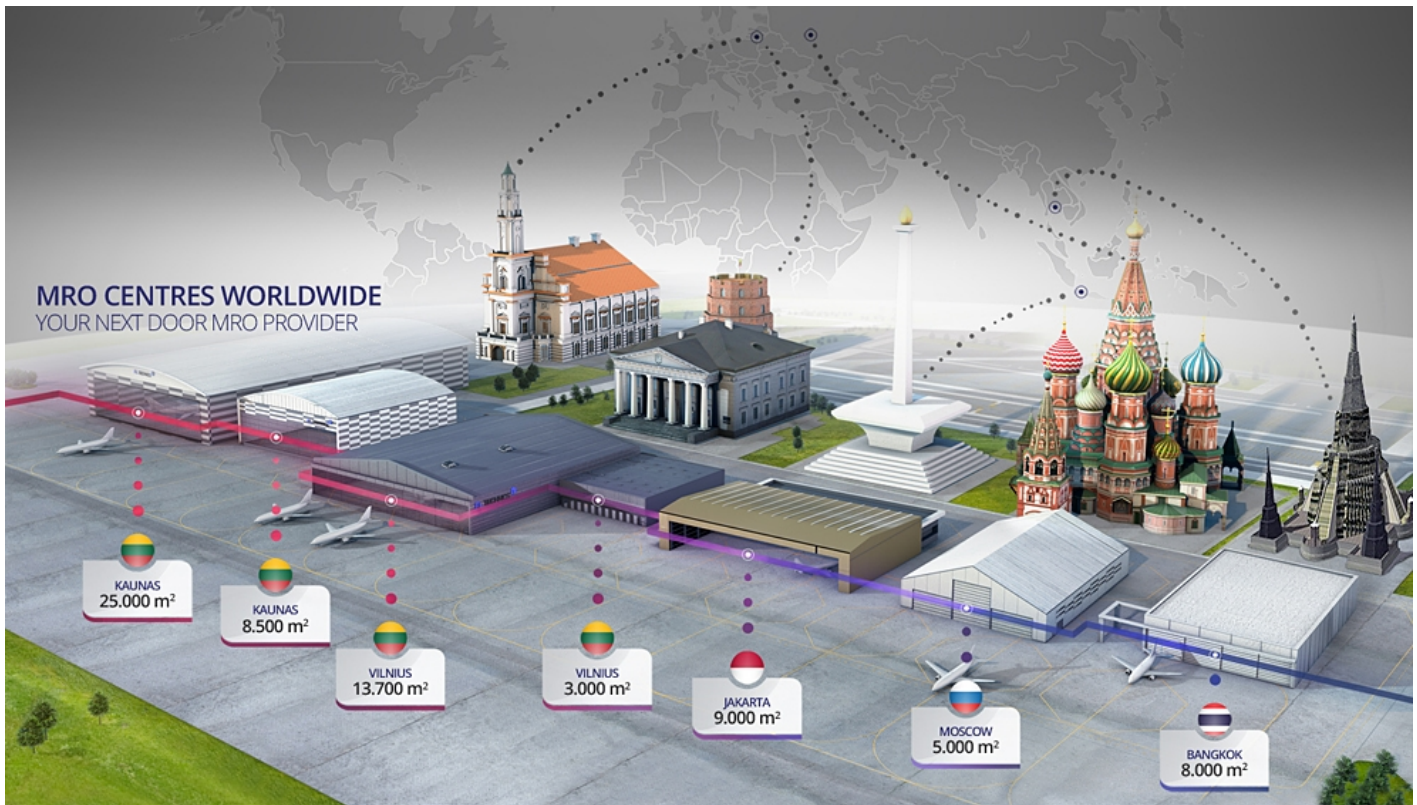




FL TECHNICS CEO ZILVINAS LAPINSKAS ON THE TRENDS OF MRO INDUSTRY

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With over twenty years leading international enterprises and teams of 4000+ employees, Zilvinas Lapinskas boasts experience in development of new markets and customers, design and management of corporate commercial and marketing strategies, management and guidance of customer support and sales teams as well as other executive experience.

With 9 years of experience in LEAN philosophy implementation, Zilvinas also specializes in merger and acquisition. While continuously improving his project management and negotiation skills, Zilvinas successfully accomplished over 30 major business acquisition deals in such countries as Poland, Latvia, Lithuania, Spain and Russia.

