

Development and Optimization of a Spare Part Supply Chain

Esa Mäkinen, Purchasing Director,
Raskone Oy

Agenda

- Raskone at a glance
- Challenges of a maintenance service company
- More efficient replenishment ordering through centralized sourcing
- Automation of customer orders
- The importance of process automation and tools

Raskone Corporation

Raskone
Yhtiöt

- Line of business:
 - Maintenance, equipment and leasing of commercial vehicles
- Repair shop network in 22 towns
- Founded in 1994
- Incorporated in 1999
- Personnel app. 1000
- Corporate revenue app. 200M€ (2008)

Challenges at the outset

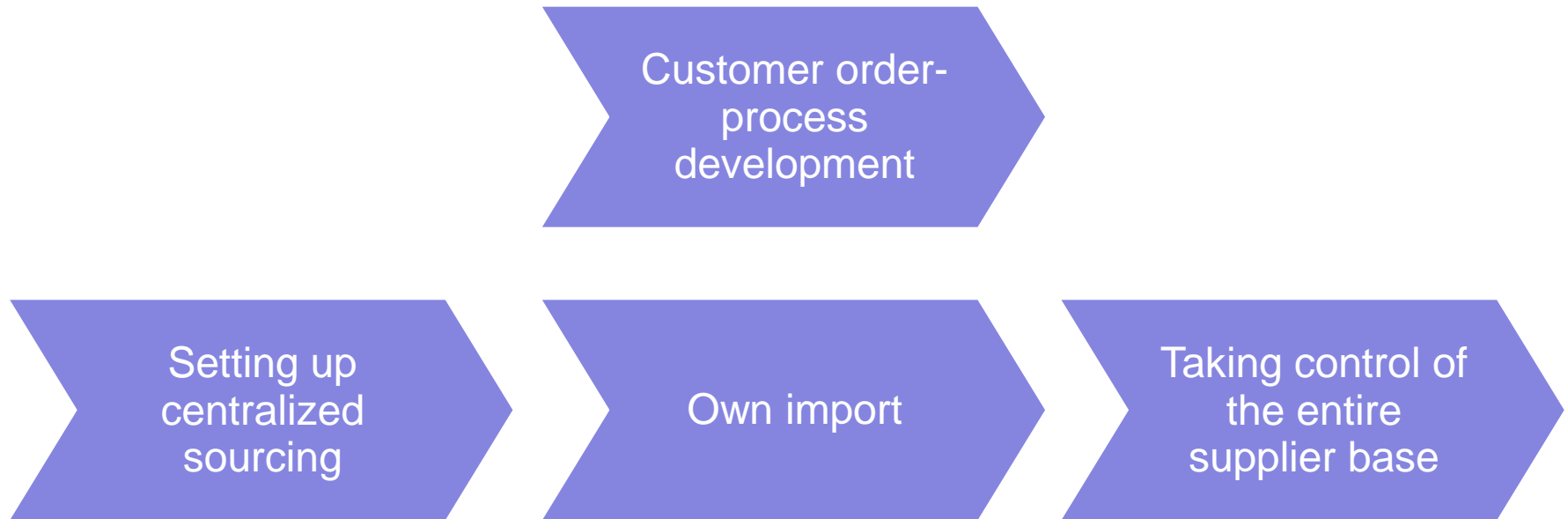
- Dispersed, uncontrolled process
 - Same work was done in multiple locations, inefficiently
 - Sub optimization at each individual outlet
- Large amount of items, high inventory value and slow stock turnover
- An obsolescence problem
- Inventories didn't meet with demand and service level was alternating
- Margins vanished in the purchasing chain

Goals

- Shortening the purchasing chain
- Enhancing inventory service level
- Reducing obsolescence
- Improving customer service
- Considerably reducing workload in ordering
- Securing potential of scalability

Progression

Raskone
Yhtiöt



Setting up centralized sourcing

- Reorganization
- Centralized sourcing team
 - Responsible for the whole network's inventory management and supplier selection
- Tools
 - Implementation of RELEX inventory replenishment system starting from early 2009

Own import

- Forming the assortment for centralized sourcing and item replacements
 - Volume items switched into being imported
 - Over 100 000 item responsibilities in the system
- Building the required supplier relations
- Creating the logistics model

Customer order process development

Raskone
Yhtiöt

- Web-store for spare part (2010)
 - Spare part search
 - Spare part order
- In the beginning targeted for large customers

