



NEXT MEETING

Thursday, February 17, 2005
11:00 a.m. - 1:00 p.m.

Babes Restaurant
Schroeder Road - Madison

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Please join us for a presentation on Radio Frequency Identification (RFID).

The speaker, Mike Dempsey is an Industry Strategy Leader for RedPrairie Corporation, where he is responsible for RedPrairie's market and product strategy. Mike has over 20 years of experience in supply chain management solutions and is an industry thought leader on RFID. Prior to joining RedPrairie, Mike was Executive Vice President for TrenStar and was a co-founder and principal of eSYNC International, a supply chain consulting and system integration services provider.

Mike is a recongnized speaker and participant in trade associations, including the Council of Logistics Managment (CLM), the Warehouse Education Research Council (WERC), and the Material Handling Institute of America (MHIA).

Through his roots in material handling, Mike has a strong appreciation for the fundamentals of warehousing and distribution. Some of his past presentation topics include: RFID: Just the Facts, RFID and Container Management, Trends in Supply Chain Planning and Execution Systems, Getting the Right WMS, and The Road to Supply Chain Collaboration.

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Lunch will be served. The cost for lunch and speaker is \$30 for members, \$40 for non-members, and \$15 for students. Walk-ins are \$35.

Please **RSVP by noon on 2/14/05** at www.madisonapics.org. Contact Don Peters at 608.441.5916 with any questions.

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President's Message: Barbara Martin

Hello to All!

We've made it through the holidays and through the first real hard winter month. Chipping off ice, shoveling snow and then shoveling more snow. Spring is getting closer! We can be optimistic of that.

Check the website for classes and educational materials being offered. The value you add to your career now and for the future cannot be measured. If you already have your CPIM, maybe you would be interested in other certifications. Regardless of your present status, knowledge is priceless.

Several Board members will attend the regional meeting that will be held on February 4th and 5th in Downers Grove, IL. This promises to be an educational and entertaining time. Students will also be participating in a Student Competition that will be held.

Please mark your calendars for our February 17th luncheon at Babe's. Our speaker, Michael Dempsey, will be speaking on RFID. Anyone thinking about making the transition to RFID's will find this event very informative.

On March 17th, we will tour the GM plant in Janesville. This promises to be an interesting and exciting time. Please browse through our website at www.madisonapics.org.

Happy Valentines Day!

Barbara Martin



Focus on Inventory Management

Inventory: Reasons to Have it and an Action Plan to Reduce it

After instituting lean principles in an organization and reducing lead time and process waste, an action plan should be deployed to reduce the amount of inventory required.

Inventory takes many forms such as raw materials, parts, semi-finished components, work in process (WIP), and completed products. There are 10 reasons to have inventory such as:

1. Minimize supplier order and transportation costs (purchased economic order quantity (EOQ)).
2. Reduce changeover and setup costs in manufacturing (manufacturing EOQ).
3. Support production flow, WIP.
4. Meet demand variations (safety stock).
5. Meet supply variations (safety time).
6. Accommodate short-term supply and demand imbalances (sales and operations planning).
7. Manage process capability problems (planner discretion).
8. Manage organizational constraints and special conditions unique to the company.
9. Provide place and time utility - having finished goods and service parts in the right place.
10. Achieve data and location accuracy.

Each reason is based on business conditions, market demands, distribution channels, and inventory cost calculations. For example, purchased and manufacturing EOQs are based on balancing inventory carrying costs with setup, order, and transportation costs. Lean principles challenge each of these inventory reasons and strives to eliminate them or reduce their required investment to reflect process improvements. Thus, eliminating the reason results in eliminating the inventory.

Inventory investment planning is knowing and understanding the inventory reasons and how much is needed to support those reasons. An inventory investment plan contains inventory level objectives (how much) typically expressed in standard cost dollars, reported monthly, and measured in dollars and inventory turnover. Inventory turnover is a ratio of sales (at standard cost) to average inventory investment. For example, if you have annual sales of \$100 and an average inventory of \$25, inventory turnover is 4. The inventory investment plan consists of two components, inventory needed to support current operations and inventory needed to support operations after lean process improvements.

