



Depend on our kitting solutions for cost savings and flexibility

Manufacturing giant Tata Steel has benefited from working closely with its RS Local branch to reduce the costs of MRO purchases

End inefficient, costly procurement processes

Procurement teams and engineers face several challenges regarding the maintenance, repair and operation of their organisation's assets and facilities. The supply chain for indirect materials is complex due to the number of stakeholders involved, a fragmented supply base and the sheer number of products that are split across categories. In addition, there is constant pressure from senior management to reduce costs.

As one of the largest industrial suppliers, RS is in a unique position to understand the complex needs of its customers and to help these businesses streamline their processes and make cost efficiencies.

The crucial fact for organisations to appreciate is that with indirect procurement process costs can be twice as much as the amount spent on the products themselves. So if your organisation spends £100,000 on purchasing products over the course of a year, you will spend a further £200,000 on processing or 'soft costs'.

As such, there is significant value in reducing process costs rather than focusing on the purchase price of individual items.

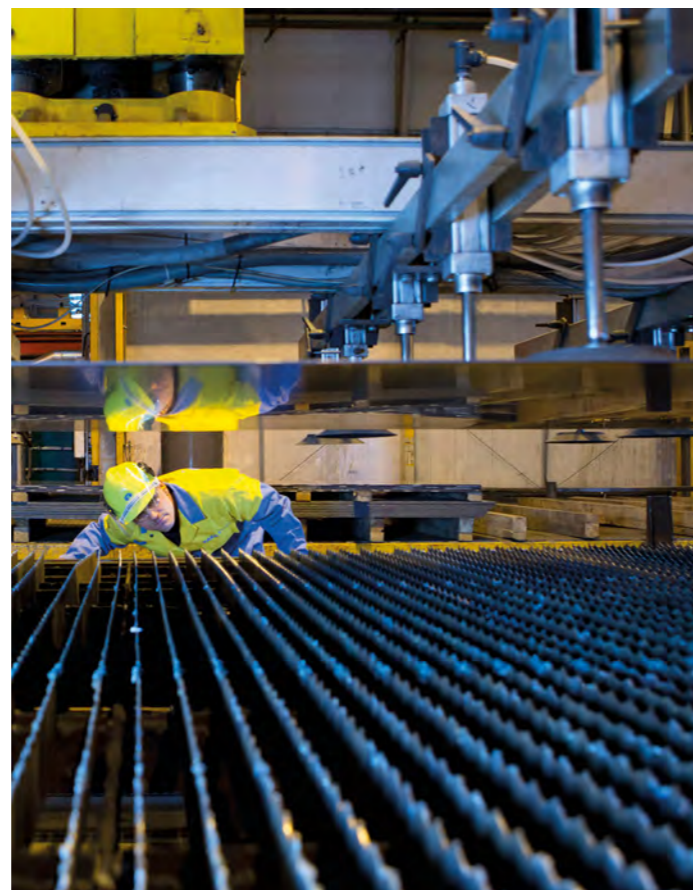


The challenge

Tata Steel is Europe's second largest steel producer and its UK operation employs around 600 electrical engineers on its south Wales site.

A large number of starters join the business during the year and each new electrical engineer is required to have a set list of site-approved electrical test equipment. Some of the listed products are non-standard and to a higher specification. Multimeters, for example, feature non-fused leads as standard so Tata Steel relied on individual engineers to remove these and order replacement fused leads. It wasn't guaranteed that every engineer would do this, leaving Tata Steel at risk of being non-compliant.

In addition, these kits had to be purchased as individual items by Tata Steel, then assembled and stored on site before being distributed to engineers when they joined the business. This was clearly time-consuming, costly, used up working capital and led to an inconsistent mix of products across the workforce.



The solution

RS has been a strategic supplier of MRO products for Tata Steel for decades and our team at the RS Local branch in Cardiff have built a close working relationship with the customer.

To improve the issues surrounding Tata Steel's electrical testing kits, the RS Local team offered Tata Steel a customised pre-approved kit that would be suitable for all of the company's electrical engineers. Each kit would be assembled at the RS Local branch and contain fused leads, which freed up the engineers' time.

"Our RS Local team came up with a kitting service," says Rob Choat, Electrical Engineer at Tata Steel. "They place the multimeter and fused leads into the same box and then deliver it to us on demand, which keeps us compliant and the combined kit also gives us a cost saving of around £90 per kit."

As RS Local Branch Manager Lee Austin explains, his team has formed an excellent working relationship with Tata Steel over recent years. "We worked very closely with Rob Choat and his team from original enquiry to final kit solution. This is a

great example of what can be achieved through our multi-channel approach and the agility, flexibility and service a Local branch can provide."

> "Where we used to have to purchase the parts and hold the kit on site, we now know that RS will deliver the kits whenever we need them"

Rob Choat,
Electrical Engineer, Tata Steel

The outcome

The RS kitting service means that Tata Steel uses just one order number, raises just one PO and processes just one invoice. The kits attract a discount, since they are bought together.

The advantages are several. Tata Steel's procurement process is easier and requires far less administration from sourcing products through to payment. They have achieved time savings, removed risk from being non-compliant and the kits are delivered on demand.

Traditionally, Tata Steel's own storesman would buy and assemble the kits in-house and keep several onsite. Because RS can deliver quickly, Tata Steel can order and pay for the kits as and when they need them. "Where we used to have to purchase the parts and hold the kit on site, we now know that RS will deliver the kits whenever we need them," adds Choat.

This also means that RS can periodically review the items in the kit and if any parts become obsolete they can be updated: if obsolete products are owned by the customer, on the other hand, they simply need to be thrown away.

In addition to this, Tata Steel took the opportunity to review the specification of the multimeter they regularly purchased. The RS Local team invited the Head of Engineering to their branch to 'try before you buy' some brand alternatives. An RS Pro Multimeter met their requirements and provided the same quality as their previous brand, but at a significantly lower price.

As an example of the cost savings achieved for Tata Steel, the list price of the RS Pro Multimeter is around £100 while the brand equivalent they were purchasing before cost around £250. This means that since RS started working with Tata Steel there has been a financial saving of £11,300. In addition, Tata Steel has been impressed by the quality of RS Pro and by switching from branded to equivalent RS Pro products across the Tata business over the past year the company has saved £30,000.

£30,000

saved by Tata Steel switching from branded to RS Pro products

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