BACK TO KIOSK MENU

Supply Chain MANAGEMENT

Analytical Model: Evaluating Incoterm Conversion

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MIT GLOBAL SCALE NETWORK

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Background

Lack of active inbound material management at RMDR production sites in Europe & Asia has resulted in:

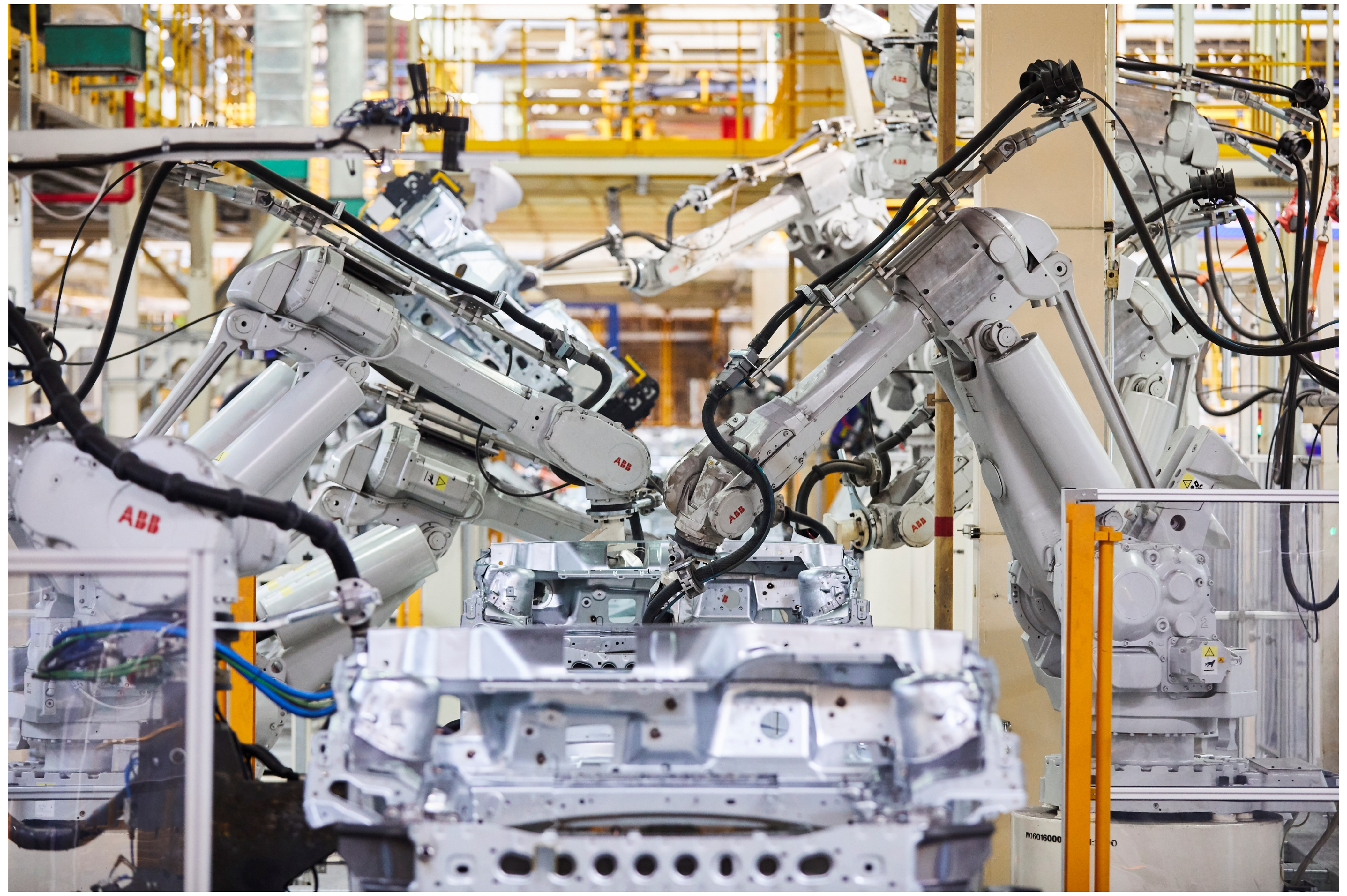
- **Limited visibility of material coming into production**
- **Higher inventory stocks -> increased net working capital**
- **Higher transport costs due to limited consolidation opportunities**
- **Limited flexibility to manage unexpected scenarios**
- **Increased risk to the JIT production setup**

