

# 10 ways to control inventory costs using CMMS

## Discover simple ways of reducing the costs of your inventory

Inventory related costs can make up a significant part of all costs of companies. At the same time keeping enough inventory is necessary for ensuring continues work of the whole company.

It is very hard to manage your inventory and maintenance operations without any help of computers.

[Computerized maintenance management system \(CMMS\)](#) is a computer software that allows you to manage and control all your maintenance operations and optimize your inventory costs.

Here are 10 ways to control inventory costs with CMMS, but first of all let's consider the main types of spare parts.

### Types of inventory spares:

#### 1. Bin stock items.

These are spare parts that don't have any marking and are not treated as individual items. Usually, every maintenance worker has unlimited access to bin stock items regardless of the work order type. For example, pins, bolts, nuts etc. These are high usage items and stock levels are replenished at certain level.

#### 2. Critical spares.

These are spare parts that are kept in stock because of their importance or difficulty of their delivery. Critical spares are not high usage items and are kept for a case when they are needed.

It is important to assess the price, costs of holding such spares in stock and the risk and possible contingencies of not having the critical spares in case of a sudden break down.

#### 3. Rebuildable spares.

Spare of this type can be repaired and rebuilt for less money than the price of a new spare part.

#### 4. Residual parts.

These spares were bought at surplus and it is not likely that they will be consumed in 1-6 months. If these spare are big or require some special storage then the company should consider selling them or returning to the supplier.

#### 5. Scrap spares.

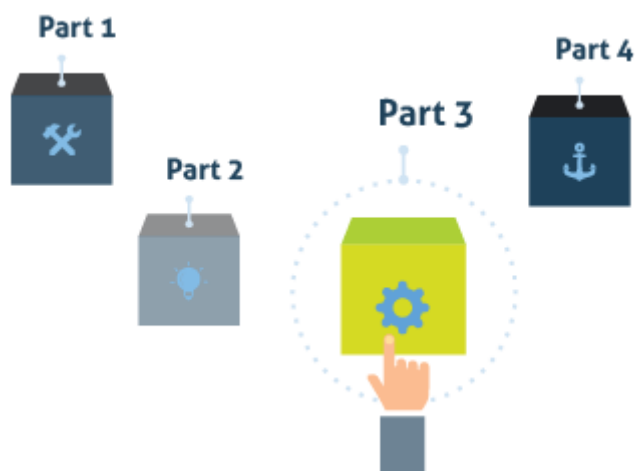
These items cannot be used and should be scrapped or disposed.

#### 6. Tools and equipment.

Tools are used in maintenance operations and also should be considered as valuable reusable spare parts.

### 10 ways to control inventory costs with CMMS

#### 1. Track parts.



The most core and basic component of effective inventory cost control is tracking spare parts and materials at your company. Powerful CMMSs allow you to keep track of each part and to find everything when you need.

Your technicians will not waste their time walking around the company and searching spare parts and you will not mistakenly order new parts while you have the same parts in store.

