



REPORT

# Taking stock of the recovery

Managing inventory  
to control costs



# Ending your inventory headaches: Three strategies for MRO cost control

## Introduction

**Where maintenance, repair and operations (MRO) procurement is concerned, managing stock efficiently can help unlock effective cost-control too. It can also keep service levels up by avoiding unnecessary hold-ups.**

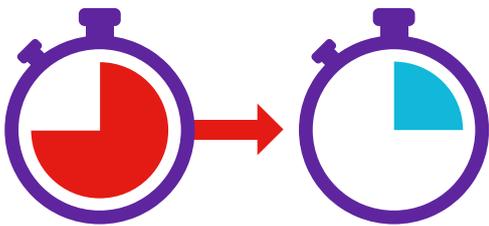
As business confidence starts to return, one of the challenges for procurement teams will be to ensure that robust and reliable processes for maintenance, repair and operations (MRO) purchases are still working and being followed. This will help to avoid wasted time and effort, and keep costs under control. It will also allow for better cash flow management.

One particular challenge will be identifying ways to make improvements to the way stock is ordered, stored and drawn-down. Plus, there is the new pressure of safeguarding workers from infection.

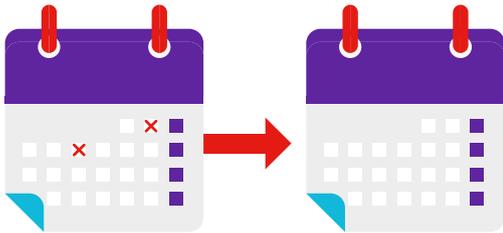
This report looks at some of these challenges, and at how RS Components can help.

# Challenge 1: Managing stock

## Order process time...



## ...and operational downtime...



## ...are both reduced significantly

In the [2021 Indirect Procurement Report](#), which was based on a survey of members of the Chartered Institute of Procurement & Supply (CIPS), the need to manage and reduce inventory costs remains one of the key pressures on businesses.

Almost a third of UK respondents said some of their suppliers had gone out of business during the pandemic and 19% said the pandemic had accelerated supplier rationalisation. Both of which will affect the way items are sourced and stored.

Tools, parts, equipment and more all tend to arrive on site in much the same way – in boxes or on pallets. All too often, rather than being catalogued and stored properly, they stay that way. This can lead to problems with: finding in-stock items when they're needed; over-stocking; delays getting a particular item/part from A to B.

### Solution

Inefficient inventory management can drive up process costs. An urgently needed part that can't be located might as well not be there at all, leading to wasted time and cost.

RS ScanStock® assumes responsibility for controlling and replenishing agreed products, freeing up the customer to focus on other areas of the business.

PP Control & Automation, based in the West Midlands, is Europe's largest independent supplier of control and automation solutions. The company started using RS ScanStock® in 2018 and found both ordering process time and operational downtime significantly reduced as a result. For Commercial Manager Martin Allen, "[the cost of not having the product is far greater than the pence you would pay to actually have it](#)".

## Challenge 2: Boosting spend visibility and reducing process costs

In the 2021 Indirect Procurement report, 37% of procurement professionals said spend visibility is a challenge. But 68% told us that using managed inventory solutions was helping them get better visibility of spend patterns and stock levels.

A ‘this is how we have always done things’ outlook can lead to items being ordered long after they stopped being as critical as they used to be. Changes in production or demand can affect which MRO inventory is likely to be needed, where and when.

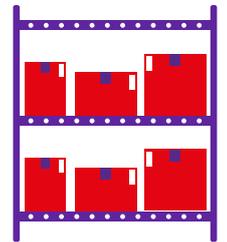
Any failure to keep stock levels aligned carefully with business needs can lead to the right parts being stored in the wrong places. Not only will that lead to frustrating delays if they become needed urgently, it can ratchet up costs from downtime as well as the costs associated with getting the right part. It can also leave much-needed cash unnecessarily tied up in stock.

