

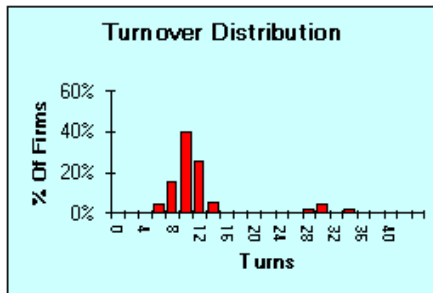


Inventory turnover is measured by sales divided by the average inventory on hand. A higher turnover rate reflects a lean company. The advantages of a higher turnover rate include things like having more cash on hand to reinvest into the business, and it encourages better performance from employees. Having too much inventory on hand is a symptom that something is broken down in the work process. The following table displays the average inventory turns for various industries.

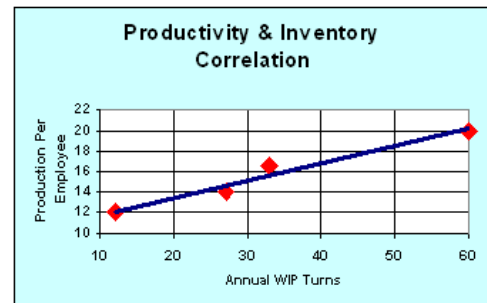
Industry	Turns
Apparel	9.2
Chemicals	9.1
Electronics	8.0
Fabricated Metal	13.6
Furniture/Fixtures	12.6
Industrial Machinery	11.3
Instruments	9.5

Industry	Turns
Lumber & Wood	12.7
Paper & Products	13.0
Printing/Publishing	31.9
Transportation Eqpt.	8.1
Wholesale-	
Durables	8.1
Groceries, General	14.9

These comparisons act as a valuable benchmark. They help rate a company's performance against others in the same or similar industries. However, averages don't reveal the whole story. In most industries, while the majority of companies cluster around the average, a few firms are far above or far below. Lean manufacturers show turns of 200%-1000% of their industry average.



The 43% of all companies have an inventory turnover rate of around 10 turns a year. However, there are some lean companies that have over thirty inventory turns a year. The goal should be to improve processes



so that your firm has a higher inventory turn rate.

There is also a strong correlation between companies that have high employee productivity and those that have higher inventory turnover rates. The goal is to improve processes, employee accountability and only stocking those parts that will be needed in a given amount of time.