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Reducing Scrap and Cut Cases Caused by Expiration Executive Summary

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Problems with unexpected cut cases and high finished product scrapping rates led the skin care product supply team within Procter & Gamble (P&G) to evaluate the work process and technical aspects of how expiration data was used in our ERP system when determining replenishment needs. It was discovered that SAP did not link the two processes; it only notified the planners of issues after it was already too late; the product was already on hold and beyond the stop-ship date, meaning it had to be scrapped instead of used to fill customer orders. This caused cut cases of over 15,000 stat units in just one year, and scrapping over \$2.1 million worth of inventory.

It is important to understand where P&G sees their supply chain, in the past, present and future. This is encompassed in three recent projects: the restructuring of the supply chain in the late 1990's, the creation of the Planning Service Center, and the recent Consumer Relations Network (CRN) project that has just begun to be made public. Unfortunately, the problem P&G faces with unexpected expiring inventory seems to be unique, making research on the subject scarce. With this in mind, the project team had to turn their eyes to what was already being done within other P&G categories, and created a solution by blending the best practices together. This led to the creation of an expiration tracker, and some new terminology: distressed inventory. With the tracker came developing a standardized work process with the goal of expanding the project from skin care to the rest of the product supply pillar within P&G. A long-term solution then began by gathering data and root cause the reason why inventory was sitting long enough to reach the expiration date in the first place.

Results to date have shown the project's goal is easily attainable and the actual savings realized will be much higher than originally anticipated. After only 4 months of tracking results, the project has already saved \$759,220 worth of inventory from reaching the stop-ship date. This equals 73% of the annualized goal (\$1,041,210), but accomplished in only 33% of the time! What is even better is the amount of inventory that is being scrapped is significantly less. In the 4 months of tracking results, the project has only seen \$93,831 worth of inventory reach the stop-ship date. This is 13% of the amount scrapped for the same time period seen during the 2011-2012 fiscal year.

The benefits found with this project focus on making the priorities of the company realistic achievements by reducing inventory, improving productivity, and providing flexibility. With the priorities being a reduction of inventory and improved customer service, it's easy to see why leadership is so interested in seeing this project not only meet their goals, but also take off into other categories and help them achieve their own goals.