

# Kanban: Future of Inventory Management.

Centuries passed, but the only thing people believed in was 'hard-work.' And erupted a warrior amongst the four walls of Toyota, Japan, with a will for improvisation of the existing workflow without changing the core of it. The first Kanban system was developed by **Taiichi Ohno** of Toyota Automotive, the aim of which was to tackle inadequate & inefficient production; and to control inventory optimally.

## What is Kanban?

Kanban ('visual signal' or 'card' in Japanese) is a visual scheduling system related to just-in-time (JIT) production that tells you 'what - when - how much' to produce. Kanban system visualizes both - the workflow and the actual work passing through the flow. In this way, it helps avoid supply disruption and overstocking of stock or raw materials at any stage in the value chain. So there is no incoming of the stock unless & until there is a space for it. Kanban gradually improves the existing process - whether it is software development, recruitment, sales, procurement etc, rather than changing everything from the core. After noticeable improvements to the productivity and efficiency of Toyota, Kanban system was also introduced to the IT and Software Development in the year 2004 by **David J. Anderson**.

*"To Do" ---> "On-going" ---> "Done"*

## Kanban Inventory System

As mentioned above, the Kanban Inventory System doesn't possess any additional functionalities, it simply optimizes the process flow. *Kanban controls the entire chain - from suppliers to the end-sellers.* Hence, proving to be like a Midas' touch to your inventory management.

The main reason why Kanban inventory system is a more efficient method since it helps in maintaining a minimum amount of stock in the inventory. The supermarkets were observed, they didn't touch or restock the products which were already in ample quantity. They closely monitored the products which were continually getting sold. Stocks of only those products were replenished.

Sample screenshot for Order Management from Orderhive 2.0

## Foundation Principles of Kanban Inventory System

Always initiate with whatever you are doing!

Kanban system must be applied to an existing inventory system. There are chances that you might not get the hang of it at once, but a gradual acquaintance is guaranteed. Make sure that the inventory management approach remains unchanged, as this decreases the efficiency rather than optimizing the workflow.

Eye a small, incremental change. Outcomes would need patience.

It's always better to grab an evolutionary change rather opting for something revolutionary. Unlike other methods, Kanban inventory system doesn't impose any sort of organizational or functional changes to your existing inventory system. This gradually happens. You shall neither pressurize your team for sudden changes nor expect sudden outcomes.

## Benefits of using a Kanban Inventory System

### Reduced Inventory Costs

There are possibilities when you do not have much of inventory to store, and there is a lot of unused space; that additional space can be occupied by workstations. This way you can save money as the profit gained out of your business is not invested in purchasing any extra stock.

## Customer Demand is an Alarm

You will easily be able to identify the restocking threshold as per the customer demand for a specific product. As per Kanban, there is no need to replenish the stock unless there is an empty slot for the incoming volume. If you can pinpoint a particular product off amazingly, only then can there be a plan for another stock for the same.

## Streamlined Order Fulfilment

The kanban acts as a watch-tower over the entire order-flow process, from the point of receiving an order from different channels to confirming the order to shipping and completing the order fulfillment, One can set orders on priority as per the demand or any concurrent conditions and fulfill them accordingly in a streamlined manner.

## Access to Progress Reports

A Kanban system is based on the idea of continuously keeping track of entire. The same idea when applied to your efficient **inventory management system** enables you to get an accurate record of the sales and inventory. This helps the management to plan, organize and improvise the business workflow.

## Avoids Over-stocking

There are cases when companies wrongly estimate demand of a specific product, only to end up stocking it unnecessarily for months. Overstocking then compels them to either dispose that stock or sell it off at discounted rates. In such cases, it eventually becomes hard to keep the right track of stock. Kanban helps to avoid this at the earlier stage itself.

## Obstacles to consider while implementing Kanban Inventory System

Well, there are tons of benefits of implementing a Kanban system in your business; will save you money and increase the efficiency. But, before you move ahead with introducing the Kanban inventory system to your business family, there are a few things that you need to keep in mind. You will have to carefully monitor your inventory, as to what and how much should be ordered while you restock.

***Though Kanban is efficient, keep in mind that it will surely make your process go slow for some time. So, marginal ups and downs can be expected initially. The moment things are streamlined, it will start showing results.***

Once the implementation is done, try to figure out how many items will go into a single bin and how much time will it take for them to be in that bin. If you wish to restock items in a bin in 10 days, you

need to make sure that your supplier sends you the stock within 6 to 8 days so that you can avoid production delays.

PS: **Orderhive 2.0** comes with an integrated Kanban system, to help you pull the best out of your business. Also, with a free trial of 15-days, Orderhive offers you all the features within this time.