Eventually I arrive at 9:47 am – just two minutes late, although I had called ahead to ask my colleague to complete the check in procedures, and then we had a very good meeting – all relaxed.

The story however has several points which relate very directly to how we choose to adopt and trust new tools including:

- The way we normally do things is not necessarily the best way, and sometimes we just need to take another direction;
- The navigation app was able to do things that I simply could not do. It was receiving information about the traffic jam as it formed

and was able to dynamically adjust the route based on the latest available information; and

- I had to trust the tool. I did not need to understand all the details of its path optimisation algorithms but I just needed to accept that smart people had done that for me.

Of course if we wanted to look at parallels with inventory management further, then you would be aware that you can ask navigation apps to take routes that do not incur tolls, or that represent the fastest way (thankfully I think that must be the default mode). However just being told where to go via my hands free, is very different to grabbing a street directory, patiently planning and then stopping periodically to check we are still on track.

Also I was still in charge. I had to maintain a safe driving distance from the next car. I had to accept or reject my phone's commands. I was responsible. But funnily enough I used the technology and it got me around the traffic jam probably 10 minutes faster than all those people who sat in their cars, on their normal way to work.

On reflection however maybe I should have worked out that my expected travel time of 45 minutes was really just an estimate and I should have had some idea of the confidence behind that number.

Inventory Management can be easy too

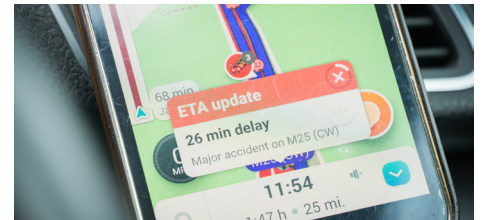
If we can accept that an iPhone and an app can plot a better course for us, why is it so hard to accept that there may be a better way to go?

As inventory managers we can speak of all the variables we must manage: highly variable lead times; surprise order peaks; the Italian summer holidays; there are over twenty different variables to take into account. It sounds a bit like the traffic accidents, school times, clear ways before 10am and all the other issues that the navigation app must consider doesn't it?

The fact is for most of the inventory management variables, we can quantify the level of variability, associate the demand signals with Vehicle On Road data, and learn the Common Quantities from even a very limited number of orders. The system can learn from the data things that you would never have the time to analyse.

So, borrowing from the phone app, what else might be important in an inventory app? Perhaps:

- We have to accept that arrival dates will change from time to time, but it would be nice if we could get frequent updates with the best available information at the time. If we get an update that suggests we might start to run short, then we can adjust where we send inventory replenishments based on maximising the probability that stock in a location will



actually get sold. In other words, we can react when we get good quality inputs that indicate we need to adjust our strategy.

- When things aren't quite going to plan, it is nice to be alerted to items where you might need to hurry things up. But alerts need to be timely and to be raised in a way that you can make a judgement as to how serious they are. In my story above, I called my colleague twice: early I said "I could be a few minutes late" and near the end as I was waiting at the final traffic lights, I said "I will be two minutes late." I understood the precision of the estimates and when I needed to communicate it – something very similar is desirable with inventory management, as if a PO is a bit late but you already have a fair bit of stock, why worry?
- Some phone apps provide features like real time feedback to dynamically adjust your route. Does your inventory management system just automate the old textbook, or does it find a totally new way of doing things?
- Just as you can travel via the fastest or the cheapest route, you can similarly prioritise service levels, profit or return on assets.
- Like how a GPS App never sleeps, never complains and never loads up its pet product into its own warehouse, an inventory management system can constantly give you unbiased guidance as to the best option from those available.

This is not to suggest that you should accept everything in blind faith. It might take a bit to build your confidence, but there are certainly many better ways of managing things that you can use.

It is not perhaps as easy as dialling up the app store, but certainly much easier than struggling through copious lines in the reorder report.

There will be times when you will find you just have to accept that there are no options, but more often than not there will be better ways to go, you will get there faster and more cost effectively, with better safety, better service and less stress too.

So if perhaps you feel that there could be a better way to do things, please grab your navigation device, and give us a call or an email. You will find that you will eventually trust the technology and it can give you back time for the more important things you need to do.

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