

## GSQA Benefits

- Reduced Disruptions
- Improved Productivity
- Single Knowledgebase
- Improved Supplier Negotiations
- Reduced Material Costs
- Reduced Compliance Costs
- Continuous Improvement
- Reduced Costs of Poor Quality

## How Effective Specification Management Can Reduce Inventory Costs

### Issue

An automotive materials manufacturer was having problems with its inventory levels from its suppliers. The suppliers were shipping goods that did not meet the manufacturers specifications. Not effectively managing specifications had the following effect on the manufacturer's operations:

- **Increased safety stock** – Because there was no common platform for specification communication, the suppliers were sending materials that did not meet specification. This caused the manufacturer to increase the orders for materials, and keep more on hand if their suppliers did not produce to specification.
- **Increased quality costs** – Since the specification was not known, the manufacturer had to increase its material qualification activities, which included personnel and lab services.
- **Increased logistics costs** – Non compliant materials had to be shipped between the supplier and manufacturer multiple time, increasing shipping and logistics costs.
- **Reduced productivity** – Since approved materials were not available for production runs, production facilities were not used to their fullest capacity. This caused finished good inventories to increase because finished goods that could be made were made, as opposed to finished goods made to customer

### Resolution

After implementing GSQA, the manufacturer saw its costs go down dramatically in the following areas:

- **Reduced safety stock** – GSQA provides a means to communicate the latest material specifications to the supplier community over the web. Since the supplier community now understands the material specifications, the manufacturer does not have to have as much material on hand, reducing the capital tied up in inventory.
- **Reduced quality costs** – GSQA collects and analyzes certificate of analysis (COA) data for each lot. This allows the manufacturer to know that the materials arriving meet the specifications. This allows the manufacturer to reduce their testing activities, as well as move toward a supplier certification program.
- **Reduced logistics costs** – Because all the materials met specifications, there was no returning goods to the suppliers, reducing both supplier and manufacturing overhead costs.
- **Reduced WIP and waste** – By having all materials on hand, fewer adjustments had to be made to finished goods, improving overall productivity.
- **Reduced finished goods inventory** – Since production reflected more customer orders versus material availability, finished good inventory was reduced as the materials were shipped out to meet customer orders.