

# Focus on what you do best, outsource the rest.

FEW COMPANIES SEE MRO (MAINTENANCE, REPAIR AND OPERATIONS) STORES AND PROCUREMENT ACTIVITIES AS A CORE OPERATION. YET, FOR MOST COMPANIES, IT'S A FUNCTION WHICH CAN MAKE A CRITICAL DIFFERENCE TO EFFICIENCY LEVELS. SO – WHAT'S THE BEST WAY TO ENSURE YOU'RE GETTING THE MOST FROM YOUR MRO ACTIVITY?



In the previous issue of Know+How we discussed how the MRO stores and procurement operation can be optimised without fully outsourcing it. In that article we showed how, by working in close partnership with a local maintenance partner, you can make real savings without fully outsourcing MRO activities. On the other hand, an outsourcing model, often known as Integrated Supply, can deliver major benefits to some types of operations – and here we outline what those benefits are.

One area, and possibly the most obvious, where real cost savings can be achieved by outsourcing is the purchasing side of a business – a fact which is graphically highlighted by the statistic that, while MRO

typically represents less than 10% of a company's total spend, it often equates to more than 60% of transactional activity and supply chain maintenance. Clearly, there's a lot of room for efficiency gains here.

It's in eliminating such unnecessary activity that a different approach such as Integrated Supply can prove invaluable. Why? Because the right partner – ERIKS, for example – won't just be buying on behalf of its customers, but also for its own activities. This means that not only will we be buying in larger quantities, but also that we have powerful influence with a very wide range of suppliers, so we can negotiate extremely competitive prices – even for a very small order on your behalf. Many companies such

as yours, where you run your own MRO function won't be able to achieve such aggressive pricing. To put the icing on the purchasing cake, outsourcing partner's such as ERIKS are likely to be able to make further savings by negotiating lower delivery charges or using our existing logistics infrastructure.

Increased inventory control is another valuable benefit of the integrated supply model. This can be a subtle issue, as cost savings from simple inventory reduction have to be balanced against availability – the cost of downtime due to lack of part availability can easily outweigh the savings achieved by unplanned stock reductions. This means that plant-critical and fast-moving items need to be identified and the associated supply chain and leadtimes properly understood.

A suitably experienced MRO provider will be an expert in this process. A complete assessment and (where necessary) re-organisation of your stores will facilitate the identification and correction of problems such as the stocking of duplicate items under different part numbers, and result in an operation based on 5S principles. Furthermore, accurate record keeping, based – where appropriate – on techniques such as bar coding, will help to ensure optimum part availability, while simultaneously eliminating any overstocking that needlessly ties up capital. From a balance sheet perspective, the ideal stores should only own special items critical to that plant's production. All other fast-moving

items should be supplied on a consignment stock basis. Any item not conforming to either of those two criteria should not have a home in a world-class stores.

It needn't, of course, stop at inventory control. A suitable partner could also, if required, handle your entire stores operation, including the supply of on-site staff. This has a number of benefits. For example, the staff will be fully conversant with best practices in stock and warehouse management, as well as many of the products themselves. Also, your partner company will ensure that staffing levels are accurately matched to your requirements – thus optimising the overhead. A good MRO provider will also be able to supply trained staff to cover for personnel who are sick or on holiday.

And the benefits of the integrated supply approach don't stop there. The most advanced MRO providers operate very effective monitoring and reporting systems that, as well as delivering efficient stock control, supply invaluable management information. Such information might, for example, highlight a sudden increase in the use of a particular spare part, leading to

the identification of a potential problem on a machine before it becomes critical. This can be used in conjunction with predictive maintenance procedures to improve production line availability.

There's even more benefits of a more closely integrated supply chain model, of course, but space forbids a description of them here. If you'd like to discuss how ERIKS could save you 10% of your MRO costs (a typical customer saving – it's often more) – **why not give our supply chain specialists at ERIKS Integrated Solutions a call on +44 (0)1455 556487 or visit [www.integrated-supply.info](http://www.integrated-supply.info)**



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## Saving through training

ERIKS' award-winning focus on training could help you cut costs significantly



Why do some of Britain's biggest companies, such as BAe Systems, Heinz, Kellogg and Weetabix, outsource their stores management and procurement to ERIKS? Basically, it's because we save them money. And we save them money because the service centres we operate on their premises are managed by some of the most experienced and knowledgeable people in the industry.

They're also highly-trained people. In fact, at ERIKS, we see training as key to ensuring that every one of our service centre managers are equipped to start saving our customers money from the very beginning. That's why, in 2008, we decided to invest significant sums in a Business Management Development Scheme designed to further improve customer satisfaction.

It's an investment that has proved spectacularly successful. So successful,

in fact, that it has resulted in ERIKS being recently announced as the regional winner in the 2009 National Training Awards – the UK's most prestigious recognition for training.

This scheme consists of a carefully structured training programme which aims at ensuring that all Service Centre Managers (SCMs) meet a well-defined and very high standard. Based around a series of five-day residential courses, the programme makes use of ERIKS' advanced dedicated training facility which includes a 'dummy' store wired up with the company's IT systems, and a classroom. This approach allows programme managers to simulate very closely a real-world environment, so that trainees feel, as far as possible, that they are involved with the real job.

The Business Management Development Scheme operates on a pass/fail system. Once passed, trainees must commit to a 100-day action plan, applying for real

the practices they learned on the course. Training is provided by 'module champions' – managers with the experience and aptitude to pass on their knowledge. There is also an overall training manager responsible for running the programme.

Since the scheme started, results have been totally positive. Almost all trainees have been able to apply their knowledge at their service centres, saving ERIKS customers a cumulative total (to date) of £2.5 million with various engineering initiatives and surpassing the already-high expectations of Paul Jenno, Managing Director of ERIKS Integrated Solutions. But even this isn't enough for him. "I have approved extra courses for potential SCMs and a new programme for office managers aimed at even further improving the focus on service and the continual improvement of customer satisfaction," he said.