

Discussion Questions

1. Why is accurate inventory such an important issue at Wheeled Coach?
2. Why does Wheeled Coach have excess inventory, and what kind of a plan would you suggest for dealing with it?
3. Be specific in your suggestions for reducing inventory and how to implement them.

1. Accurate inventory is an important issue at Wheeled Coach because of the dynamic changes that occur in ambulances. Items that are purchased but not used promptly often end up as excess inventory and must be disposed of at distress prices. Moreover, MRP does not work without accurate inventory. As in any dependent manufacturing process, shortage of a part may mean that the entire end unit, in this case an expensive ambulance, cannot be assembled, completed, or delivered. Accurate inventory has cost implications for both the units in which the inventory is to be installed (the ambulance) and as an asset.

2. Excess inventory exists because of minimum order requirements, BOM errors, customer-change orders, purchasing and receiving errors, etc. A plan for Wheeled Coach to deal with excess inventory is first to see what can be returned to the vendor for near full credit; second, see what can be substituted on subsequent units for the items called out on the bills of material; and third, work at some sort of sale or scrap or supply to other auto dealers or truckers who may have need for the items.

Chapter 12 Solutions

3. Wheeled Coach will find it difficult to dispose of excess inventory. It is hard to substitute excess components in units (and their related bills of material) as units are being assembled. It takes innovation on the part of the engineering shop and inventory personnel to make this work and keep the bills of material, through engineering changes notices, accurate. For those items that are changed but are not critical, management instituted an effectivity date. That is a date that the change would be effective to the date in the production schedule that allowed all of the components in stock to be used. Some material can be returned to the supplier, but most suppliers are not interested in taking old merchandise back, so that is a difficult option. Finally, selling the items themselves proved a reasonable last resort. However, even this is expensive. It requires cataloging, publicity, letter writing, phone calls, and follow-up. It is a real marketing challenge, and Wheeled Coach does this by having occasional sales of excess inventory on Saturdays. All of these options are being used, and all do reduce inventory ultimately.