

### **Part 2: RESET inventory management processes during supply chain disruptions**

During a disruption period, such as what we're experiencing now, revisiting reorder points, reorder quantities and assessing your suppliers' fulfillment performance is important to review every four to six weeks. The dynamics of supply chain disruptions are mostly out of an individual location's control. However, the movement of inventory to and from your location is critical to maintain complete services for customers, as well as managing the investment.

It is important to remember these grounding statements about inventory:

- "0" on hand is not an acceptable reorder point – NEVER run out of an A or B+ SKU
- SKUs make no contribution to revenue if they don't move or are not on hand
- The **4-Rs** account for the time to **Recognize, Reorder, Receive and Restock** SKUs
  - Time in this context is generally not shorter than 10 days
- Keep total replenishment cost top of mind when managing inventory
- Any person who uses SKUs depletes inventory. All are part of the inventory team

### **Assessing your distributors' fulfillment performance**

No one likes backorders or stockouts. Review purchase orders from the last 4 to 6 weeks. Identify any issues with delays, items promised but not sent, mis-shipped items or invoicing errors. Also, note how many sources are used to fulfill one purchase order. Perfect fulfillment and delivery are every suppliers' objective. You may find, however, that one supplier stands out for the number of SKU errors or the number of shipments (individual boxes) you receive to close purchase orders. Align with suppliers who fills full orders, whose pricing is competitive and dependable while minimizing shipments and errors.

### **Reprioritize SKUs**

In Part 1 < [link](#) >, we reviewed the common economic method for an ABC analysis. At the four-to six-week point in a disruption period, movement of individual SKUs may be more meaningful than their economic value. For example, face masks, gloves and disinfectant may never carry enough weight to become an "A" item, but are being destroyed at a historical rate of use.

Recreate the ABC using the same method except:

- Organize the list in descending sum of units sold order out of your inventory versus dollars
  - If you have a good starting count recorded from the past, add purchases and subtract the remaining quantity on hand for your sold quantity or move-out
  - Cycle count the newly designated "A" and "B" SKUs
- RECLASSIFY any SKUS whose sum of units is equal to 144 or more units annually, for example. These SKUs are used about three times per week and represent items that are important to have on hand regardless of their cost.
- RESET reorder points (ROP) and reorder quantities (EOQ) the same as before
- Pay close attention to items you have shifted to a home delivery model

Regular adjustments to ROP and EOQ in the replenishment of SKUs is not wasted time. It is an effective business practice.