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## EMMICO: How to Improve Inventory Turns

Rochester, New York-based EMMICO had just acquired its supplier in Vienna, Austria, Franz Kuerten, and was rapidly shedding employees throughout its ranks as it attempted to integrate operations with the Vienna plant when it tapped a Tauber Institute for Global Operations intern team to seek solutions to the myriad of operations problems facing the newly organized company. The team consisted of three students supported by two University of Michigan faculty advisors, one from the College of Engineering and the other from the Ross School of Business.

The issues facing the student team revolved around the integration of the Franz Kuerten plant into the corporate operations of EMMICO. Frank White, director of sales, Europe, and head of the integration effort, pointed out that the key EMMICO metric of operational performance, economic value add index,<sup>i</sup> was negatively impacted by the large amount of inventory carried at the Vienna plant and at its off-site warehouse. The maintenance of this external warehouse alone was costing EMMICO €2.2 million (2.5 million USD)<sup>ii</sup> per year.

When the team arrived at the Vienna plant in May 2015 they realized that a project of this scope and magnitude offered many areas in need of improvement to meet the objective of better inventory turns while eliminating the need for an external warehouse and thereby improving the economic value add index.

Some of the areas the team would have to address were the large amount of inventory awaiting disposition by quality; an inefficient incoming material inspection process; a lack of responsibility for timely disposition of customer returns; inaccurate demand forecasting for slow-moving and obsolete parts, resulting in a larger-than-needed inventory; inefficient usage of space both at in-house and external warehouses; asynchronous external warehouse and plant working hours; a lack of lean implementation for the in-plant material handling process; and inaccuracies in the SAP reporting system, resulting in wrong inventory amounts being reported.

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i The economic value created at a plant from raw material input to outgoing product.

ii €1 = 1.14 USD as of April 1, 2016.

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