

How inefficient supply chain operations cost margin and market share



A SAMPLE MANUFACTURING COMPANY

\$250
million in annual
revenue

45%
of revenue spent on direct
materials procurement

20%
in direct product
labor costs

AUTOMATION OF TASKS:

~50% (hand scanners for receiving, OCR scanning of some invoices, some auto-send of POs directly from the ERP, etc.)

AREAS OF LOSS ON PROCUREMENT



Inbound inventory misplacement

(wrong item received/wrong placement)

5% frequency of occurrence
x
5% of impact on value

\$23,438/mo



Pricing errors

(failed updates/change orders)

5% frequency of occurrence
x
2% impact on value

\$9,375/mo



Shipping window errors

(arrives late or too early and impacts warehousing/manufacturing)

2% frequency of occurrence
x
5% impact on value

\$9,375/mo



Shipping carrier errors

(non-preferred carrier, wrong rate)

2% frequency of occurrence
x
3% impact on value

\$4,688/mo

AREAS OF LOSS IN ACCOUNTS PAYABLE



Late payment penalties

3% frequency of occurrence
x
1.25% impact on value

\$3,516/mo



Reconciliation errors

2% frequency of occurrence
x
5% impact on value

\$9,375/mo



Foregone/lost early payment discounts

5% frequency of occurrence
x
2% impact on value

\$9,375/mo

TOTAL POTENTIAL ANNUALIZED LOSS

\$829,687 OR

.34% OF TOP LINE REVENUE

FIND OUT WHAT YOUR SAVINGS MIGHT BE

info_scm@takesolutions.com

800-324-5143

linkedin.com/company/takesupplychain

twitter.com/takesupplychain

youtube.com/takesupplychain

6805 Capital of Texas Highway, Suite 370 | Austin, TX 78731 | takesupplychain.com
A division of TAKE Solutions, Inc. © 2014 TAKE Solutions, Inc. All other trademarks are property of their respective owners.