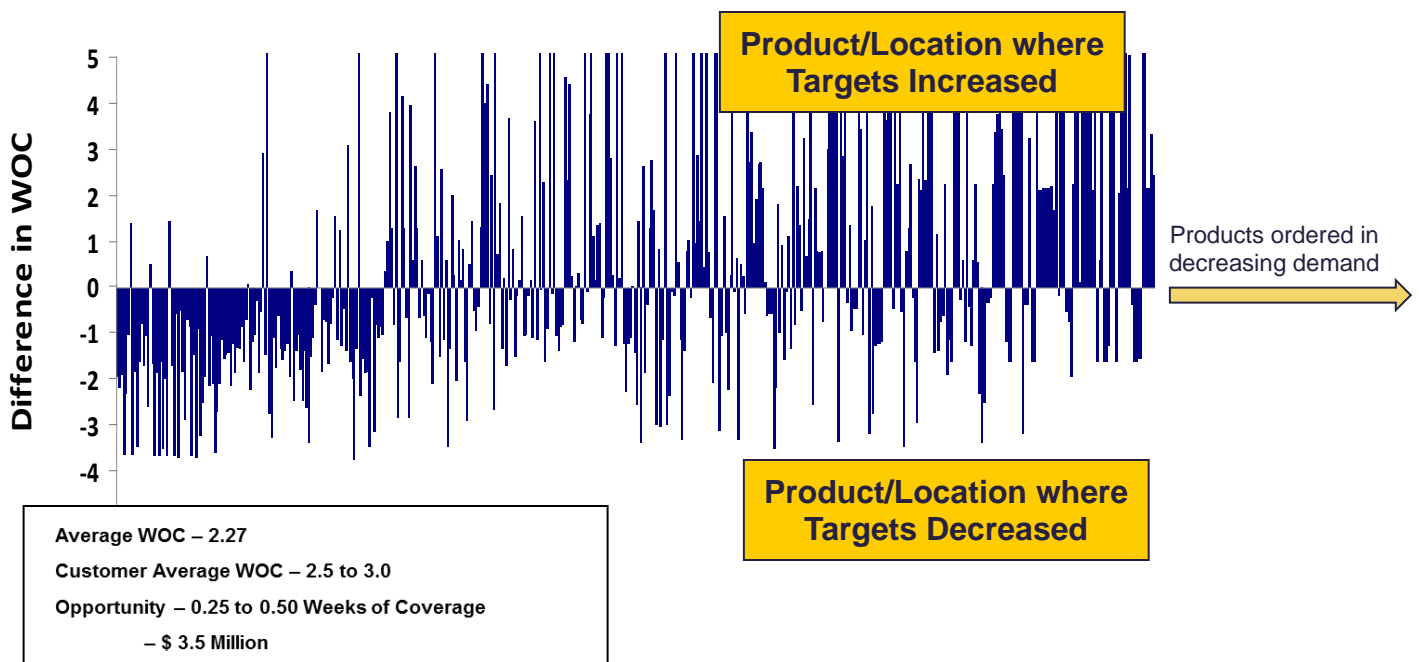# Case Study
MEIO

The Company

A multi-national manufacturer of Electronics/High Tech components with own manufacturing facilities as well as subcontractor sites in North America and Asia Pacific. Components were made Make-To-Order as well as Make-To-Stock.

Analysis

After a week of analysis of the inventory levels and usage of supplies, WIP and FG levels, the variations were plotted as seen below. As it can be seen in the diagram below inventory Policies and Demand Variability are not appropriately correlated -The 2.5 to 3.0-week rule for FG Inventory is inadequate and leaves room for significant inventory and service enhancement. A much better mix can be obtained by combining shared parts and taking into account frequency of usage of parts and WIP at every level of the supply chain.
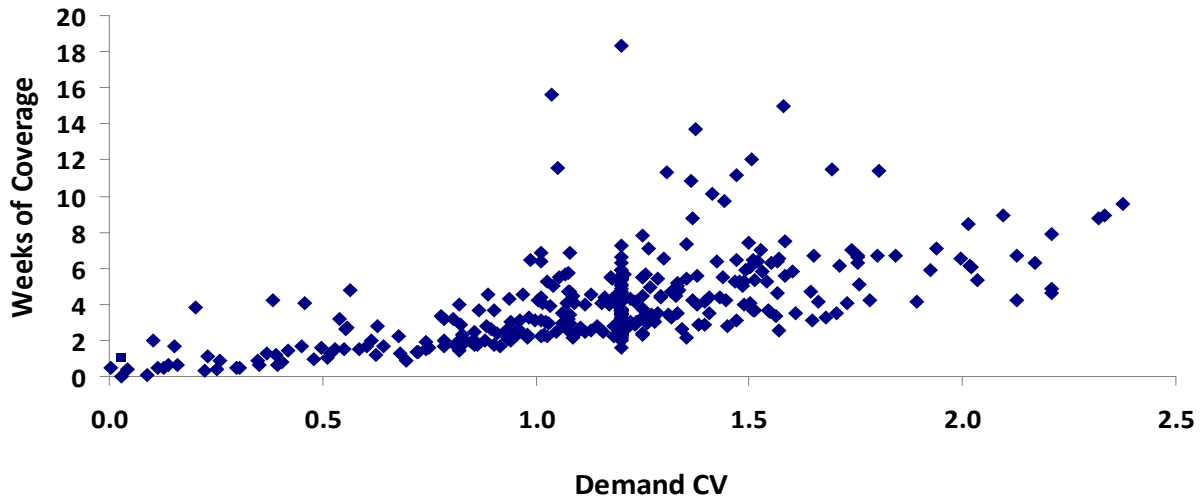
The diagram below shows the mix of Finished Goods inventory and the difference in levels of demand from weeks of coverage policy. By examining the likelihood of usage of parts, WIP and FG as well as DC inventory levels, MEIO algorithms can project an accurate level of the amount of inventory that should be kept for a given delivery performance. The analysis can be done by SKU's or product families and/or location, type of customer and their priorities and of course cost.

Product/Location where Targets Increased

Product/Location where Targets Decreased

Products ordered in decreasing demand

Average WOC – 2.27

Customer Average WOC – 2.5 to 3.0

Opportunity – 0.25 to 0.50 Weeks of Coverage
– $ 3.5 Million

Results

With the recommended levels of inventory by the MEIO algorithm, a projected savings of ~ $30M in WIP and FG inventories were realized.