

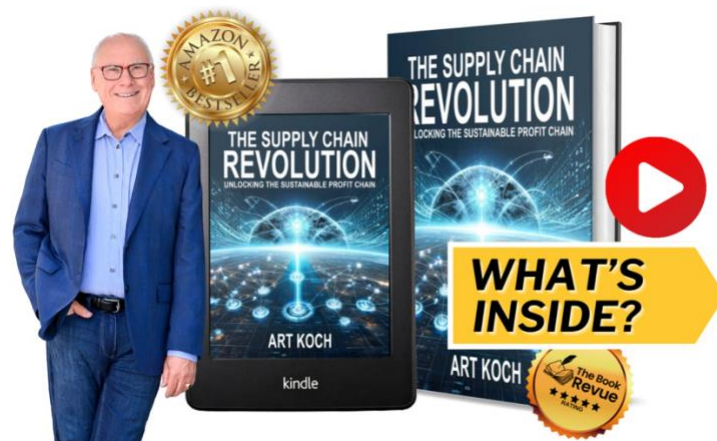
Art Koch's Profit Chain® Tips

The Supply Chain Revolution: Unlocking the Sustainable Profit Chain

Volume 5 | Number 17 | October 2024

Let's continue with my What's Inside the Book series - here I share what you'll find in *Chapter 7: Forecasting is Always Wrong - Plan for Every Part*.

Have a look at the video for more detail. As before, I have included a short summary of what you'll find in the video below.



Click for Video

Forecasting is Always Wrong - Plan for Every Part

In Chapter 7, Art Koch explores the pitfalls of relying too heavily on long-range forecasting in supply chain management. He explains how forecasting is inherently flawed due to unpredictable variables, and organizations must instead focus on reducing lead times and increasing operational flexibility. By implementing efficient planning strategies and reducing complexity, businesses can significantly improve customer service, inventory velocity, and overall supply chain efficiency. The chapter advocates for a reduction in dependency on forecasting through techniques such as the 80/15/4/1 rule, which prioritizes inventory control for the most critical items.

The Problem with Forecasting

- Forecasts are inherently inaccurate, especially when used for long-term planning.
- Instead of relying on forecasts, companies should focus on reducing lead times and increasing flexibility to adapt quickly to changes.

The 80/15/4/1 Rule

- The author emphasizes that a small percentage of items (1%) drive most of the complexity and cost in inventory management.
- Prioritize inventory control for the most critical items (the top 1% and 4%) to streamline operations and reduce costs.

Reducing Dependency on Forecasts

- Focus on reducing complexity, lead times, and lot sizes while improving flexibility.
- Shorter lead times allow for more accurate predictions and reduced variability in operations.

Strategies for Operational Flexibility

- Implement cross-training, standardization, and Kanban systems to enhance operational flexibility and responsiveness.
- Flexibility reduces the need for large inventories, lowers costs, and improves customer service.

Real-World Example

- The author shares a client example where reducing inventory by 47% led to improved customer service, increased sales, and significant cost savings, demonstrating the power of minimizing forecasting reliance.

If you want to discuss this topic further and how it might impact your business, schedule a 30-minute call with Art here. [30-Minutes with Art](#)
info@arthurkochmgt.com

Carpe Diem,

Art Koch



Find out more about "The Supply Chain Revolution" [here](#).



Get your copy on [Amazon](#).

Art Koch's Profit Chain®

Create dramatic improvements to inventory velocity, customer service, and corporate profits.

If you have any questions or concerns about your operations and supply chain business strategy, please contact me by [e-mail](#) or at +1 (336) 260-9441.

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Self-Ranking - Pick one of the four questions below and fill in your comments relating to the current month's newsletter in the space provided.

1. Don't think this applies to your business or enterprise? (Write three to four reasons why it might not.)
2. A new idea and strategy; we need to work toward it. (Brainstorm the first steps.)
3. We can do better. We just need to modify our strategy, and now we are moving in the right direction. (What are the next steps to ensure success?)
4. Our team gets the time to keep their minds fresh, and we plan to live our dreams. (Comment on how you're ready.)



- _____
- _____
- _____
- _____

Thanks in advance for your time and for being a loyal client. Looking forward to helping you and your team again soon.

Carpe diem,

Art Koch
Arthur Koch Management Consulting, LLC

info@arthurkochmgt.com

+1 (336) 260-9441



Don't be afraid to call with any questions or comments.

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Stop letting the process manage you! Become the champion of your game plan and achieve sustainable profits.

The Inventory Doctor®

Assessing the health of enterprise inventory and procurement practices.

Inventory Is Evil!™

in·ven·to·ry / 'in·vən-ˌtôr-ē / noun

Inventory is the term for the goods available for sale and raw materials used to produce goods available for sale.

in·ven·to·ry is evil! / 'in·vən-ˌtôr-ē is 'ē-vəl / phrase

"Left unchecked inventory has many negative unintended consequences to profitability. It hides problems; therefore, it delays fixing problems!"

Transforming Problem Chains into Profit Chains™

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