



Inventory Optimization

Case Study

CHALLENGE

With new product Introductions, regional spare part inventory expanded, much of it duplicated in all 5 Asia regions.

SOLUTION

Consolidate slow moving, expensive spare parts into a centrally located bonded warehouse that supports quick delivery of critical spare parts.

RESULTS

- ⇒ Identified \$13M of duplicated spare part inventory
- ⇒ Established single critical parts depot in Seoul, Korea
- ⇒ Removed \$10M of inventory from S.E. Asia regions

For more Information please visit

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Consolidation of parts depots enables \$10 million inventory reduction across Asia

The Client

This multi-billion dollar manufacturer of semi-conductor equipment recognized that its S.E. Asia spare parts inventory to support contracted service levels had increased substantially as the company introduced the next generation of wafer production tools. Much of this additional inventory was duplicated within all 5 S.E. Asia regions.

The Challenge

In the semi-conductor industry, down tools can cost the customer well over \$100K/hour—response time is measured in hours, not days.

Consequently, as the next generation of new tools were introduced, each region's inventory grew as inventory was stocked to support aggressive service level agreements.

Removed \$10M of duplicated spare part inventory

For expensive spare parts, the impact on inventory performance was significant as these parts were being stocked for "just in case" demand. The challenge was to determine a network / inventory solution that could leverage the inventory investment while obtaining regional consensus.

The Solution

A centrally located depot was established in Seoul, Korea, to support quick delivery of critical spare parts throughout S.E. Asia. To minimize duty & tax exposure, the depot was established in a bonded warehouse close to the international airport. Next flight out schedules for each region were developed, and detailed performance tracking metrics were established to ensure each region's requirements were being maintained.

The duplicated, expensive, slow moving inventory was consolidated into one location, Rather than stocking a warehouse in each of the 5 regions, only 1 was stocked centrally. This configuration removed \$10M of excess regional spare part inventory with no negative impact on regional customer support.

Modified depot network to support inventory reduction while maintaining regional support