

Part of a large US-based conglomerate, Rawlins Industries (RI) manufactures and assembles pumps to meet a wide range of industrial requirements including within the chemical, oil refining and mining sectors. Three years ago RI split its UK-based facility into a number of focused units to reflect the industries in which its customers competed. Since that time the company has arrested the decline in overall sales by increasing its market share in all sectors. Each focused unit is responsible for sourcing its own material requirements including castings, motors, seals and shafts.

The Group had set up a casting plant in Asia to avail itself of lower unit costs. All Group subsidiaries were encouraged to avail themselves of this opportunity and 12 months ago the focused units with RI made the switch. However, while previously its casting supplier provided a 4-week lead time, the Group's Asian casting plant offered lead times of between 16 and 20 weeks using fixed production schedules as a prerequisite to reducing manufacturing costs. With its own customers looking for lead times of 6 weeks, RI found itself no longer able to meet these requirements. In order to avoid losing sales, RI decided to hold casting inventories and also guarantee placing orders with its casting supplier equivalent to an agreed level of capacity with which it could decide on the actual castings it required. In this way, it brought its own operations lead time to 6 weeks and was now able to meet its customers on timescales.

However, RI now faces Group pressure to reduce its inventory levels.