#### 2. Manage replenishments and determine the safety stock level.

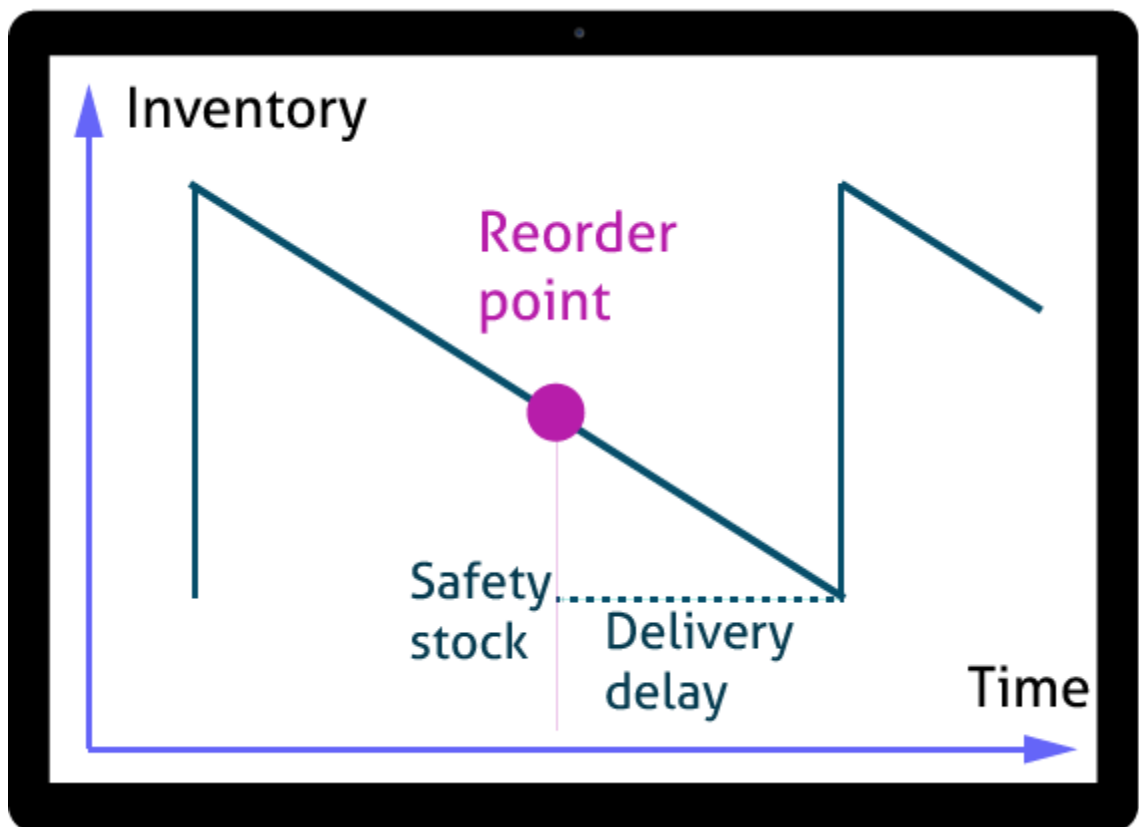
You need to try to keep your stock levels at the sweet spot where there is always enough spares for your company needs and at the same time you don't have excess inventory.

Having excess inventory may be very costly because you freeze some money when you buy it and you will have additional costs associated with storing it. At the same time, you should not risk too much relying on timely delivery.

You need to determine the reorder point for each spare part based on its price, criticality, lead time of delivery, storing costs and usage level.

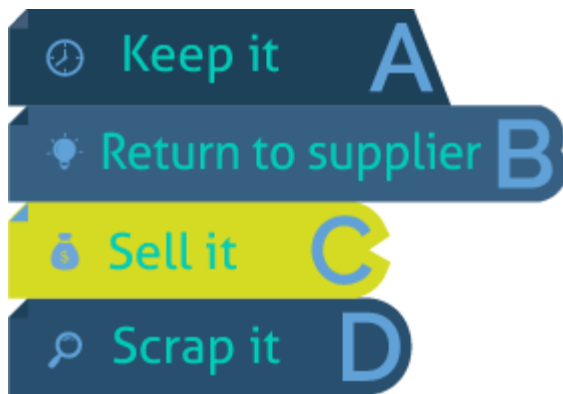
Good CMMS can help you with that by suggesting you the reorder point and the order quantity. Of course you can high tune the system according to your preferences.

Take a look at the chart that shows order cycles and reorder point.



If you are dealing with critical spare parts and you are not confident in your suppliers it will be wise to move your reorder point left. In this case if you don't get spare parts from your first supplier you still have time for placing a new order and getting the supplies from your second supplier.

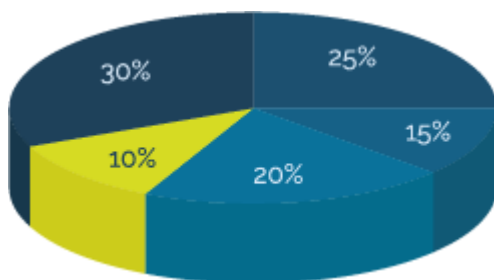
3. Find redundant parts.



Holding too much inventory is not wise because you need more storage, your warehouses become messy and you hold money in the inventory. If you are using a CMMS you will easily find spare parts that are in excess quantity. When you find redundant spare parts you have four basic options:

- Keep it, if this is a high usage spare, storage costs are not high and the price is low.
- Return to supplier with some discount.
- Sell it if it is a liquid asset.
- Scrap it if you don't need this item and you can not sell or return it to supplier.

