

Adding Value with Cost Reduction

1 The Problem

Burdened by high working capital costs, a Worthington Steel customer asked for assistance with cost-saving efforts. They wanted to reduce inventory levels and get customers' orders out the door faster. They were open to having their manufacturing processes evaluated for possible inefficiencies.

Understanding the need for a comprehensive solution, Worthington formed a cross-functional team of problem solvers.

3 The Delivery

A Kanban system was established so the customer could better visualize when to replenish inventory, keeping levels closer to just-in-time. Worthington produced a monthly gauge monitoring report for the customer to review, ensuring joint oversight that the steel consistently met the tighter gauge specification for increased part production.

Opportunities to use hedging mechanisms to buy a percentage of their steel at a firm price were evaluated.

2 The Approach

The Worthington team visited the customer's facility to evaluate the problem from multiple perspectives. They collaborated with the customer to design an ordering process to reduce inventory levels.

In addition, the metallurgists discovered that tightening gauge tolerance would produce more parts per coil, and the buying intelligence analyst identified a better buying mechanism to protect the customer's profit margin.

4 The Outcome

Implementing a Kanban system and establishing a new order process reduced working capital by 60% and significantly improved operational efficiencies. Managing less inventory allowed the customer to get their orders out faster.

The efforts of the Worthington metallurgists and buying intelligence analysts resulted in the production of more parts per coil and protected profit margins.