



Electronic Kanban Slashes Inventory, Improves Supplier Performance

To position the company for future growth A.O. Smith Water Products needed to streamline material replenishment and improve its parts forecasting processes. Managers wanted to extend the company's kanban-based inventory replenishment system to suppliers and thereby eliminate excess inventory in the supply chain. After evaluating several options, the manufacturer of water heaters implemented a browser-based electronic kanban system from Ultriva that runs as Software as a Service (SaaS).



This extended case study focuses on the implementation of the electronic-kanban system at the A.O. Smith Water Products factory in Ashland City, Tenn. The plant employs 1,200 people who make commercial and residential water heaters, commercial boilers, and other hot-water storage products sold worldwide. The factory produces 1.8 million

water heaters per year.

Today, when key suppliers ship parts to the A.O. Smith factory, they attach a kanban label generated by the Ultriva system. When the parts arrive at the loading dock, the receiving clerk scans the label, which updates the parts' status as "received," and moves them into inventory. When parts are removed from storage, they are scanned again, which updates inventory level information and sends new orders to suppliers. The Ultriva system automatically updates their ASI system in real time with purchase order and inventory information. Since implementing the electronic kanban system, A.O. Smith has reduced inventory by 20 percent, doubled inventory turns and dramatically improved on-time customer delivery.

"We're able to run our factories leaner and simultaneously drive down inventory costs, all of which benefits our customers," says James Hutzel, Director of Distribution and Logistics for A.O. Smith Water Products. "Planners are able to spend their time monitoring supplier performance and driving improvements in the supply chain; they're not on the phone all day expediting or resolving problems," Hutzel adds. "As a result job satisfaction is much higher."

"We've pushed supply chain management down to the factory floor level; the employee building the heater is now a key part of the replenishment process."

—James Hutzel,
Director of Distribution and Logistics,
A.O. Smith Water Products Co.

Electronic Kanban

On Hand																													
Released																													
In Process																													
In Route																													
At Ship Hub																													
In Transit																													
Rec'd At Dock	<table border="1"> <thead> <tr> <th colspan="2">Card Details - AC100001000</th> </tr> </thead> <tbody> <tr><td>Card Qty</td><td>6000</td></tr> <tr><td>Release Date</td><td>2008-05-21 14:39:59</td></tr> <tr><td>Accept Date</td><td>2008-05-28 08:22:52</td></tr> <tr><td>Ship Date</td><td>2008-05-29 10:06:22</td></tr> <tr><td>Rec Ship Date</td><td>2008-06-02 23:00:00</td></tr> <tr><td>Req Receive Date</td><td>2008-06-04 22:59:59</td></tr> <tr><td>PO Number</td><td>A118033</td></tr> <tr><td>PO Line Number</td><td>0</td></tr> <tr><td>Expedited Receive Date</td><td>2008-05-30 22:59:59</td></tr> <tr><td>Ship Quantity</td><td>6000</td></tr> <tr><td>Supplier</td><td>FAGCO INC.</td></tr> <tr><td>Carrier</td><td>Supplier Truck</td></tr> <tr><td>Tracking No</td><td></td></tr> </tbody> </table>	Card Details - AC100001000		Card Qty	6000	Release Date	2008-05-21 14:39:59	Accept Date	2008-05-28 08:22:52	Ship Date	2008-05-29 10:06:22	Rec Ship Date	2008-06-02 23:00:00	Req Receive Date	2008-06-04 22:59:59	PO Number	A118033	PO Line Number	0	Expedited Receive Date	2008-05-30 22:59:59	Ship Quantity	6000	Supplier	FAGCO INC.	Carrier	Supplier Truck	Tracking No	
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Offering a quick, visual indicator of inventory status, an electronic kanban system simplifies replenishment with key suppliers of A.O. Smith Water Products.

To read the full text of this white paper, please go to www.industryweek.com/whitepapers/Ultriva_AOSmith