



Parts Management

Why bother about parts management?

Speaker

Martin Holmgren

ERA Convention 2014, "Internet as a Game Changer", Amsterdam 24-26 June

Table of content

- Mission statement Equipment Technology Committee
- Introduction to Parts Management
- Cramo's operational model
- Cramo's viewpoint on parts management
- Rental industries viewpoint on parts management
- Summary



MISSION STATEMENT

Equipment Technology Committee

Making it safer, easier and cost effective for the rental industry by working together with equipment stakeholders on:

- The key drivers of the total cost of ownership (damages, accidents, maintenance, etc.)
- Standardisation wherever possible (telematics, decals, compaction, etc.)
- Simplified instructions manuals and training (operation, maintenance, safety, e-learning?)
- Parts management and key drivers of repair and maintenance total costs
- New legislations impact on rental industry

How important is parts management for a rental company?

What do we mean by parts management?

- Parts management is an integrated sub process to the repair and maintenance process in rental operation
- Parts management includes ordering, invoicing, delivery notification, delivery tracking, transportation, drawings (search and find), warranties and warehousing of parts
- Parts includes spare parts, maintenance parts, consumables and replacement kits
- Parts can be Original Equipment Manufacturer parts (OEM), genuine parts and grey parts



Equipment flows

Cramo operates with;

- Access Equipment: 12 000 pcs
- Construction equipment: 8 000 pcs
- Tools: 145 000 pcs

Number of return controls per year;

- Access equipment: 150 000 pa
- Construction equipment: 90 000 pa
- Tools: 2 300 000 pa
- **Total: 2 540 000 pa**



How many different brands are we operating with?

- Access equipment: 20 brands
- Construction equipment: 25 brands
- Tools: 100 brands

How many different models are we operating with?

- Access equipment 300 models
- Construction equipment: 250 models
- Tools: 1 000 models

How many different generations are we operating with?

- ??????



How often do we need parts?

Preventive maintenance once per year;

- Access equipment 12 000 units pa
- Construction equipment 8 000 units pa
- Tools 5 000 units pa
- **Total 25 000 units pa**

The need for repair and spare parts annually;

- AE 7 500 units pa
- CE 5 000 units pa
- Tools 35 000 units pa
- **Total 47 500 units pa**
- **Sub total 72 500 units pa**

Calculation exercise

- Assume we can reduce average time for stand still in repair and maintenance with 2 days per occasion by more efficient parts management.

AE/CE

- $32\,500 \text{ occasions} \times 2 \text{ days} \times 50\% \text{ TU} \times 100 \text{ EUR/day} = 3,25 \text{ MEUR}$

Tools

- $40\,000 \text{ occasions} \times 2 \text{ days} \times 50\% \text{ TU} \times 15 \text{ EUR/day} = 0,6 \text{ MEUR}$

**Yes, parts management is important
and challenging!**

Cramo operating model

- Construction/Access Equipment repair and maintenance is organized in geographical areas
- Each area consists of main work shop (hubs), field service and storage places with limited workshop capacity. Each area typically covers 10-15 rental depots in radius of 150 km
- Tools is organized with one central workshop covering the whole country
- Repair and maintenance is organized under the product organization in each OPCO
- Critical spare parts are kept in stock in the hubs, (no spare part stock in depots)



Cramo operating model

- Major part of repair and maintenance is done in-house
- Selected product types are ordered with full service agreements
- Parts are ordered by the hubs from manufacturer, local dealers or grey part dealers
- Increased amount of orders are done in web based ordering systems (provided by dealer or manufacturer)



Key success factors for part management to support the repair and maintenance process.

- Organizational structure, specialization, training of staff
- Standardization of fleet and brands
- Spare part stock management
- Developed relations with manufacturer and dealers
- Well defined and implemented processes
- KPI and measures (total cost of ownership)



• E-procurement system

European rental industry viewpoint on parts management

- Standardization, standardization, standardization.....
- Higher degree of standardized parts
- Relative high share of parts are purchased outside OEM's, in some case more than 50% of the parts
- Parts management becoming more visible on the rental companies agendas
- **Optimization of Total Cost of Ownership is the ultimate guiding star in modern Fleet Management!**

Summary

- Parts management is important and will be in focus in the rental industry
- Equipment manufacturer will gain competitiveness by understanding the rental industries needs and requirements

ERA Convention 2014

Parts Management from a rental company viewpoint

Thank You!

Martin Holmgren
Senior Vice President
Group Fleet Management
+46 706276860