

Streamlining the MRO function

OUTSOURCING MRO (MAINTENANCE REPAIR AND OVERHAUL) STORES AND PROCUREMENT ACTIVITIES TO A SPECIALIST CAN BE EXTREMELY EFFECTIVE – BUT REAL SAVINGS CAN ALSO BE MADE WITHOUT GOING THIS FAR.

Today, more than ever, companies are looking for ways to rationalise their MRO stores and procurement activities. To do so, many are turning to an outsourced solution – an approach which can prove very effective. Yet, for many, very significant efficiency gains and savings can be made without moving to a fully outsourced solution – by working in close partnership with a local service centre of an experienced and specialist MRO services provider.

There are many benefits to this approach. An in-house purchasing team, for example, is unlikely to have sufficient capacity to investigate the market and get the best possible price on every order and is, therefore, likely to concentrate its efforts on the orders with the highest value. This, while perfectly sensible, inevitably means that smaller orders are placed without price negotiation. Though the incremental cost on each order is likely to be small, the cumulative effect can be significant. Also often, the administrative cost of ordering smaller value new parts can be greater than the value of the part itself. This is clearly uneconomical. It is worth considering whether there is a logistical solution that will eliminate the need for – and therefore the cost of – this type of order. An experienced service centre can advise you on such solutions – whether you might benefit from a Kanban system or consignment stock, for example.

In fact, by working with a local service centre, the procurement service can be streamlined and optimised. Not only is the service centre buying in larger quantities, it also has influence with a very wide range of suppliers, allowing it to negotiate excellent prices, even for requirements that, for a single company running its own MRO operation, would translate into a very small order. The service centre is also likely to be able to make further savings by negotiating lower delivery charges. The result can be extremely worthwhile economies.

Another major aspect of MRO operations is inventory. The biggest concern in most organisations is the amount of capital tied up in stock. Although it can seem attractive to reduce inventory from a cost perspective, such a move is fraught with potential problems – the cost of downtime due to an unavailable part can quickly outweigh the savings achieved from inventory reductions. A service centre can help here, too – plant-critical items can be identified and stored, either on-site or at the service centre, so that they are available as required. Consignment stock of fast-moving items can also be held on-site, and paid for only on use.

Of course, it's not just the cost of inventory that can be a problem. Availability can be an issue, too. Often, companies do



not maintain accurate and up-to-date details of consumption, especially for fast-moving parts. The result can be that spares are not available when needed. A service centre can work with you to eliminate this problem through the use of systems such as Kanban.

A further issue with inventory is the opposite of unavailability – redundancy. Many stores contain obsolete parts taking up valuable space, and duplicated items stocked under different part numbers. An MRO provider has the experience to carry out a full analysis and, where necessary, re-organise the stores to eliminate problems such as duplicate stocking. It will also help install, if required, time-saving techniques such as bar coding, which will help to ensure optimum part availability and stock levels.

These are just some of the benefits of working with the local service centre of a specialist MRO provider. And even more can be achieved through a fully outsourced solution.

ERIKS Service Centre

Weetabix outsources to ERIKS

When Weetabix wanted to reduce its MRO costs, while increasing productivity, the company decided to migrate to an outsourced solution. A five-way tender resulted in the appointment of ERIKS Integrated Solutions.

One of the principal objectives was to streamline the Weetabix system for requisitioning spares. To achieve this, ERIKS replaced the existing paper-based system with its own paperless stores management software solution which, through the use of bar coding, enabled the 9,500 stock items to be traced accurately. The advantages of this solution include not only the replacement of the paper system but the management information which can be gleaned from the data produced. The results have been spectacular. "Previously, we put a great deal of effort into managing MRO procurement," said Tony Lennon, Head of Purchasing for Weetabix. "However, this new arrangement has allowed us to optimise our purchasing position in all markets while reducing our purchase price and administrative burden."

"Significant benefits can result from working in close partnership with the local service centre of an experienced and specialist MRO services provider"

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