



Taking the pain out of inventory management

Mace Industries has seen the value of using RS's innovative ScanStock solution to manage fast-moving, low-value MRO parts and consumables

End inefficient procurement and inventory management practices

Procurement teams and engineers face many 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 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 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 the purchasing products over the course of a year, you will spend a further £200,000 on process or 'soft costs' such as those linked to inventory and purchase to pay.

**Indirect (MRO)
process costs**

**Indirect (MRO)
product costs**

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

The challenge

An example of how RS works with an organisation to improve the indirect procurement process is our relationship with Mace Industries – a Corby-based manufacturer of conveyor-belt or chain-driven movement solutions, typically for the construction industry. Mace's manufacturing process utilised hundreds of separate parts that the company had been purchasing from a wide range of suppliers on an ad hoc basis.

This approach created a number of issues for the company. For example, the difficulty in keeping track of items meant there were regular issues where engineers found they didn't have access to key parts and had to halt production to go

and buy them. Also, the number of orders from such a wide range of different suppliers made the procurement process extremely time intensive and inefficient.

"We were ordering hundreds of parts and it was easy to overlook when these items were running low in our store, or we could have over-ordered," says Chris Peck, Purchasing Manager at Mace Industries. "We simply didn't have clear visibility of what we had in stock and things were getting missed."

The combination of all these factors was driving up costs and reducing productivity, which led Peck to speak to RS about potential solutions.

The solution

Having noticed a pattern where Mace engineers were regularly ordering emergency parts each month, the RS Account Manager suggested moving to a ScanStock solution. ScanStock involves RS providing a fully managed service where it takes responsibility for controlling and replenishing agreed products so that the customer can focus on other areas of their business.

In the case of Mace Industries, RS first agreed how much of each stock item was needed on a weekly basis, then these parts were placed in clearly labelled bins, which engineers could easily find. An RS representative visits the site every week and does a full stock check on all the bins before reordering any parts that are required to arrive the following week – if anything is urgently required it can be ordered for next-day delivery.

“We use a blanket purchase order, which means we don’t need to raise individual purchase orders

for these products, which means a huge time saving for me,” says Peck. “Instead, RS provides the data around how much we are spending and what we are spending it on, which allows us to budget effectively.”

In addition to saving time on ordering and making it easier for engineers to find the parts they needed, Mace Industries was able to consolidate the number of MRO suppliers it used to simplify its procurement process.

“We simply didn’t have clear visibility of what we had in stock”

Chris Peck

Purchasing Manager, Mace Industries

The outcome

The Mace Industries team is delighted with the ScanStock solution. The system has been running for more than three years and become the norm for how Mace handles MRO procurement. The company has saved significant time on its ordering process, reduced operational downtime and allowed its employees to focus their time on other areas of the business.

This has translated into £11,672 of savings over the year. The key elements that have enabled this saving are increased productivity (through reducing production downtime, and time spent locating parts and putting away orders), reduced inventory and a smaller number of purchase orders (POs).

“There’s been a level of trust involved in this, but because we have a strong relationship with RS we believe that they are ideally placed to manage this process on behalf of our business,” says Peck. “I can largely leave this side of the business

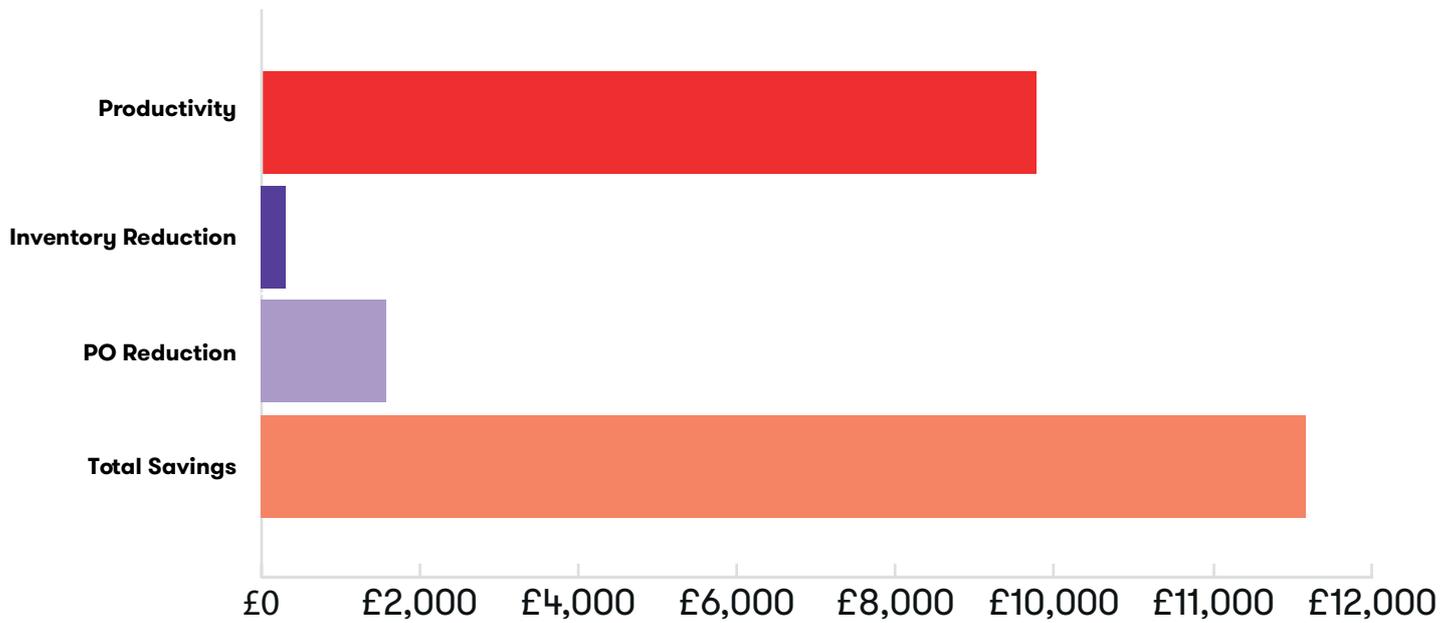
alone, which means my time and the resulting cost from that is saved. From a productivity point of view, ScanStock has helped massively – our engineers know exactly where all the products they need will be and that they will never be scrambling around for key parts, which could delay our operations.”

“As a result of how well RS have serviced us over the past few years we have consolidated more of our spend with them,” adds Peck. “This is because we know we can rely on RS and that they save our business time and money.”

£11,672

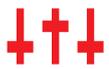
Total annual savings

How the cost savings break down:



Total cost of ownership as % of spend: 28%

Discover the benefits of RS ScanStock



Improve control and availability of low-value, fast-moving items



Reduce paperwork and streamline your processes



Drive down inventory carrying costs



Save time receiving and putting away



Increase staff productivity



Improve reporting

For more information about RS ScanStock solutions, contact your RS account manager.

To find out more on procurement best practices visit rs-connectedthinking.com

