

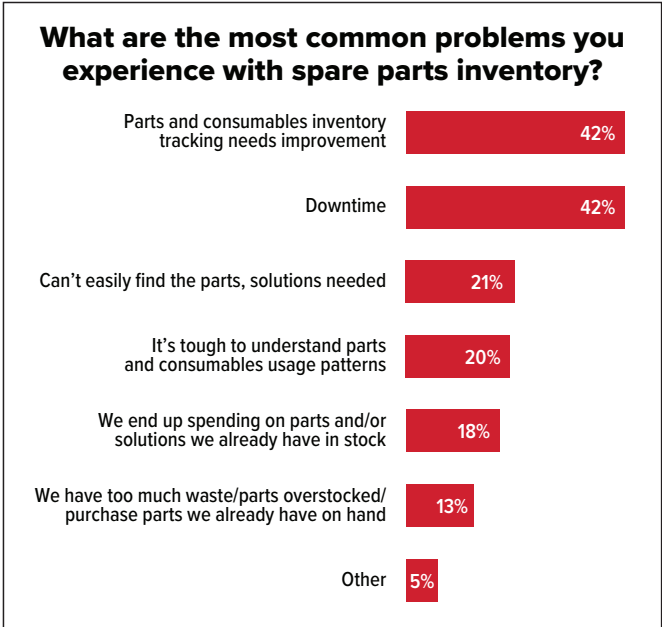


Exploring Your Options: Maintenance, Repair and Operating Supply (MRO) Programs

Maintenance, Repair, and Operating Supply (MRO) programs are necessary to keep industrial operations running efficiently. Implementing these programs successfully will ensure production goals are met and business KPIs are achieved. MRO programs should also have goals, which support the overall objectives of the business. Typically, these programs strive to have the right parts available, accessible and at the right price to support necessary maintenance work. With this goal in mind, we will explore the three most common options for managing MRO.

3 Options for MRO Management:

- Manage this work scope with in-house technical and procurement resources
- Outsource this work scope to a storeroom integrator
- Partner with a technical and reliability-focused organization



Source: Peerless Research Group (PRG)

For each of the three options, there are benefits and risks. An internal program can be built to reflect both the integrator and technical approach to MRO management. The challenge with this approach is resource allocation, management priorities, availability of technical support resources on a project basis, and systems availability. The success of this program is typically impacted by competing priorities and ability to flex resources.

Integrator programs have been available in the market for many years. These programs focus on leveraging purchasing power across the supplier's base of business to negotiate reduced piece part prices. These programs typically invoice their customers on a transactional basis (cost plus X%) and, are therefore, incentivized to create transactions. These models will manage the physical storeroom and provide all procurement activities in the supplier's system and buying from their supply base. Over time, the value of these programs diminish as piece part pricing cost savings are fully realized and parts consumption is not reduced. In fact, sourcing the lowest cost part typically does not provide the lowest total cost for a manufacturer if part reliability is considered.

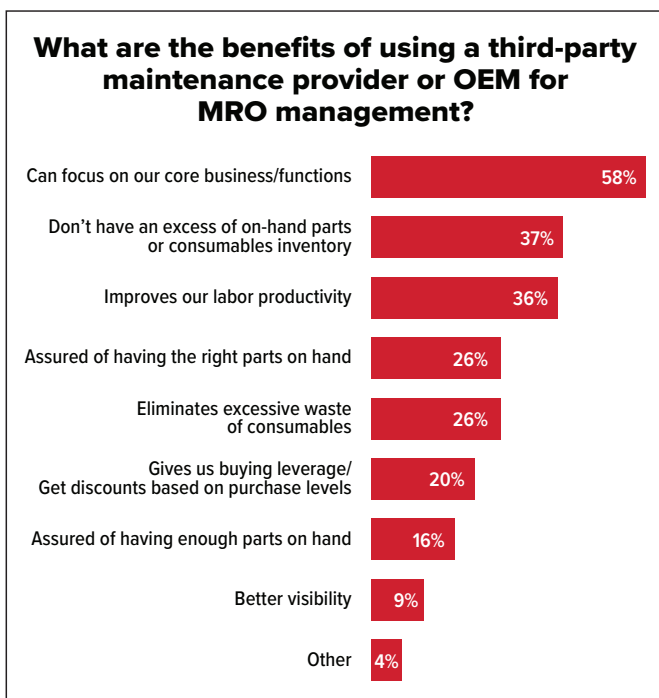


Partnering with a technical and reliability-focused organization, like Advanced Technology Services (ATS), to support MRO initiatives is another option. A technically-focused approach to MRO emphasizes reducing the demand or consumption on maintenance parts. This is achieved by sourcing for reliability, applying root cause to part failures and implementing component repair strategies that provide in-depth analysis on why parts fail.

These programs ensure market competitiveness on piece part prices by leveraging purchasing power across both the customer and the supplier's purchasing base, implementing repairable parts management programs to reduce average unit prices, adjusting min/max levels based on reduced consumption which reduces auto-reordering spend and applying preventive maintenance measures to high-dollar inventory items – e.g. large motors, in order to reduce off-the-shelf failures. These programs can be provided on a defined project basis or as a full physical storeroom and procurement program. Pricing is typically fixed and supplier success is tied closely to helping the manufacturer achieve MRO and production KPIs.

Decades of experience in industrial maintenance ensures an MRO solution from ATS will drive results for manufacturing organizations. Contact us to learn more about how we can help support your MRO goals.

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Source: Peerless Research Group (PRG)