



## WASTE IN THE SUPPLY PROCESS

One of the recent discoveries in my consulting work were the inefficiencies we found in one section of a company that related to the ordering/supply process. We discovered through a Customer Update Report from their supplier that over a ten-month period their staff had personally visited the branches 1321 times. This equates to approximately 6.34 times per day. See the chart below that outlines both the current situation and the efficiency scenario.

Current Situation	
Visits per day to supplier	6.34
Working days in period	208
Hourly billable rate ex. GST	\$ 96.00
Hourly cost per employee	\$ 60.00
<b>Annual Totals</b>	
<i>Hours spent travelling to suppliers</i>	1321
<i>Billable time spent travelling to suppliers</i>	\$ 126,816.00
<i>Actual time cost spent travelling to suppliers</i>	\$ 79,260.00
Efficiency Scenario	
Visits to supplier - daily allowance	1
Ordering/planning time - allowance per day in hours	1
Supplier delivery to site	\$ 2499.96
Billable time taken for planning, ordering and travel	\$ 39,999.36
Actual cost for ordering time and travel	\$ 24,999.60
<b>Annual Totals</b>	
<i>Increased hours for additional billing</i>	<b>821</b>
<i>Additional potential revenues</i>	<b>\$ 86,816.64</b>
<i>Potential time cost savings</i>	<b>\$ 51,760.44</b>

The above calculations are intentionally conservative and do not allow for the fact that orders were being placed consistently between 10am and 3pm daily which would also increase additional time off the job, distraction from the job at hand, downtime of staff due to poor planning etc. Nor does it calculate associated vehicle costs.

I spoke to Adam Watson from Reece Plumbing and asked, “what are the best practice suggestions you have for plumbers when it comes to the ordering process?” His response was that ideally, companies should aim for one pick up or delivery per day to fully take care of that day’s requirements and also to ensure the order is placed the day before. Stephen Bradshaw from simPRO Software Group stated “knowing exactly what is in stock and what has been quoted enables you to order new materials correctly and efficiently.” I also contact a state manager of a major operator in the electrical wholesaling industry (who preferred not to be named) who also gave some great insight. He mentioned that their company provided a range of ordering options that suit the customer needs and required processes. His example was that for a sole trader, it was sometimes more efficient for them to pick up the phone on the spot and place their order, particularly if they were not IT savvy or could not access the electronic part numbers. This enables them to get just in time clarity, placing the order immediately. For the larger corporate he said that the procurement process varies enormously. His suggestion was that each individual owner or company arrange the best practice for them individually.

From the sole trader to multinational corporate, inefficiencies and waste impact an organisation in many areas. Whether people or processes, my recommendation is to identify the one or two areas that you suspect are running inefficiently, analyse the current situation and then create an efficiency plan and corresponding actions to bring the improvements required.

*Ray Hodge speaks and consults to businesses and organisations, a notable event being the Department of the Australian Prime Minister and Cabinet. His emphasis is on improving critical efficiencies to dramatically increase key results. He has coached and provided consulting services to leaders and teams for over 25 years.*