

Jim Compton for ABRN, March 2014

MSO Material Management

How can a busy MSO, or any shop, do a better job of managing materials? With hundreds of part numbers, varying regulations mandating different products and a plethora of other priorities, how do they cope with material management issues?

There are some great tools provided within the paint manufacturers shop level computer software. Most of the major paint manufacturers can help capture usage by R.O., as products are mixed on the scale. While these are great tools, some shops, including several MSO's, are looking for a more robust solution.

Step One: Check the Scale

The first step to material management is making sure you have good information. The "Scale" reports are great place to start ... if all the information is there. If everything is being mixed on the scale, including clears, sealers, primers and of course color and that is mixed by RO#, we have a good data foundation. Many shops operate under the belief that everything is being mixed on the scale, but how do we really know? Ask your jobber for help. They should be able to produce a report listing all the volume of liquids purchased over a period of time. Running "Scale" reports can generally provide similar volume reports. Comparing these two reports over an extended period of time should help to determine if substantially all mixed liquids are being mixed via the scale and recorded by RO#. If they are, great! You have accurate accounting of almost all per job liquid costs. You also have accurate reports for emission and VOC reports, should these be required in your area.

If you don't find a very close correlation in volume purchased verses volume used, then the Scale reports are obviously not an accurate source of data. Be sure to run these reports over a long period of time to even out minor fluctuations in inventory and purchases. *(I suggest six months)*

Beyond the Scale: Using Your Purchase Data

Another approach is to just use those purchase records. These can usually be obtained from your local jobber or paint distributor. With a little finesse this data can be converted into valuable information. Several paint distributors across the country have created material reports that help turn lots of data into good information. Some distributors have turned to third party solutions that give their customer an even higher level or more in depth material usage analysis.

Lean Material Management may very well be the next big trend in shop management. It seems like the only significant area not yet subjected to lean methodologies. With leaner material usage not only are costs maintained, but waste and other handling expenses are also reduced.

Back to our quest for information beyond the scale. We now have a large volume of data from our purchase reports. Data seems like a great thing to have. But can you have too much data? The answer is yes. The data needs to be molded into information... We often get caught with too much data. With any modern computer system you can produce enormous amounts of data, making it easy to suffer from DAP, or Datum Analysis Paralysis.

What is the Key?

What are the Key Performance Indicators with material management? Are there different KPI's, depending on your perspective? Balanced Score Card, Dashboards, Reports, are all great buzzwords. What is more important than what we call this information, or format, is that this information is meaningful to the person it is presented to, and the information is actionable. If you can use the data to make improvements and push the needle forward, great, if not, maybe it's just data. Perhaps what really changes is the level or detail of the information. Owners and MSO managers can look at just a couple of pieces of information and get what they need regarding material management. Production, purchasing and parts people may need a little more detailed information, perhaps per RO averages in volume and dollar costs. Our technicians also need to see the bigger picture because they have a big influence over specific material usage for specific procedures.

Breaking material into procedure based categories can help designate some of the authority and responsibility for material management to the department or technician level. Drilling down to the part number level is probably only helpful for those doing the ordering or purchasing, and those using the materials.

Obviously those doing the masking have a great ability to help control masking material costs. Likewise the technician holding the spray gun controls the vast majority of P&M costs. What most technicians have in common is an understanding of the labor guide posts, or labor units, on a particular vehicle or RO. It doesn't seem to matter how payroll is calculated, it is still ingrained in most of us, 6.2 on that job or 9.6 in refinish there. So relating material costs to the labor unit seems a natural benchmark.

What are the Keys with Material Performance Numbers?

Several calculations can be done with the purchase data and a few basic shop input numbers.

From these we can drive overall numbers relating to the month, quarter and year slightly deeper. We create per RO numbers and per refinish hour numbers. And working with individual techs and departments we can look at the part # level. Some of the most basic numbers can be huge drivers to change or improve material performance. For example: over all material cost per RO, total P&M cost per refinish hour, and the biggest drivers of performance; the ounces of color, clear and surface preparation materials per refinish hour.

A View for Everyone

Liquid being close to 70% of the average P&M cost, this is the obvious place to start. Once the big numbers are in line, drilling down deeper can still yield some improvements, such as masking and abrasive costs. A good material report will provide several different KPIs for you to view and compare. A better material management report will give you many to choose from, allowing you, you jobber and your staff to pick the measures that works best for you. Those measures that will help you as a team to move the needle!

You Need a Scoreboard

People tend to be competitive and everyone wants to be a winner. When the underperforming shop sees their counterparts across town hit their goals, the "If they can do it so can I" attitude comes into play. Posting these benchmarks and talking about them will elevate them in importance with all members of your staff. Think of posting the goals and current levels in large print on a score board. Imagine going to a professional basketball game, and there was no scoreboard. Some might be able to keep score in the head or on a scrap of paper. Most of the rest of us are quickly going to become bored or distracted. Posting you material management performance and goals allows everyone to be an active participant.

Where is your scoreboard? How big is it? Does it clearly show your priorities and goals?

Less data, more information. Make sure that information is actionable.

The value of comparative data. This is where the MSO can have an advantage; they generally have several locations in the same geographic area and can very easily make comparisons across locations. While this is not impossible for the single shop operator, MSO groups have it a bit easier gathering and correlating the data.

If you let your staff be part of the solution, provide them with the goals, put up the score board, and discuss the reasons for the goals, most people will strive to meet those goals. For example, hold the maskers responsible for hitting those masking material goals, and reward and praise them when their portion of the goals is met or improved.

Management needs to continue to be involved in material management. Be ready to recognize those areas, people or departments that have made improvements, met or exceeded goals. If you want your staff to keep Lean Material Management a priority, it needs to be seen as important for everyone.

Captions for attached images:

- **OtherPErROCosts.png** : A deeper more in depth view showing some lesser categories, these are often material in the hands of prep team members and can improvements can be made fair rapidly, just by explaining the role these materials have on the big picture.
- **Liq_Allied_perRefHour.png** : Big picture overview numbers that clearly show the ratio of Liquid materials to allied materials. With liquid at nearly 70% of the average RO P&M cost this is a great place to start.

Costs per Refinish Hour