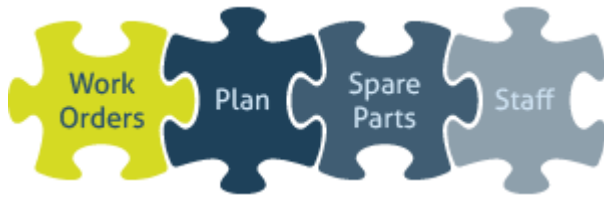
#### 4. Get reports.



Reporting is a great tool that allows you to notice any changes in the maintenance inventory management. With [powerful CMMS](#) systems you can analyze current stock levels, average spare parts usage, work orders, purchase orders etc.

Reporting is a starting point from where you should begin optimize your maintenance inventory costs.

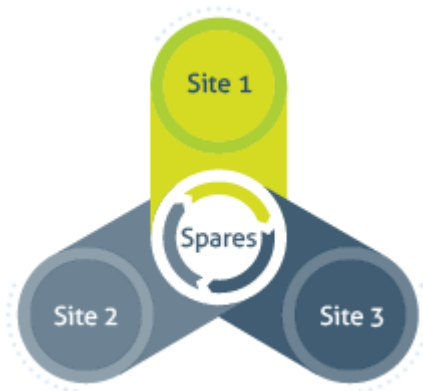
#### 5. Connect CMMS to ERP system.



Many companies use a CMMS for managing their maintenance operations and a separate ERP system for managing inventory. If these two systems are not connected you are losing a lot of opportunities to optimize your inventory costs.

If the two systems are fully integrated you can track spare parts and maintenance in one system without the need to import or export anything. Your reporting will be even more powerful if you use the data available in both ERP and CMMS systems.

#### 6. Safety stock calculation.



If your company has multiple sites and the same spare parts and materials are used there you can significantly lower your inventory costs and even lower the risks of lacking inventory.

Using CMMS analysis choose equipment that is used rarely, has high price and is expensive to store and that you can easily transport between your sites. Then, choose one central place where you prefer to store these spare parts and retain inventory that will be enough just for one or two sites. By doing this you will get back some money that were invested in inventory and free up some storage space.

#### 7. Revise bill of materials.



Bill of materials needed for maintenance operations may change over time. This may cause in holding some spares that are not used at your company anymore. Make sure you keep it updated in your CMMS to keep only inventory that will be used.

Powerful CMMS systems have tools that can analyze all your bills of materials and your inventory and find spare parts that are not needed anymore.

8. Make sure parts and materials are stored properly



Every year company lose huge amounts of money just because they don't store their spare parts and materials properly. Find out how all of your inventory must be stored and upload this information to your CMMS. Then, check if spare parts and materials are stored correctly at your company.

9. Revise your stocks physically.



If you don't check your inventory from time to time you may be surprised if you don't find spare parts in store or find them in bad condition when you need them for urgent repair. In order to avoid such situations create a schedule and physically revise your stocks from time to time.

10. Work with vendors negotiating price, returns and automate reordering.



You can also lower your inventory costs by working with your suppliers.

First, you can decrease the amount of money freezed in inventory by negotiating the prices with your vendors.

Second, you can lower the costs associated with storing of inventory by agreeing about returns of unused excess inventory to vendors and setting up a more reliable and fast supply chain.

Third, you can save some time by integrating your CMMS system with your suppliers ERP systems and setting up an automated reordering system. In this case your suppliers will always see the level of stock at your company and new orders will be issued without your involvement.

**[10 Ways To Control Inventory Costs With CMMS Presentation](#)** from **[Andriy Popov](#)**

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# 10 WAYS TO CONTROL INVENTORY COSTS

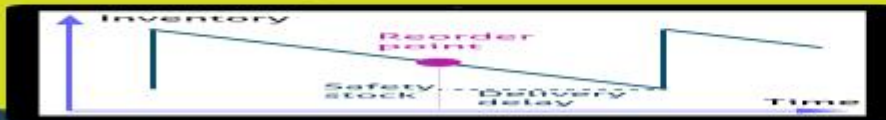


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## Get reports

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## Make sure parts and materials are stored



- Find out how information
- Then, check company.

## Revise your stocks physically

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## Work with vendors negotiating prices and automate reordering

- Price**  
Decrease the amount of money frozen in inventory by negotiating the prices with your vendors.
- Supply chain**  
Lower the costs associated with storing of inventory by agreeing about returns and setting up a more reliable and fast supply chain.
- Reordering**  
Integrate with vendors ERP system and set up automated reordering system.



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