



Storing up savings

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A poorly-managed storeroom will almost certainly hinder production, limit efficiency and waste resources. In contrast, an optimised store will not only maximise efficiency but become a profit centre in its own right. Julia Mullar, Business Unit Manager of ERIKS, explains how better planning, organisation and inventory control can achieve the best possible results.

Good store management is critical, as anyone who has made their way to the stores and discovered that an urgently required replacement item is missing or unusable knows only too well. To avoid costly downtime, vital parts need to be readily available and in good working order. Most importantly, fast-moving and plant-critical parts must always be available in the storeroom to ensure that the engineer who arrives at the stores will be able to find the equipment in stock that he or

she needs and quickly access it without wasting valuable time.

However, efficiency does not mean stocking up on every possible part. That simply leads to some valuable components sitting on the shelf for months until they are in an unusable state. An efficient storeroom requires a little more planning and organisation. A store can be established with a well selected range of parts but if management is poor and busy

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engineers do not update the paperwork when they collect replacement parts, leaving no record that the store item in question now needs to be replaced, the initially well-stocked store soon becomes chaotic. There is also the question of how long it takes to install the parts kept in stock. You may be storing 'critical' items such as large bore bearings, for instance, but if it takes a day to strip the old one out of the machine then it is unnecessary to incur the expense and additional effort of holding them in stock when they could be delivered before the engineers are even ready to perform the installation.

The issue of inventory optimisation has been examined by Dr. Amar Ramudhin, Director of Supply Chain Management & Technology Georgia Tech's Supply Chain & Logistics Institute, Atlanta, USA. "Inventory management for minimising the stock out of any product is a function of its demand distribution and supplier reliability as to the quantity delivered and delivery lead time. Except for high moving supplies such as fasteners or consumables such as bits or lubricating oil, the demand distribution of MRO parts are unknown and more importantly the parts themselves might be not be known until it fails. For organisations that manage their MRO items, ensuring 100% availability of the production environment means having a service level of 100% on all MRO items and this would simply be infeasible and/or too costly." Ramudhin identifies a series of situations that prevent storeroom management optimisation. These include: ordering from too many suppliers, resulting in complex negotiations and procurement processes; hoarding of MRO items in toolboxes, resulting in poor usage data and systems performance; and management of the MRO

store room by maintenance specialists rather than material or inventory specialists.

As the trend toward being leaner and more competitive continues, more and more enterprises are turning to their MRO distributor for assistance and expertise in managing the storeroom. Some of these distributors have stepped up to provide a vast array of services ranging from a Just in time delivery (with time windows), to vendor managed inventory to a complete takeover of the inventory management of MRO activities, allowing the enterprise to focus on its core activities.

A closer relationship with a supply partner can identify items that are not needed and this is just one way in which improved MRO (maintenance, repair and operations) procurement and stores activity can make significant improvements in both plant efficiency and economy. By carefully monitoring stores, possibly with the help of an experienced outsourcing partner, a sudden rise in the use of a particular spare part can be prepared for and can even help identify potential problems that are developing on the factory floor. This knowledge can be applied in conjunction with predictive maintenance procedures to bring significant improvements to production line availability.

Storeroom optimisation is a defined function within ERIKS, which now has over 10 years of stores transformation and project management experience to draw upon. ERIKS recently helped a customer turn around its storeroom operation after it failed an internal financial audit because of issues such as poor storage and lack of documentation. Following a series of measures including the streamlining of fast-moving stocks



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and a new storeroom layout using high-grade, pre-galvanised steel shelving, the audit status of the stores was raised from RED to AMBER and ultimately to GREEN.

As summarised by Dr Ramudhin: "Once implemented and fine-tuned the results of [an optimised] system should be a significant reduction of MRO related costs through reduced inventory levels, elimination of hoarding, better control on purchasing costs, a reduction in transportation costs, elimination of obsolete parts, better visibility on MRO item usage and better use of the organisation resources as they are diverted to more value adding or mission critical activities."

A close relationship with a solutions provider, which understands the company's needs, brings hard savings by applying its know-how to streamline what is held in stock. There's also an operational benefit here because there is only one port of call. With a close supplier relationship, the business doesn't need to spend time and money calling three separate suppliers to quote on each product. There's also a price reduction in terms of part cost because the supplier will be buying in large numbers. With an expert solutions provider such as ERIKS acting as a consultant as well as a supplier, engineering businesses can reduce stockholding and downtime, while improving efficiency and profitability.

“ See significant reduction of MRO related costs through reduced inventory levels ”

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