Taking control of the entire supplier base

Raskone
Yhtiöt

- Dead stock transfers
- Domestic suppliers
- Foreign suppliers

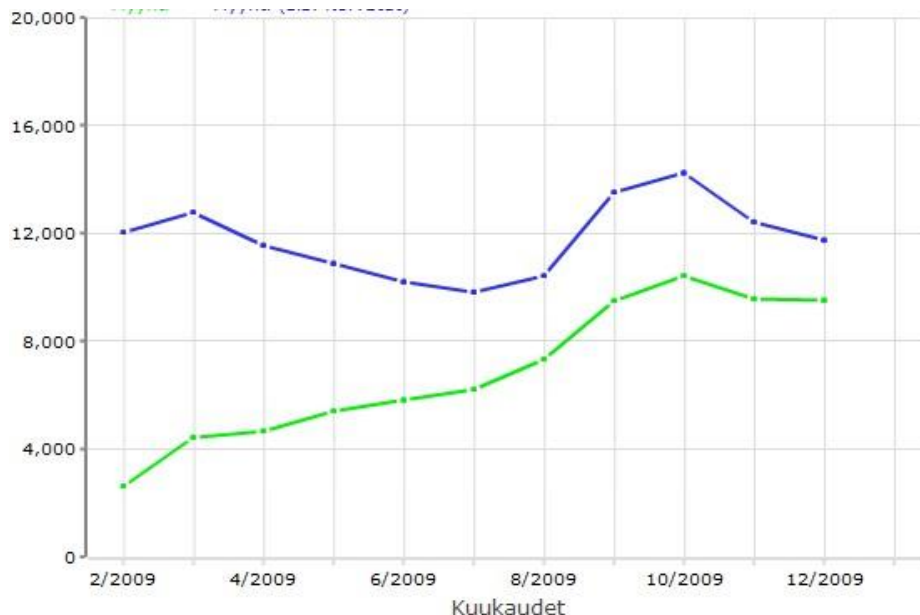
→ Centralized management of the entire spare part inventory in 2010

Results

- Currently app. 30% of spare part sales is sourced centrally
- 3 people run centralized inventory management and make orders for the entire chain from selected suppliers
- App. 10%-point improvement in availability in the managed product groups
- Number of suppliers has been reduced:
 - Previously products from 2-10 suppliers – now from 1

Results

Volume development: supplier X

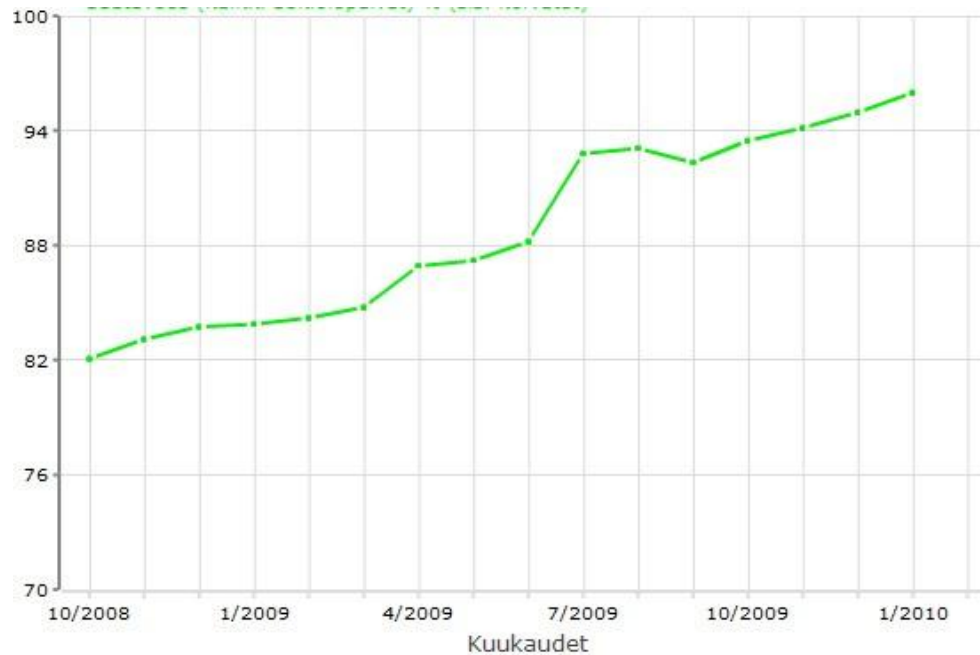


Colours:
centrally ordered and
total sales (incl. old
suppliers)

→ The share of centralized purchasing has been steadily augmented – volume benefits and negotiation position

Results

Development of availability: supplier X



→ Supplier X was added to the scope of centralized purchasing in the spring of 2009 – Significant improvement in availability

Key learnings

- When targets are clear – move forward
- Take parts of the process quickly into production
 - Learning by doing
 - Fast benefits nourish drive for development
- In a large entity, surprises are inevitable
 - Own plans, partners and tools need to be flexible when needed
- Right partners are extremely important
 - eCraft and RELEX in key positions in the project

Questions?

Raskone
Yhtiöt