

INVENTORY ON DEMAND

CASE STUDY

► THE CHALLENGE

The client, a heavyweight factory machinery manufacturer in Northern California, had outsourced production to a manufacturing facility in Shanghai, China. From there, each assembled unit was shipped each individually via air freight to a distribution center in the United States. The client was seeing steady growth from this strategy, but the simplicity came at a cost:

Shipping heavy machinery via air freight created substantial transportation expenses.

Inventory availability was not guaranteed, as balance sheet concerns prevented the manufacturing plant from holding completed goods in its warehouses.

There was no visibility into completed inventory or method to track finished goods as they were sent from the manufacturer.



► THE SOLUTION

Morgan came in as a procurement intermediary with the goal of reducing transportation costs while increasing availability of finished goods. Their strategy involved a new system of inventory management known as InventoryOnDemand (IOD)—a supply chain optimization process wherein Morgan's team took title of finished goods at the factory dock and optimized its transportation to the point of consumption.

After receiving purchase orders from the client, Morgan connected with the outsourced manufacturing facility and took ownership of inventory at the factory dock. Leveraging Morgan's own China warehousing capabilities, goods were taken from the manufacturer and stored until each shipment could be optimally consolidated. Then, Morgan mode-shifted the client's transportation process to send goods by ocean instead of air, arriving in a Morgan-owned distribution hub near the customer. By allowing Morgan to own and manage the transportation of finished goods, the client was freed of the responsibility of inventory ownership throughout the entire transportation process.

► THE RESULTS

The results of Morgan's optimizations helped the client track the location of all finished goods and allowed them to own inventory for less than a day before selling it. Through this system of Morgan IOD, the client achieved significant improvements to its company's transportation costs, supply chain logistics, and inventory visibility in these ways:



Reduced annual transportation spend by \$1 million per year (on \$50 million of revenues)



Gained the capacity to buffer high-value inventory at no additional cost



Created end-to-end visibility of the supply chain by having a single logistics provider track and manage the flow of all completed goods

The benefits to the client's supply chain logistics were only part of the value that IOD offers. Through outsourced inventory management, the client was provided a framework on which further enhancements to distribution, regionalization, and supply chain efficiency could be built.

Have Questions?

Contact us to learn how Morgan's Inventory on Demand can optimize the profitability of your company's manufacturing and distribution channels.

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