

The Hidden Costs Of Manual Tool Tracking

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Last weekend I had a fascinating discussion with a friend who performs materials inspections for one of the world's largest suppliers of aircraft parts and assemblies. His company recently switched from manual materials tracking to RFID-based tracking, and he calculates that the changeover has already saved them hundreds of thousands of dollars—maybe more. Before they adopted RFID, materials frequently left his inspection facility and failed to make it to their intended destinations. Sometimes they were tracked down, and other times orders valued at as much as \$300,000 vanished forever. RFID has entirely solved this problem.

This is an excellent example of the savings RFID can bring to a large operation, and although his story related to materials inventory, [tool tracking](#) [1] offers similar opportunities to reduce loss.

Material losses are easier to measure; when a third of a million dollars worth of composite fabric vanishes into thin air, there's nothing complicated or ambiguous about the cost. When a tool is missing or poorly calibrated, less visible losses appear on other parts of the balance sheet (beyond the direct cost of the tool, which, of course, can be significant). When you add up these costs, the adoption of RFID tool tracking can make as much financial sense as RFID materials tracking. Let's look at a few examples of indirect losses—and some unprecedented opportunities—related to the automation of tool tracking.

Lost Tools Increase Operating Costs

Most manufacturers invest in sophisticated software systems for everything from resource planning to project management, yet their tool tracking systems are

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entirely manual. When tools go missing, the benefits of the other software programs lose effectiveness in terms of on-time performance and labor efficiency.

Reduced Product Quality

A poorly calibrated tool cannot produce consistent product quality, which can increase QC costs, or worse yet, damage a company's reputation. These are difficult costs to track, but they're every bit as damaging to the bottom line as tool replacement costs.

Tool Tracking Can Augment Project Management Systems

RFID tool tracking can add new value to manufacturing processes when used in conjunction with project management and enterprise resource planning (ERP) systems. The use of a specific tool often represents a process step, and work orders often specify that tool. This means that work in process and tool inventory can be tracked simultaneously, providing a real-time view of order tracking and capital allocations. This introduces new profit in the form of production efficiency, especially in this age of just-in-time delivery.

It also allows tool inventory, preventative maintenance and calibration to be managed across multiple facilities, which reduces spares inventory and improves asset utilization across the board.

Interestingly, my friend's company has not yet adopted RFID tool tracking or RFID inventory control beyond the incoming materials stage. But they're getting there, and so is the rest of the manufacturing world.

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[1] http://www.choctawtooltracker.com/pages/tool_tracker

[2] <http://www.choctawtooltracker.com/blogs/news>