Global Automotive Supplier: Reducing Maintenance, Repair and Operations Costs with Parts Classification and Inventory Optimization

Client profile
The company is a top three automotive supplier with global operations in 50 countries.

Business challenge
Like many others in the competitive automotive supplier industry, this company was under constant cost pressure. It identified its maintenance, repair and operations (MRO) area as an opportunity to reduce and avoid costs. The company’s Automotive Group managed more than three million MRO parts and more than 200,000 spare parts worldwide. The MRO and spare parts were managed on a plant-by-plant basis, allowing little visibility into item data and inventory. As a result, many duplicate parts and obsolete stock remained on the system. The company selected Accenture and its deep MRO parts life cycle management experience and proprietary tools and assets to gain greater insight and control over its parts.

How Accenture helped
The automotive supplier and Accenture collaborated on a global MRO parts classification and inventory optimization project. The team developed a new leading practice classification structure for MRO materials. After identifying areas for improvement, the team worked closely with the company, creating and documenting approximately 300 item classes and family hierarchies with more than 2,500 technical characteristics and more than 3,000 control values. In addition, the complex technical attributes for each item were standardized and expanded, key word searches were created, and documents on the new item classes and hierarchy for the company’s intranet were developed. The parts data was entered into the company’s SAP system so employees across the company can view item specifications across the sites.

In the inventory optimization area, the Accenture and client teams established new stock parameters and inventory controls, which they rolled out at three pilot sites within Europe and Middle America. An experienced Accenture team with broad knowledge in MRO optimization applied Accenture MRO inventory optimization tools with field-demonstrated segmentation and algorithms. Accenture helped put in place new parts replenishment minimum and maximum parameters, looking at historical consumption patterns to align stock replenishment with actual need. Non-movers collecting dust and duplicates within and across plant sites were identified for disposal or potential shipment to sites where needed. In addition, the team identified areas where existing SAP part master data could be further enhanced to include information like product lead times and manufacturing part numbers. Accenture is helping the company sustain the results by training local inventory managers on inventory optimization methodology and equipping them with Accenture tools to re-run the analysis in the future.

High performance delivered
Together, Accenture and the global automotive supplier have helped identify and achieve tangible cost avoidance savings in line with company’s financial goals. Initially, the company can achieve one-time savings of close to $2 million (15 percent of the baseline) across the three pilot plants with new replenishment parameters. The work can also help make recurring inventory savings due to reduced finance costs and storage needs. Previously, inadequate master data quality meant that in many cases, employees didn’t realize that some parts at separate sites were the same because the existing system didn’t cross reference them or capture the same key attributes. The new classification structure and more rigorously managed inventory helps identify and eliminate existing obsolete parts and duplicates, as well as prevent the sourcing of duplicate items in the future. With improved stock replenishment parameters, the item availability rate has improved by at least five percent. The ability to stock in-demand parts according to need had a direct impact on overall equipment effectiveness. To further enhance performance, the company plans to extend the pilot to incorporate the rest of its plants worldwide.

With improved part master data and greater visibility across sites, the client can gain a better view of supplier performance and sourcing costs. Once the company classifies and enriches the master data in the new classification, it will be well-positioned to improve its sourcing and procurement capabilities to reduce spend.
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