

### **Improving Receiving Productivity – ABC inspection**

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Most every distribution center I have visited has a standard practice of inspection and perhaps even testing the merchandise/materials received from all vendors. In analyzing the receiving operations for many companies, I have noticed that shipments from some of their vendors are always high quality and exactly as ordered and described on the Packing List, while shipments from other vendors occasionally or usually have problems.

If you have implemented the Vendor Performance measurement and reporting method I described in an earlier article ([Receiving and Vendor Performance](#)) you have already begun reporting vendor performance, and have identified those vendors that are doing a good job and those that are not. The point in this article is to discuss how you can take advantage of the quality performance of your best vendors.

I recommend that based on the Vendor Performance data, that you consider implementing an ABC process for checking-in receipts. The process can be refined over time, as you prove it works and discover more about the quality performance of your vendors.

To start, I suggest that you classify your vendors into 2 categories based on their performance and modify your check-in, inspection process accordingly. For example

- Class A Vendors providing consistently high quality shipments – Accept, put away, and post the receipts as described on the packing list; and
- Class B Vendors providing variable or unpredictable quality shipments - Continue to handle receipts from these vendors using your current detail check-in process.

After you have operated with this process for a while, and discover more about the nature of your suppliers, you may want to split Class B into two, adding a Class C group, and use a standard sample process for inspecting Class B vendors and a 100% check-in counting and inspection for orders from Class C vendors.

At some point you may also want to consider extending this process, providing more detailed information about vendors and their shipments to your Purchasing staff and senior management, and beginning providing direct feedback to your

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vendors about their performance. Many companies also adopt the process of charging back to your Class B and C vendors your costs to for the extra handling required due to their order quality problems. Implementing these processes and the data collection is another suggestion that can begin to make a difference as soon as you start, and can continue to be beneficial in many ways as it expands.

If you have any questions about this suggestion or an issue you are currently work with, you can reach me at [coach@warehousecoach.com](mailto:coach@warehousecoach.com), or call me at 503.296.7249.