Zilvinas says that when it comes to innovation, Artificial Intelligence-based predictive maintenance, 3D printing of non-critical parts, Augmented/Virtual Reality gadgets for technical training, blockchain-based aircraft data storage and robotization of spare parts warehouses are just some of the changes to come in the near future of MRO business. Read his full interview below.

Can you tell us about the newest micro and macro trends that shape today's MRO industry?

In a long-term perspective, the MRO industry looks more than promising. Recent forecast by Oliver Wyman predicts that in ten years the market will be worth of almost 115b USD. Just a year

ago, the ten-year forecast suggested the market will be worth significantly less. Forecasted growth opportunities are evident.

However, from a tactical point of view, much has to be done to benefit from those opportunities. The MRO industry, same as the airline business, struggles with the shortage of skilled specialists. The market grows faster than it can prepare new MRO professionals.

With this in mind, MRO providers have almost no options but to focus on improving their internal processes, raising efficiency, as well as introducing new management philosophies (e.g. LEAN) and technological solutions (e.g. robotization).

Recently you announced a launch of maintenance facility in China as a joint venture with a local company, starting to expand your services in the Asia-Pacific. Now you provide services both in European and Asia-Pacific regions. What are your thoughts on the both MRO sectors perspectives? How do you think will the rapid growth of the Asian MRO sector affect the global aftermarket?

Every market is important for us, and we see growth opportunities in both Europe and Asia. Without a doubt, the Asian market expands at a higher pace thanks to the rocketing local air transportation market. But it comes with its challenges.

In Europe airlines aim to plan every hour of their fleet for months or even a year ahead, including planning of the best time for an aircraft to go for maintenance. In Asia, on the hand, many (but not all) carriers tend to use their fleet at maximum capacity, meaning even scheduled shop visits are more like ad hoc visits.

For an MRO provider it means that we need to support continuous communication with customers in order to foresee airlines' tactical plans and make shop visits a bit less ad hoc. Naturally, this fully relies on an MRO provider's flexibility and the ability to promptly allocate a team and hangar space.

But, surely, this is not a critical issue. We adapt to local specifics while sharing our know-how and promoting the best European MRO practices to our customers.

Which specific parts of MRO sector you mostly expect to grow in the near future?

All segments are on the rise, with the Engine MRO at the forefront. Engine maintenance is the hottest market with shops booked for months ahead.

In general, the more intense flying schedule, the more checks aircraft needs. This gives opportunities in line maintenance, spare parts supply, heavy maintenance – you name it. The same goes for engineering and training, as airlines need more staff and better planning to ensure their expanding fleets stay in the air as long as possible.

Is it true there is more pressure in MRO prices in Eastern Europe than in any other region in the world? If yes, what are the main drivers behind price increases?

The market is under pressure as in any other region. The demand grows faster than experienced engineers and new facilities appear on the market. But local trends should also be taken into consideration, including the growing labor price. All of this combined, we experienced a 20% jump in man-hour prices – up to 42 EUR/man-hour. Thus, yes, we see more price pressure in Eastern Europe than in other regions.

Last year FL Technics launched the Bay system, which means dedicated teams are meant to work on a specific project – dedicated aircraft. How did this new function change the way company operates and what are the current results following this innovation?

The aim of launching the Bay system was to establish more efficient and quality project management. And we did achieve that. The Bay system allowed us to significantly improve our TATs and communication between project teams and customers. In some cases, issue resolution and additional work approval time reduced by several times – from weeks to days. As mentioned, efficiency is the key for MRO providers to keep growing.

What are your plans regarding digital technologies implementation? How can they be integrated, and which parts of the sector they are most likely to affect? What are the most promising digital technologies that can let aftermarket take a step forward?

New technologies not only simplify some tragically complicated processes (e.g. paperwork), but also allow to raise team performance efficiency and generate added value for the customer.

With this in mind, we have dedicated resources and formed a special team to be focused on Research & Development (R&D). The team not only develops own tech solutions to improve our internal processes, but also explores already existing products on the open market in order to combine their best functionality into a single system.

With regards to specific technologies, Artificial Intelligence-based predictive maintenance, 3D printing of non-critical parts, Augmented/Virtual Reality gadgets for technical training, blockchain-based aircraft data storage and robotization of spare parts warehouses – these are only few innovations that can and should be implemented within the MRO industry.

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