### Solution

A majority of respondents in the 2021 Indirect Procurement report said the benefits of Vendor Managed Inventory (VMI) solutions include better stock and spend visibility, higher availability of essential items and improved productivity. VMI services were also found to have cut the time spent on raising orders by 66%.

VMI also eliminates the hidden costs of processing multiple transactions with different suppliers. RS ScanStock® is in use at a major UK utilities business, where it has reduced the time taken to manage MRO supplies and reduced operational downtime. The **original process cost of £74 per order has been reduced to £22 per order** – a reduction of 70%. That’s an annualised process saving of £155,168.

Order processing time fell by...



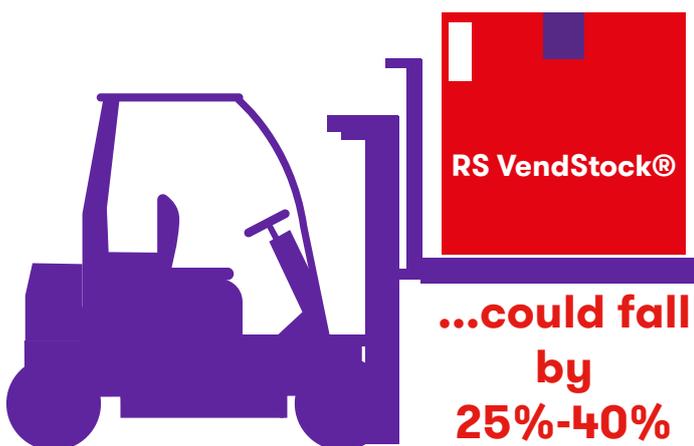
## Challenge 3: Responding to the new normal

More than ever, businesses today have to address the challenge of keeping their workforce safe while maintaining fast, effective access to workplace essentials. Despite the tremendous achievements of vaccination programmes, busy work environments still need to do as much as possible to limit the risk of COVID-19 spreading.

Many workplaces have been reconfigured to provide extra space between staff. Allowing workers to have ready access to stock bins can raise a number of potential problems, including too many people congregating in confined spaces and the frequent handling and touching of surfaces and parts.

But technology offers a solution to this challenge.

### Product consumption rates for RS VendStock® customers...



### Solution

RS VendStock® is a digitally automated managed inventory solution that functions as a vending machine for fast-moving parts, consumables, tools and PPE. Positioned close to where the stock is needed, and in the most suitable locations for safety and distancing, RS VendStock® can save time and money.

Plus **the stock it holds will always be right for a particular customer's needs**, as Alex Davies, Head of Value-Added Services Delivery for EMEA at RS Components, explains. “Broadly speaking, irrespective of whether a business overhauls trains or makes pies and pasties, engineers will be using a similar set of things,” he says.

But not all tools are created equal, he continues: “It might be that a spanner has to be food-safe in one environment and rail-recommended in another.” Tools that need to be recalibrated in order to be used for specific purposes can be stored in RS VendStock®, collected by RS Components personnel, recalibrated and then returned to the RS VendStock® unit.

Overall product consumption for customers of RS VendStock® could reasonably be expected to fall by 25%-40%. Customers should also anticipate significant time-gains from smarter storage, improved reporting and reduced paperwork.

## Conclusion

Finding new ways to improve effectiveness and efficiency are vital. The more a business can do to shed unnecessary processes and costs, the better able it will be to thrive and survive.

VMI solutions provide visibility and control over spend, plus reassurance that supplies will be there when they are needed. They also reduce the likelihood of employees making ad hoc purchases.

RS Components has expert advisors on hand to talk through these and related issues and discuss how we've helped organisations like yours. One of our team will be in contact shortly.

If you have been forwarded a copy of this report and you would like to speak with one of our expert advisors, please email us at:

[connectedthinking@rs-components.com](mailto:connectedthinking@rs-components.com)

For more information and expert insight on the subject of indirect procurement and MRO supplies, please visit: [rs-connectedthinking.com](https://rs-components.com/connectedthinking)

RS Components, Birchington Road,  
Corby, Northants, NN17 9RS

