Analytical Model: Evaluating Incoterm Conversion

**Background**
Lack of active inbound material management at RMDR production sites in Europe & Asia has resulted in:
- Limited visibility of material coming into production
- Higher inventory stocks -> increased net working capital
- Higher transport costs due to limited consolidation opportunities
- Limited flexibility to manage unexpected scenarios
- Increased risk to the JIT production setup

**Key Question**
- Should an organization try to manage inbound actively?
- If yes, then what products should be managed actively?
- What are the best in class solutions to manage the inbound operations?

**Relevant Literature**
- Kumar et al. (2010) Migrating to F type incoterm purchases for greater control of goods
- Schneider (2010) Wal Mart case study / benefit of lead time predictability on cash flow

**Initial Results**
- **Direct Material Spend Per Incoterm Category**
  - Missing Incoterms
  - E/F Incoterms
  - C/D Incoterms

**Expected Contribution**
- Template for material buyers to understand inbound savings opportunities with select suppliers and products
- Best practices on how to actively manage the inbound operations