

Case study

On-site Solutions



Summary

Industry:	Automotive
Application:	Stores management
Actual Saving:	10% of MRO Purchases
Payback Period:	Undisclosed



Dedicated On-site MRO Specialist Delivers Plant-wide Benefits

ISSUE

The MRO Stores of a leading automotive components manufacturer were highly disorganised. This caused a number of issues. Firstly, duplicate purchasing and loss of production through downtime resulted from parts being hard to locate in the stores. Secondly, engineers were being driven to purchase their own spares as a last resort, which was not the best use of their time. And lastly, a specific issue was the high usage of PPE products (gloves, earplugs, safety glasses), as issuance was uncontrolled and unrecorded.

SOLUTION

A dedicated ERIKS MRO specialist was installed on-site. Initially his role was to support the customer's maintenance and production engineering teams, and to work alongside the stores department. Working with the customer's teams enabled the ERIKS specialist to identify potential major cost and efficiency savings, achievable through better organisation of the MRO stores. Once the stores reorganisation was complete, he was to optimise and manage procurement via a single supplier agreement between the customer and ERIKS.

ERIKS also committed to a minimum of one technical product specialist on-site each week, to identify engineering improvements and savings opportunities.

OUTCOME AND BENEFITS

In 2013, ERIKS achieved a 97.67% cumulative total for delivery performance, and 8.6% cumulative cost savings against the customer's previous product spend.



Stores Transformation

Engineering spares were housed in two adjacent areas, one with shelves for small parts and one with pallet racking for larger items. Shelves were overcrowded, items were jumbled, and a poor layout combined with an inaccurate stock database made it difficult to retrieve items as required. This also had a knock-on effect of duplicate purchasing, and even occasionally forced engineers to take purchasing into their own hands.

ERIKS first removed approximately 3,000 SKUs to a temporary dedicated area in the centre of the factory, and others to a nearby building. The existing shelving for small parts was then dismantled, and the pallet racking overhauled and reconfigured by a SEMA-approved ERIKS contractor.

New shelving for small parts was installed, built-in to allow clear access and visibility down the aisles.

The stores were then restocked, with all items logged with a part number, manufacturer/supplier name and commodity type, before being replaced onto the shelves according to a newly-established location protocol. The final location of each item was then recorded along with the item quantity.

Lastly, new aisle, bay and shelf signage and labels were installed, including barcoded labels.

Once the new stores were set up, the ERIKS Paragon stock management system was installed on the customer's IT system, and uploaded with the SKUs. Handheld terminals were issued to enable operatives to scan the barcodes – eliminating the need to maintain written records, and ensuring maximum accuracy for stock management.

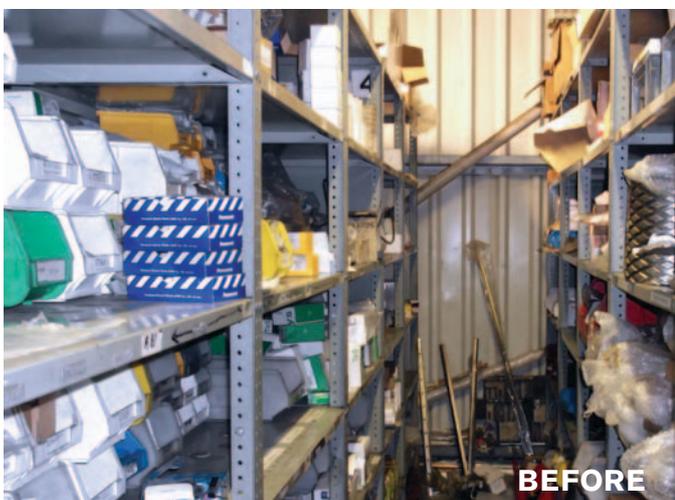
ERIKS also provided remote web access to the Paragon data, for 24/7 availability.

Reducing Costs

As part of the customer agreement, ERIKS committed to meeting a target of a 10% reduction in MRO purchasing costs. This was to be achieved both through hard cost savings resulting from a single supplier agreement, and through achieving engineering efficiencies.

Examples of these efficiencies include:

- Training in best practice for mounting, dismounting and lubricating bearings, to extend their service life
- Swapping-out OEM parts for commercial standard parts where possible
- Inspecting machinery and processes and – using ERIKS' Core Competence skills – proposing innovative, more cost-effective parts, equipment and practices





“The relationship with ERIKS began 18 months ago with the introduction of an on-site engineering stores manager. This then expanded to incorporate PPE, and to date all is going very well.”

Customer's Purchasing Manager

Meanwhile, as the single supplier, ERIKS is able to provide MRO parts at sizeable savings. In addition, better stock control and reporting – together with ERIKS commitment to fast, accurate, on-time delivery – means duplicate purchasing is eliminated, and stockholding can be reduced.

PPE Vending Savings

A specific issue for the customer was the high spend on Personal Protection Equipment: specifically safety gloves, ear defenders and safety glasses used by production staff.

The customer was aware that their spend was too high, but not by how much, or why, or how to resolve the issue. They asked their ERIKS On-site MRO specialist to investigate the problem and devise a solution.

Analysis by ERIKS identified an average daily usage in the previous 12 months of approximately 5 pairs of gloves per person, per day – or 440 pairs a day on average. The total annual cost for gloves alone was almost £100,000, but ear defenders were also being used at an unsustainable rate: discarded ear defenders littered the factory floor in huge numbers.



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ERIKS' specialist identified a number of reasons for the high glove usage:

- The gloves were freely available with open access
- No records were kept of who was accessing gloves, or how often, or why
- Staff would not only take a new pair of gloves every morning, but also after morning and afternoon breaks and after lunch – regardless of the condition of their previous pair

The solution proposed by ERIKS was two-fold.

Firstly, sourcing an improved specification glove which would wear out less quickly and be damaged less easily. Secondly, a controlled access vending machine for dispensing the gloves.

Initially the vending machine was installed with open access, and even this resulted in a reduction in the number of gloves used. After six weeks, access to the machine was changed to require use of the operatives' personalised HID fob. This enabled recording of the time and date of access, as well as the size and style of glove issued. Lastly, restrictions were put in place which allowed only two pairs of gloves per person per day to be issued (one in the morning and one in the afternoon). If new gloves were required because of wear or damage, this had to be approved by a supervisor.

After just three months of operating the vending machine with all the restrictions in place, the cost saving to the customer was already predicted at over £48,000 per annum.

ERIKS also helped to reduce spending on ear defenders – and factory floor litter – by sourcing a washable, re-usable product.



An additional Health and Safety benefit of restricted, monitored vending is the ability to identify who has been issued with safety equipment and when. This means that, in the event of a Health and Safety issue, it is easy to determine if the operative involved was in possession of the required safety equipment.

“The on-site specialist understands our plant and processes and has supported my engineers on a varied range of projects, including new energy-efficient factory lighting, dust extraction hoses and hydraulic system upgrades, and maintenance programs. The ERIKS Account Manager has worked to ensure ERIKS deliver on our agreed KPIs.”

Customer's UK Engineering Manager

MORE INFORMATION

ERIKS Industrial Services

Amber Way, Halesowen, West Midlands B62 8WG

Tel: 0845 006 6000

Web: www.eriks.co.uk