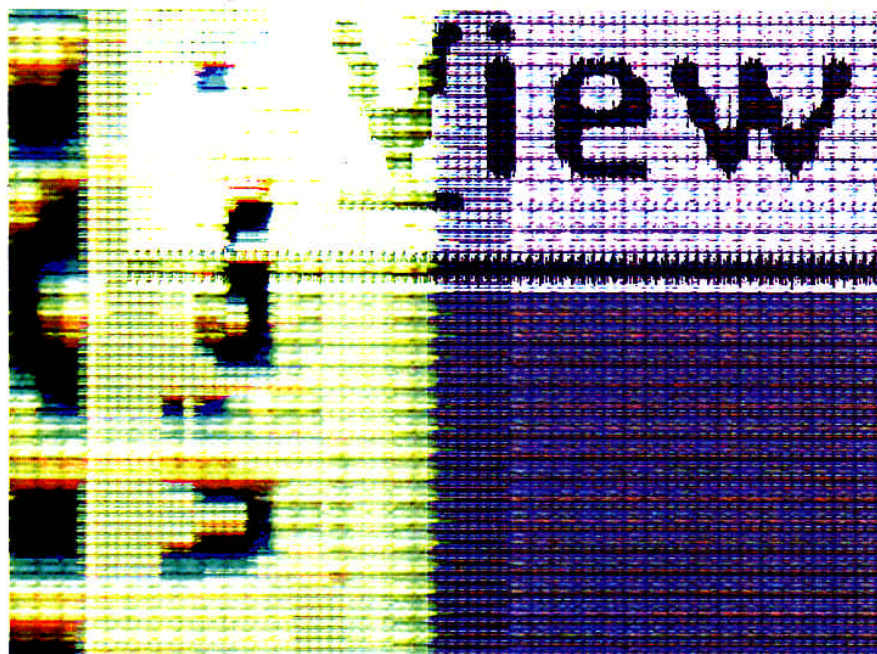


Surfing for spare parts



Power plants can tie-up millions of dollars in surplus inventory – a waste of assets. Now there is a service for sourcing spare parts quickly through the internet, revolutionising the way spares inventories are managed. PEi explains.

The problem was in deciding what form the service would take. It had to be readily available and easy to access by companies, good value and both simple to use and simple to update with details of an ever-changing inventory. Progressive technology and the internet with its increasing accessibility and reach to every distant corner of the globe, offered an excellent solution.

The sparesFinder.com service began piloting in the southern hemisphere in 1998. Its success within the power, oil and gas and other heavy industrial sectors where spares inventories ran into the millions, was almost instant despite the fact that, even with the savings on offer, certain companies were slow to appreciate the real benefits the service offered.

However, within six months, it was in use by multi-nationals and small to medium sized enterprises alike in industries as diverse as mining, petrochemicals

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and manufacturing throughout the Australasian region. Twelve months down the line, Transalta Power, the first company to subscribe, has not only renewed its annual license, but has also recommended that the service be adopted across its 12-site New Zealand operation.

The service has been available throughout Europe since April this year and now several million parts sit on the sparesFinder.com database. The company has been introducing it across the UK power industry since June 1999 and has solicited a lot of interest: both CCGT units at Seabank Power, Avonmouth and Fellside Heat and Power, Seascale are already pooling data.

tate a real business to business use: It delivers companies tangible results in terms of greater efficiency and lower operating costs. It's really what people in industry have been waiting for – it's just that until very recently, no one's really offered anything up.”

Pooling information

The original idea was first developed in New Zealand. The thinking throughout the development of this service was based on a simple fact: companies in large industrial and heavy engineering sectors such as power and oil and gas, hold large spares inventories, much of which is surplus to needs and requires on-going servicing and storage at mounting cost.

If such inventories could be reduced by pooling inventory information internally across a multi-site company, and pooling surplus inventory data externally on a regional or global basis, then there would be big savings to be made. Provided that the components required were available speedily and cost effectively from other contributors to the pool, participating companies could substantially reduce their inventory levels with all the associated cost benefits.

While the internet has been around for over ten years now, its benefit as a practical business tool is still in its infancy. However, it is a massive global library of information, some of which can be used for the benefit of business. It is also a valuable communications tool that is used to send electronic information, text, images and sound around the world quickly and cost effectively.