Key Question

- **Should an organization try to manage inbound actively?**
- **If yes, then what products should be managed actively?**
- **What are the best in class solutions to manage the inbound operations?**

Relevant Literature

- **Kumar et al. (2010) Migrating to F type incoterm purchases for greater control of goods**
- **Schneider (2010) Wal Mart case study / benefit of lead time predictability on cash flow**



✓ Work with the business unit to identify production site as pilot
✓ Shortlist 3-5 suppliers to run the pilot
✓ Identify 5-7 products per supplier for analysis

SCOPE DEFINITION

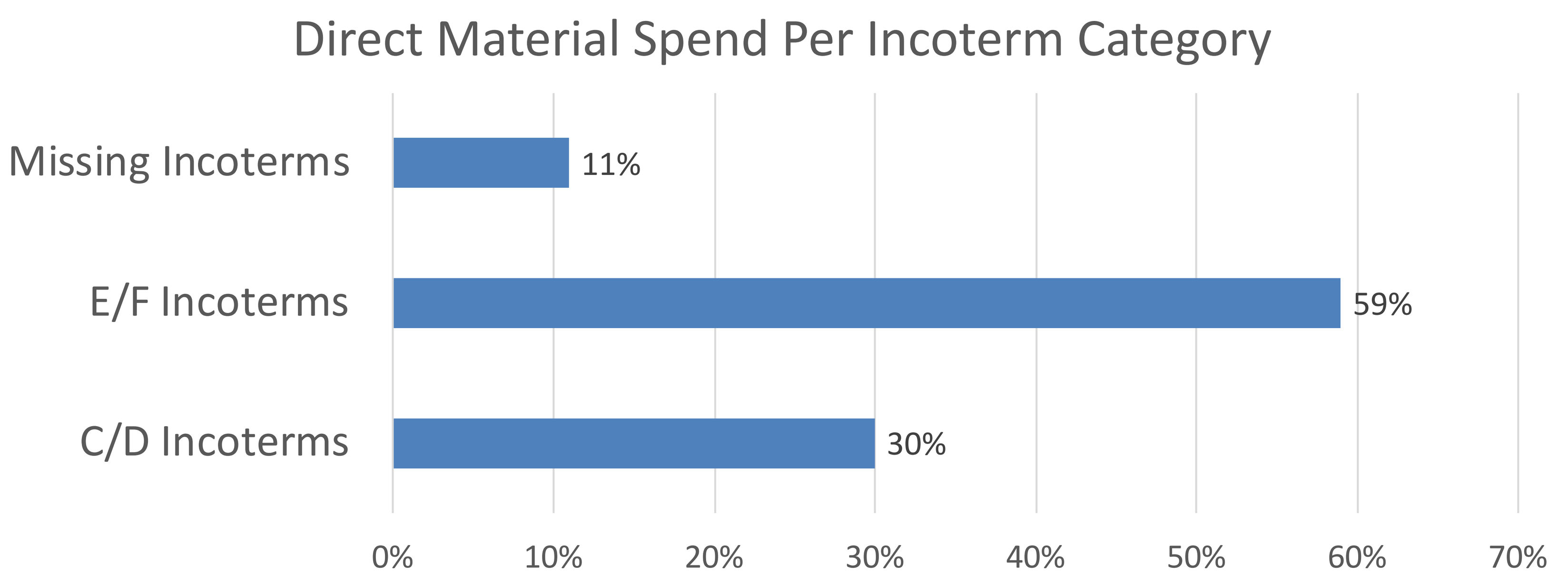
✓ Mathematical model looking at total cost per product under different incoterm scenarios including variability
✓ Framework to quantify risk associated with each step