There are six key actions required to reduce inventory investment based on process improvement results:

1. Know and understand the reasons for inventory. Review each of the 10 reasons and determine how much inventory is needed for each.
2. Establish inventory level objectives for each inventory reason based on the business environment. For example, six weeks of raw materials and four weeks of WIP on hand.
3. Define and publish a monthly inventory investment plan to define, measure, and manage inventory objectives.

Focus on Inventory Management Continued

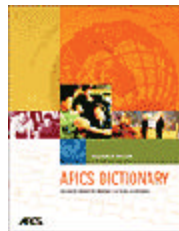
Inventory: Reasons to Have it and an Action Plan to Reduce it

4. Identify and deploy actions (lean kaizen projects, for example) to reduce or eliminate inventory reasons based on lean process improvement techniques.
5. Adjust inventory level objectives of your inventory investment plan to reflect process improvements. For example, reduce WIP investment from four weeks to one because of cycle time reductions.
6. Track the performance of your inventory investment plan to support the new lean process improvement results.

Is it worth it? Use 12 percent as the inventory carrying cost rate. If you improve inventory turnover from 4 to 12 (typical for lean programs) and have \$5 million of inventory, the annual savings will exceed \$400,000.

Richard Artes, president of Fourth Generation Learning Systems, can be reached at 952.435.8045 or via e-mail at artesarichard@aol.com

Request Your FREE APICS Dictionary



Take advantage of one of your APICS member benefits by requesting your free copy of the *APICS Dictionary*, the standard for terms and definitions in the inventory and supply chain management field. The 11th edition, newly released this October, contains more than 3,500 important industry terms. Every APICS member is eligible to receive one complimentary copy of each edition. Ordering is easy. Simply fill out and submit the form to request your new *APICS Dictionary*, 11th edition (stock #01102).

Go to: http://www.apics.org/apics/Bookstore/ProductDetail.aspx?CS_ProductID=240&CS_Catalog=APICS+Bookstore

Use this powerful tool to build your vocabulary and increase your productivity by ensuring that everyone on your team is speaking the same language.

Order your free copy today!

2004 -2005 Calendar

March

- 17 APICS PDM Tour
5:30 p.m. - GM Tour - Janesville Plant

April

- 21 APICS BREAKFAST Meeting
TBD
Speaker: TBD

May

- 19 APICS Dinner Meeting
Awards Night
Speaker: TBD

June

- 16 APICS PDM Tour
Speaker: TBD

APICS Certification Classes

Enroll by February 1, 2005 to participate in the class selection process.

Schedule of classes will be determined after February 1 and enrollment for these classes will be open until March 3, 2005.

Prepare On-line for CPIM Exams

Preparing for CPIM exams is more convenient than ever with on-line CPIM review courses. Take advantage of this flexible alternative to classroom-based exam preparation and move closer to your goal of obtaining an APICS CPIM designation. On-line classes are available through Weber State University and Fox Valley Technical College. To learn more about these programs and other CPIM exam preparation options, including chapter review courses and national workshops, visit the [Certification](#) section of the APICS web site.

New Job Posting

Supply Chain Program Manager -
Chicago, IL

A leading telecommunications provider is seeking an experienced visionary who will be responsible for developing the automation road map for the future procure-to-pay process. This person will champion all supply chain initiatives, as well as work cross-functionally across company departments. Visit the [APICS Career Center](#) today.



Don't Miss the GM Tour!

**GM Janesville Plant Tour
Thursday, March 17th
5:30 p.m. to 7:30 p.m.**

Tour will include a guided tour via tram, a history of the plant, and a discussion of order scheduling, leveling, and Bills of Materials pulled to tier 1, tier 2, and tier 3 suppliers. Additional discussions will focus on GM Logistics.

APICS THE ASSOCIATION FOR OPERATIONS MANAGEMENT

APICS The Association for Operations Management is the global leader and premier source of the body of knowledge in operations management, including production, inventory, supply chain, materials management, purchasing, and logistics. Since 1957, individuals and companies have relied on APICS for its superior training, internationally recognized certifications, comprehensive resources, and worldwide network of accomplished industry professionals. To learn more about the APICS community, visit www.apics.org.