Fine Tune Your MRO Stock Levels - Get the Most for Your Inventory $$$$$

I have been in a lot of different organizations with totally different business models with all kinds of products and services and there is one common denominator. Everyone has trouble with and needs to improve the basic maintenance management components like creating better work orders, better preventive maintenance procedures and effectiveness, and the one that overwhelms all of us, better communication.

Another common lost opportunity is the lack of a structured and organized parts and supply room. When I confront these organizations in my training or during a full maintenance assessment and inquire why they don't have any sort of supply room they respond with comments like;

- We are too small,
- We are too big,
- We are too complicated,
- We are too spread out,
- It won’t work here,
- We use too many parts each day,
- And on and on

Those of you who know me the best know my response…. BS! I don't care how big or small or how difficult your business and operation is, there is no excuse not to have a dedicated and organized supply and parts storage room, period! If you only have two maintenance employees and your parts are in an unused custodial closet I still expect it to be neat, clean, and organized with a lock on the door with only two or three keys…Yours and your two employees.

So the title of this month’s TOM is about Fine Tuning your MRO Stock levels which everyone with some sort of organized stock room should be concerned with. The difficulty with doing this is you must have an organized, structured, and secured location to begin with. Without this you will never be able to fine tune you stock levels or investment and the ‘tail will be wagging the dog forever!’ The bottom-line is organize it, label it, and lock it! The rest is easy.

So now let’s assume we have done the above and we are ready to “Fine Tune Your Stock Levels”.

The first thing to do is figure out how you plan on labeling your shelves and bins. This should be a simple row, shelf, and bin location system that is easy to understand and
was developed with a lot of common sense. The location numbers should be crossed referenced with your computer management system and hopefully is the same as your work order management system so the location can be referenced with system part numbers, OEM parts numbers, and any other vendor numbers you use on a regular basis like Grainger.

The next thing to do is place the most commonly used items in the front of your supply area at an easy to reach level for all employees with access to the supply area. If you are storing repair parts for your equipment they should be grouped in the same area. Repair parts for machinery have a visual component to it when you are in the middle of a difficult repair. You may not have all the parts numbers for a repair so you may need to look at the parts selection available to ensure you don’t forget the gasket that is on the next shelf.

Now things are organized, locked, secured, and in the proper place so it is time to fine tune your stock. The keys to this are as follows;

- Document and track everything coming in and leaving your stock area, everything!
- Develop a Min and Max system which will feed and trigger your automatic reordering system. The Max amount to stock is determined by the normal number of parts used in between your predetermined ordering cycle. You always need enough parts in the bin so you always have required amounts for maintenance. The Min amount triggers the reordering with enough parts in the bin to last until the reordered parts are placed in stock.
- Perform continuous cycle checks throughout the year. If you have a large stockroom do a little every month or week. Cycle checks are used to validate your computerized inventory numbers to ensure major shrinkage does not exist.
- Track:
  - Stock-outs - the number of times you try to check something out and it is not in the bin
  - Stock-turns - the number of times a stock item is used during a month, quarter, or year
  - Aged inventory - the time the stock item has been in the stock room without being checked out

If you do all of the items mentioned above you will have a well-functioning stock room that should give you the most for your inventory dollars.
Remember the keys are to:

- Organize it,
- Label it,
- Lock it, and
- Measure its performance.

Even if it is only a closet or a small cage in the mechanical room, they all can be efficient and serve you well.

See You Next Month!