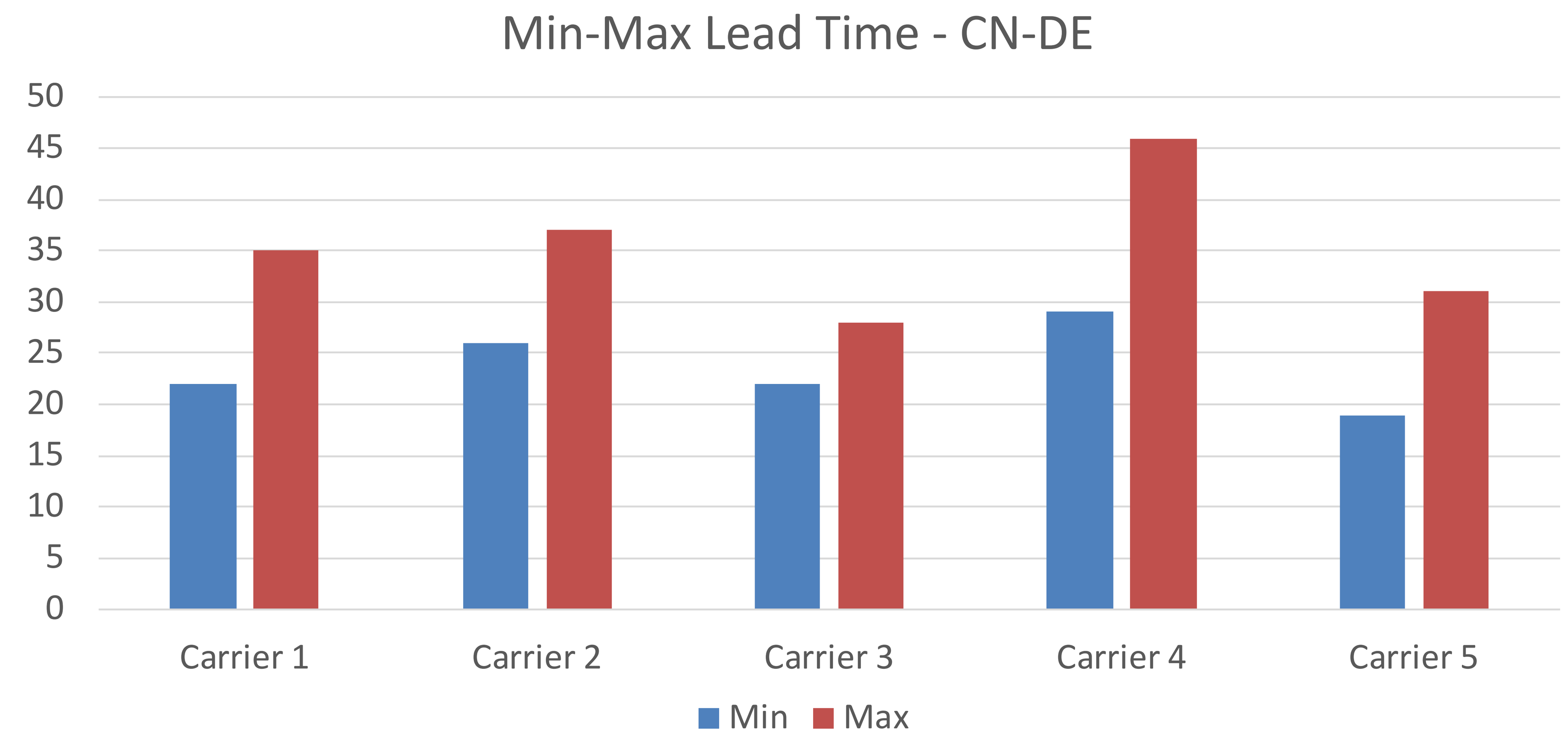
DATA ANALYSIS

✓ Incoterm selection per product – C&D vs E&F
✓ Easy to visualize risk and total cost overview per product
✓ Pilot for selected categories to validate results

RESULTS

Initial Results





Expected Contribution

- **Template for material buyers to understand inbound savings opportunities with select suppliers and products**
- **Best practices on how to actively manage the inbound operations**

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