

Case Study

Merger & Acquisition - Transitioning Indirect Procurement to a Global Procurement Strategy with intelligentMRO™

- Sector:** Manufacturing
- Facilities:** Five manufacturing sites in North America
- Company Size:** Maintenance operations with 500 to 1,000 employees
- End Results:**
1. Return-on-Investment was nine (9) months.
 2. Lowered MRO inventory holding costs by \$35.1 million.
 3. Year-over-year spare part spending lowered by \$8.5 million.
 4. Indirect purchasing aligned with global procurement strategy.



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Perspect Analytics Inc. is a software and solution company with a sole focus on developing innovative analytical solutions to improve all areas of the Maintenance, Repair and Operational (MRO) operations. The goal is to eliminate non-value-added MRO activities while creating a responsive, data-driven continuous improvement culture by leveraging state-of-the-art AI/ML technologies.

Actionable | Measurable | Sustainable | Adaptable

The Opportunity

The financial objective was to transition indirect procurement spending to the global strategy in order to maximize the return from the merger and acquisition. Spare parts (MRO) spending made up the majority of indirect expenditure. MRO inventory stores were managed by individual facilities. The primary objective was to consolidate SKUs with the same SKU number and nomenclature for all facilities, enabling global procurement savings. The secondary objective was to improve customer satisfaction by eliminating stock-outs. The tertiary objective was to remove all decommissioned spare parts and improve the efficiency of storerooms.

The Approach

A dedicated team with members from each facility was formed to meet the mandate's objectives. MRO Inventory Optimization measures were used to find duplicates in each facility and across facilities. New Minimum/Maximum levels were set based on maintenance usage and financial liability, with the fewest parts at the lowest cost and zero stock-outs. Where appropriate, North American consignment opportunities were negotiated and implemented without affecting maintenance urgent work. Workflow Efficiency measures were also used to fine-tune business processes and storeroom bin designs were adjusted to improve manpower efficiency.

Where applicable, decommissioned and overstocked parts were reduced through usage, sold, returned, or scrapped. Overstocked parts with individual unit costs greater than \$100 were shared across facilities to restock understocked bins. Individual SKU/Store/Bin overstocked parts classified as critical or maintenance usage highlighted usage within 2.5 years were kept. Critical classified overstocked parts were inspected and overhauled as required to ensure they were “like” new.

The Results

The project lasted twelve (12) months and cost \$3.5 million to implement.

Refer to the following table for summary key points.

Benchmark Fiscal Year-End			
Measure	Before	End Project	First Fiscal Year End
Stock-outs (1 year)	14,884	N/A	3,446
Duplicate Parts Found Level I (Individual Sites)	11,673	0	
Duplicate Parts found Level II (Across Sites)	6,772	0	
Individual Inventory SKUs	96,436	51,922	52,650
Individual SKU Master SKUs	136,003	78,726	80,015
Spare Parts Purchases (1 year – EAM values)	47,500,000		\$41,800,000.00
SKU Min/Max			
* Over-stocked (Financial Liability)	\$13,200,000.00	\$6,100,000.00	\$3,700,000.00
* Under-stocked (Risk Stock-outs)	\$4,500,000.00	\$1,100,000.00	\$41,000.00
Holding Cost	\$84,800,000.00	\$48,700,000.00	\$49,200,000.00
Financial Write down		\$2,400,000.00	
Sell/Return Some Decommissioned and Overstock		\$1,300,000.00	
Cost Avoidance Estimate (First Year)		\$2,800,000.00	