



TO FREE OR NOT TO FREE!

IS FREE-ISSUING ALL THAT ITS CRACKED UP TO BE?

This month we look at the topic of 'Free-issue Materials'. Handled correctly it can enhance the customer-supplier relationship by utilising the particular strengths of each company. There are many potential hazards however. To highlight some of these we have imagined a conversation between our materials controller Peter Murcutt and a fictitious customer. Don't take it too seriously; its aim is to get the debate going in a fun and light-hearted way. We'd love to hear your own thoughts and views on the subject.



Peter Murcutt
speaks with
Scrimpalot Electronics

Scrimpalot: Hello Peter, we'd like to place an order. Oh, and we'll free-issue the material

Peter: Great! Thank you.....err..... are you sure about the free-issue bit?

S: Oh yes!

P: Oh dear!

S: What's the problem? We've got most of the stock here already.....well most of it anyway.

P: Hmm. Well there's the 1st problem. In our experience that means you'll give us a partial delivery. Then you'll ask us to start production straight away which we, reluctantly, will (our QMS says not to start the job until ALL materials are available, but hey, you're the customer so we'll agree a concession and initially impress you with our 'flexibility'). Once we've used up your 1st consignment of material the job will go 'On Hold' awaiting the balance from you.

S: What happens then?

P: Well, we need to keep production moving so other jobs will fill the empty slot created by the delayed materials. When these eventually arrive you will then demand that we finish your job immediately - after all we are now 'late' against the original requested date!! It gets worse. We will try to negotiate with you for a 'partial, partial' shipment while we try to finish off the job we had to slot in.

End result - goods are delivered but no one's happy or has had a really good time!

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S: Blimey! I was only trying to save some money!

P: Yes of course we all have to run as 'lean and mean' as possible but we're just trying to show that sometimes apparent savings come with huge hidden costs and consequences.

S: Ok, so what other problems might there be?

P: I'll touch on a few very briefly, after all, I don't want to bore you and we still want to remain friends!

- Paperwork can be a problem with free-issue – don't ask us why but it just doesn't seem to come with the same quality of documentation we'd get from a normal supplier.
- Similarly with packaging and labelling.
- What about wastage and breakages? Who's responsible? Did you allow for it in your delivery to us? If we used up all the stock do we order more from you or the supplier? Did we agree all this at the quotation stage?

S: Hmm...lots to consider, but surely free-issue makes sense in some cases?

P: Absolutely. I suppose we're saying that these are some of the issues that might prevent those cost savings being realised. There are many other drivers for free issue where it makes perfect sense.

S: Like if it's a part we have designed ourselves or is made as part of a suite of items the majority of which don't get free-issued to you but go straight into our own products?

P: Exactly! And I'm sure there are other situations which would be equally valid.

S: Well thank you Peter, I'm not sure I agree with all the points you've raised but I think at least we'll be more aware of the pros and cons next time we're considering free-issue. Ok, and by the way, we are still friends. Fancy a pint!?

Peter Murcutt is the materials controller for Gwent Cables Ltd. Contact him at pmurcutt@gwentcables.co.uk



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