

Codification in Materials Management

(Also be termed as the identification of materials)

- ✓ Useful in requisitioning items
- ✓ Useful in placing of orders by the purchase department
- ✓ Useful in receiving and expediting the items on receipt from the supplier
- ✓ Useful in having a unique record of each of the items in stores and in work-in-process or in warehouse
- ✓ Useful in having a good control over the loss, deterioration, obsolescence, non-movement, or pilferage of the items in the inventory.

What do we mean by coding?

- We give a unique number to a particular item in the inventory

The need for Codification arises because of the following reasons:

- (i) Speed,
- (ii) Unambiguity,
- (iii) Saving of Effort,
- (iv) Space Saving on forms,
- (v) Ease of classification,
- (vi) Mechanization.

Characteristics of Codes

As far as possible uniform dimension say, the metric system should be adopted.

- Code should be Simple.
- Code should be unique.
- Coding should be compact, concise and consistent.
- Code should be sufficiently flexible to meet future demands.

An ideal material code should :

- Identify commodities
- Name commodities
- Specify commodities
- Classify commodities
- Indicate inter-relationships between commodities
- Indicate the source of origin of commodities
- Refer specifically to an individual and unique commodity.
- Retrieval and Transaction
- Processing System

Inventory Control in a Healthcare Organization

Healthcare organizations have many reasons to effectively manage their inventory :

- Device tracking,
- Investment protection
- Contract compliance

LEAD TIME

Lead time is the lapse in time between when an order is placed to replenish inventory and when the order is received. Lead time affects the amount of stock a company needs to hold at any point in time.

The lead time is the sum of the supply delay and the reordering delay.

The **supply delay**, that is,

The time it takes a supplier to deliver the goods once an order is placed

The **reordering delay**, which is the time until an ordering opportunity arises again.

Supply delay

- Inventory cannot be *instantly* replenished by a supplier.
- In order to guarantee that the frequency of stock-outs remains sufficiently low, the **demand planner** needs to anticipate how much inventory will be consumed between **now** and the **next replenishment**.

Reordering delay

- A common mistake found in lead time calculation is to omit the *reorder delay*.
- For example, if a supplier accepts reorders only on Mondays and Wednesdays, the reorder delay on Monday is 2 days, while the reorder delay on Wednesday is 5 days.

Some Considerations :

- Total inventory includes both stock *on hand* but also stock *on order*.
- Longer lead time also increases the dependence of any company making an order on forecasting accuracy.
- **The longer the lead time, the higher the total inventory level**

Some factors for consideration to reduce LEAD TIME

- Increase the frequency of order and decrease the volume
- Incentivize your suppliers
- Automate your inventory management process
- Go local