Yet being in its infancy, the real benefits of the internet to business are only just beginning to take shape. At present, while there is a lot of hype over how it will change our lives, there is little evidence of it doing so. The sceptics among us wait patiently for the revolution yet to come. But in the power industry at least, the wait appears to be over with first the arrival of internet energy trading, and now spares inventory management.

sparesFinder.com is a new spares inventory service that harnesses the internet to bring a real business benefit to power operators, generators and all those in the supply chain. In the words of the company's marketing director Jan Hutchings: “The service is one of the first examples of how the internet can facili-

Selling surplus

The savings based on the use of the service where inventories run at high levels can be huge. Even with an average power operation, substantial capital can be released and operating savings made.

As an example, a typical CCGT power station has an inventory of approximately \$6 million. If the plant is carrying 15 per cent surplus (typical figures based on sparesFinder.com research, though many run at higher levels), this equates to a real figure of \$900 000 tied up in inventory which could be sold immediately without increasing risk to operational capability.

appropriate to individual sectors of the power industry.

The service is totally unique in that it allows individual end-users of spares to trade their excess inventory between each other – a horizontal supply chain. Also, because the service is delivered through the internet, it provides all subscribers with a global choice of spares instantly and at the touch of a button.

Nick Phillips, the company's business development manager for the power sector commented, “Unlike the conventional method of sourcing spares through the vertical supply chain of spares manu-

tion basis, takes less than four hours to install, requires no further work once installed, is simple to use and secure.

David Stroud, the company's operations director, explained, “We provide software which gathers information on the spare parts inventory from all customer sites, and those of all other companies subscribing, and make it available at a central Infomix database. Software installation is easy, a Friday afternoon job. And it is highly compatible, sitting as comfortably alongside Enterprise Resources Planning systems as with the homespun inventory database of a single site.

“Once installed, it takes no more than 90 seconds to find the part needed.

“You can choose to search just your company's own sites or all the sites on the database, which is a lot of potential sources not previously accessible. Then it's between you and whoever has the item required,” Stroud continued.

Beyond that it's a case of negotiation between the supplying company and the purchasing one – although often such companies are in competition, it has not proved to be a problem. “Companies are not competing at a spare parts level,” said Hutchings, “and engineers have been slipping each other spare parts through the fence for years. We're simply extending their circle of friends.”

On a cost basis, the subscription charging of the service is proving to be a winner. “We are differentiating ourselves from other Internet suppliers who are simply automating a vertical supply chain and taking a commission on all transactions,” said Hutchings. “We have a horizontal supply chain, and our annual, flat fee approach is distinctive. We are building on existing practices, forming clubs – re-engineering with the Internet, if you like.”

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Additionally there is the cost of storage to consider. This normally runs at approximately 20 per cent of the original purchase price per annum, representing an annual cost of \$180 000 – an extremely large negatively performing asset.

Generally, if operated correctly, the sparesFinder.com service should reduce a given plant's surplus by between five and ten per cent. However, for the purposes of this illustration, if the plant's surplus is reduced by only one per cent of total inventory per year, and minimum stock levels are reduced by two per cent per year, a company with ten such operating sites could save over £2 million (\$3.2 million) per annum. In fact, in the real world, sparesFinder.com is already seeing examples where savings are potentially much higher and this does not include the cost of downtime, which in the power industry can be massive. If nothing else, the sparesFinder.com service serves as an extremely cost effective insurance policy.

Specifically sparesFinder.com is being targeted to operators of and suppliers to gas and coal fired plants, nuclear power stations and any companies involved within the supply chain. Parts available for sourcing under the service include critical condensing, cooling and hydraulic components along with highly specialised equipment

facturers, distributors and other middle organisations, sparesFinder.com works by releasing the potential of the horizontal supply chain – the surplus spares and equipment held by the users themselves.

“Our subscribers pool information about their surplus spares inventory, helping industrial sellers to release capital otherwise tied up in spares and providing an instant global supply of cost-effective, immediately available inventory. In the case of all areas of the power industry, its use can be expected to dramatically reduce on-site inventory resulting in major cost savings across the board.”

A 90-second search

Constantly changing stock levels are automatically uploaded to a live database directly from subscribers' inventory management systems. The business service, which is charged on an annual subscrip-

