



The Ins and Outs of JIT

There's more to a just-in-time inventory system than just being on time.

Metal service centers are always trying to forge stronger relationships with their customers. One proven method is to create "just-in-time" or "stocking" programs with customers. These programs require that the service center produce and stock various finished goods for a customer in sufficient levels to enable the customer to place a release for delivery the same or next day without delays. In other words, when the customer calls, it's for a delivery not an order.

These programs can either be contractual blanket orders or less formal understandings or arrangements. In either case, many companies used to rely on standalone manual systems or Excel spreadsheets to keep track of them and make sure they had sufficient stock on the floor to meet customer expectations. Today, ERP software has many specific features to help service centers manage, process and expedite these types of orders.

Blanket/Contract Orders

With blanket orders, the customer and the service center agree to a quantity and price over a specified timeframe for a given product or products. The system must track every release against the blanket so that the service center can monitor and assure that the customer is meeting its commitments. Therefore, when the customer provides a "release for shipment," the release must be applied against the blanket so the service center can determine if the customer is on track to meet the agreed-to quantity. Note that the service center also needs to ensure that the quan-

tity of the contract is not exceeded, as the agreed-to price is typically associated to a contract quantity.

Releases vs. Production

Unlike typical sales orders where the service center processes each order as it is received, JIT programs require the service center to produce material in advance of receiving the release for shipment. Therefore, the ERP system must have a mechanism for creating production orders without having a sales order. Often, the service center will process multiple JIT inventory items for the same or different customers on the same job to optimize the use of the inventory.

Customer Part Specification

To expedite the process, an ERP system should have a comprehensive Customer Part Specification function that enables the service center to create a full profile of each part produced. The profile should include all required information to process and manage the JIT inventory. For example, all tolerances, specifications, packaging instructions and production steps, including those handled by outside processors, should be in the system. In addition the Customer Part Spec should include additional information on the amount of raw material and finished goods required at all times in order to ensure that customer releases are serviced quickly and the necessary floor stock is maintained. The system should make it easy for service centers to track each Customer Part Spec and the inventory that has been produced and is ready to ship.

“With JIT, when the customer calls, it's for a delivery not an order.”

Release for Shipment

Creating releases for shipment should be fast and simple, as no processing is required. Systems should have features to quickly create releases from blankets or some form of multi-release function. The assumption is that the releases will be fulfilled from the finished goods inventory that was pre-processed.

Tagging

Because the finished goods were processed in advance of the release, the tag labels affixed to this material may not contain information specified on each shipment release provided by the customer. The system should have features that easily enable an operator to re-print the tag label so that it includes information from the shipment release. For example, a customer may provide the service center with a release number or purchase order number and want this information on the shipping label. Ideally, the service center

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should be able to add this information using a wireless device such as a smartphone or tablet.

Customer Self Service

Going beyond the four walls of the service center, the ERP system should enable customers to handle their own releases whenever it is convenient. By accessing the service center's web site at any time of day, customers should be able to view the finished goods that are ready for shipment and create their own releases. This saves the service center time and resources and helps to further cement its relationship with the customer.

Managing JIT inventory is very important. The customer assumes the service center will have the right amount of stock on the floor ready to ship at all times. ERP software can now help handle this important value-added service and ensure that the entire process is taken care of without the need for manual off-line systems. ■



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