

Kanban Beats MRP Hands Down!

Kanban is a proven method used in industry to provide needed supplies or materials with least waste. In a Kanban system, materials are only ordered or procured as they are consumed. Unlike the commonly used MRP systems, Kanban does not use a forecast to replenish. If nothing is consumed, nothing is ordered. If consumption increases, Kanban triggers are placed more often.

Here is why MRP causes constant expediting and de-expediting of materials:

MRP creates P.O. quantities from these areas:

1. Inventory levels (98% accurate *if you're lucky*)
2. Data Entry Transactions (98% accurate *if you're lucky*)
3. Forecasts or guesses (70% accurate *if you're lucky*)
4. Actual quantities from Supplier (98-99% *if you're lucky*)

MRP Accuracy = $0.98 \times 0.98 \times 0.70 \times 0.98 = 66\%$

MRP = Materials Random Predictions!

A standard Kanban is designed to have enough material on-hand to allow lead time to receive replenishment while the current Kanban is consumed. This method provides for the most efficient means of supply with the lowest cost.

Kanban is also a **visual system** that allows teams to see what is happening to inventory. Kanban is fully integrated with current MRP or ERP systems. However, the key is to turn-off the normal forecast ordering function to prevent buying materials that are not needed. This switch is usually called a DNS or "Do Not Schedule" function that allows orders to be placed by usage not forecast.

Companies that have converted from MRP to Kanban enjoy total inventory dollar and space reductions of 20-40% while virtually eliminating all shortages. If you would like to learn more about implementing Kanban in your company, contact us at 760-802-7957 or email jerry.wright@san.rr.com.