



THE INVISIBLE AFTERMARKET: AN EASY ANSWER TO SPARES PROCUREMENT DELAYS

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Although the aviation **spare parts** market is forecasted to grow at a rate of 4% at least until 2018 (Research and Markets report), the percentage of flight delays caused by technical failures is still rising. In fact, logistics-related delays of spare parts supply still add up to over \$20 million per year in the U.S. alone. The solution, however, might be as simple as taking a better look.

Aviation aftermarket has long been notorious for its lack of transparency, translucency in the spare parts pricing processes being just one side of the coin. For instance, while, according to IBM, airlines spend more than \$200 per flight hour on spare parts, a study by Research and Markets suggests that during the last couple of years the number of AOGs, including those prolonged by the wait for a spare, kept increasing at a rate of 2%. As a result, not surprisingly, 63% of Aberdeen Group's survey's respondents list supply chain visibility as a high priority for improvement, with additional 28% indicating it as a medium priority.

In the meantime, a study by Aerogistics indicates the top challenge that companies are facing in optimizing their MRO supply chains is "managing the complexities of getting the parts to where they're needed in a timely manner". Almost 29% of respondents identified it as the greatest

challenge, while 24% more listed finding new suppliers in new markets among their top areas of concern.

Needless to say, in such an environment logistics-related cost estimates become an increasingly important factor in spare parts procurement process. After all, being able to reducing MRO expenditures by as few as 10% could almost double a carrier's profits. In fact, the same study says MRO companies tend to list increased spare parts replenishment and management of the logistics of spares among their TOP 3 focus areas of improvement. Meanwhile, as surprising as it may seem, it is not unusual for an airline to overlook an attractive offer by supplier, based solely on the knowledge of the supplier's head office's location.

Of course, building new infrastructure in new markets to adequately support the operations, or outsourcing parts needs to a logistics partner can help solve what many operators identify as a key priority for supporting increased capacity in their MRO value chain. However, without local knowledge or easy ways of vetting new suppliers in an emerging market, the companies can expose themselves to great risks. In the meantime, according to Locatory.com, it is not uncommon to be able to find a part from a trusted supplier on a remote location. The trick is just being able to see it.

“The math is really very simple. If the spare parts market is expected to be worth over \$6 billion in ten years, it's not that the aviation aftermarket that is scattered, it's the visibility and communication that's messed up. What we suggest, is that rather than sticking to stocking critical parts in strategic locations, airlines should be investing in relevant IT solutions ensuring they have access to all the necessary information, including warehouse locations. The bottom line is that we actually don't need as much new warehouses as it might seem. Rather than shooting ourselves in the leg by using some old-school procedures, we simply need to draw a proper map of all the aftermarket. It's bigger than we think, and in this particular case, size matters,” comments Zilvinas Sadauskas the CEO of Locatory.com.

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