

Stocks and spares on the exchange

Maintaining your spares inventory through the internet could provide significant cost savings, as James Millar discovers

ANY SYSTEM which promises to both reduce the need to hold an inventory of spares and at the same time increase the range and availability of parts has to be worth investigating. This is just the claim being made by sparesFinder.com, whose trendy 'dot-com' monicker gives a clue to the secret: e-procurement.

If you can locate spare parts in a few minutes using the internet, and call not just on the reserves of your own company's sites but also on those of other operating companies who use much the same equipment, you can afford to hold fewer spares. According to the company's marketing director Jan Hutchings, the resulting savings could run into millions.

The concept is not the speculation of some computer geek. Development director Brian Oxenham who, with his New Zealand colleague Steve Herstell, first came up with the idea, spotted the need as an engineering consultant at manufacturing sites.

David Stroud, the company's operations director, explains how the system is set up and maintained. SparesFinder provides software which gathers information on the spare parts inventory from all your sites – and those of all other companies subscribing – and makes it available at a central Infomix database. Software installation is easy: "a Friday afternoon job," says Stroud. And it is said to be highly compatible, sitting as comfortably alongside enterprise resources planning systems as with the homespun inventory database of a single site.

"Once installed, it takes you no more than 90 seconds to find your part," Stroud claims. "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 you didn't have access to before. Then it's between you and whoever has the item you want."



▲ Net-heads: (l to r) Martin Peters, Brian Oxenham, and David Stroud of sparesFinder.com – web address not surprisingly www.sparesFinder.com

e-Negotiation

But isn't there a disincentive to provide a competitor with parts? "Companies are not competing at a spare parts level," Hutchings interposes, "and engineers have been slipping each other spares through the fence for years. We're simply extending their circle of friends."

What about the charges? "We are differentiating ourselves from other internet suppliers," says Hutchings, "who are simply automating a vertical supply chain, taking a commission on all transactions. 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. The service costs £2000 a year per site, and the software is free. If suppliers do come in, and we expect that they will follow the operating companies, their fee is £3000."

And the returns? Jan Hutchings thinks aloud. "Take a multinational company with 100 sites, which keeps £15m in spares at each site. Suppose 20% of the spares are surplus to requirements – it's not uncommon – and the cost of storage is about 20% of the spares. Now: reduce the surplus spares by 1% each year and improve the optimal level of spares by

2% a year. I reckon the company saves about £250m over five years."

Hutchings's back-of-envelope musings might appear ambitious, and should be scaled according to your own company size. "Keeping spares is expensive, and always a bone of contention between engineers and accountants," he adds. "There is continuous pressure from accountants to cut down. We bring liquidity to the spares stock." Indeed, an extra attraction of the system is that your out-of-date stock

may be just what someone else is looking for. So instead of paying for a skip to take it away, you can sell it on.

The initial thrust has been into the process industries, power generation, and upstream oil and gas, where there is a need to respond very quickly to breakdowns. Trialed first in New Zealand in mid-1998, the company started European operations in January 1999. So far it is without competition, and is running hard to stay that way. It already has a distribution network across all the major continents and is poised to become "truly global" with an aggressive expansion plan.

It's a highly electronic life. When the team puts out information it comes, appropriately, not as paper but in an 'e-brochure': a Power Point presentation which, Stroud claims, "gets engineers into a lather of anticipation." A favourite reaction: "You've just given me the reason I've been looking for to get my company onto the net". It is the kind of innovation which may finally force some reluctant companies to spare a little time for the internet. ■

James Millar is a freelance writer specialising in the chemical and process industries