

Waste of Excessive Inventory Notes

The Seven Types of Waste

Waste Type	Description
Defects	Errors, mistakes, or problems with a product or service
Waiting	People waiting for something to happen
Excessive Walking	Walking or other human movements that are not needed to serve the customer
Excessive Processing	Performing more work than is needed to serve the customer
Excessive Production	Making or ordering more material goods than are needed to serve the customer
Excessive Inventory	Storing or holding more material goods than are needed to serve the customer
Excessive Transportation	Shipping or moving material goods farther than is needed to serve the customer

1) What is the waste of excessive inventory?

Excessive inventory means **STORING** or **HOLDING** more **MATERIAL GOODS** than are needed to serve the customer

MATERIAL GOODS are products, supplies or any other physical / tangible object

The waste of excessive inventory is closely related to the waste of excessive production because **MAKING** or **ORDERING** more goods than are necessary will naturally lead to **STORING** or **HOLDING** more goods than are necessary

Examples of excessive inventory:

Gas station keeps 24 bottles of window cleaners in their storeroom which is enough for 2 years

Retail store holds pallet of wing-tip shoes but hasn't sold one pair in the last 6 months

2) Who cares about excessive inventory waste ... why is that important?

We care because excessive inventory is very costly, probably more than you realize ...

The inventory is tying up cash that could be used elsewhere. You also have to pay for the space and shelving to store inventory. Over time, the value of inventory usually goes down because of obsolescence, loss or theft. The value of stored perishable goods like food products goes down rapidly.

We also care because excessive inventory ...

- Can be messy and dangerous

- Can lead to other types of waste like defects and waiting “inventory hides defects”

3) How to find excessive inventory waste?

You can find excessive inventory waste by OBSERVING and actively looking for the SIGNALS:

a) INVENTORY ON SHELF FOR LONG TIME: Check inventory records and/or look for signs of aging like dust that builds up on the tops of boxes

b) THROWING OUT MATERIALS: If you see inventory being thrown out, that is a signal that excessive inventory was being held

How to know if the inventory is “excessive?”

- Rely on intuition and common sense

- If practical and available, use analytical inventory control tools (track “inventory turns”)

4) How to eliminate excessive inventory waste?

Ask WHY the excessive inventory is occurring and then address the answer to that question

Look back to the way in which the materials were made or ordered (refer to excessive production waste)

Take steps to eliminate slow-moving or no-moving items like special sales, donations, or simply throwing things out

Holding inventory is probably more expensive than you realize. It is costly and cumbersome and it is important to keep the right amount of inventory on the shelf – not too much, but not too little

Signals of Waste

Waste Type	Signals to Look For
Defects: Errors, mistakes, or problems with a product or service	<ul style="list-style-type: none"> • Rework, needing to do something over again • A customer who did not get what was promised
Waiting: People waiting for something to happen	<ul style="list-style-type: none"> • People waiting in some form of line • Things seem to be stalled
Excessive Walking: Walking or other human movements that are not needed to serve the customer	<ul style="list-style-type: none"> • People walking around a lot, especially back and forth • People suffering from movement-related ailments such as sore backs, joints, or hands
Excessive Processing: Performing more work than is needed to serve the customer	<ul style="list-style-type: none"> • A lot of activity or people involved in the work • Work products that are not used and are discarded
Excessive Production: Making or ordering more material goods than are needed to serve the customer	<ul style="list-style-type: none"> • Pace of ordering exceeds pace of consumption • Materials received which are not needed
Excessive Inventory: Storing or holding more material goods than are needed to serve the customer	<ul style="list-style-type: none"> • Signs of old inventory such as dust on storage boxes • Stock items which are being discarded
Excessive Transportation: Shipping or moving material goods farther than is needed to serve the customer	<ul style="list-style-type: none"> • A lot of goods being held on carts and in vehicles • Long in-transit times