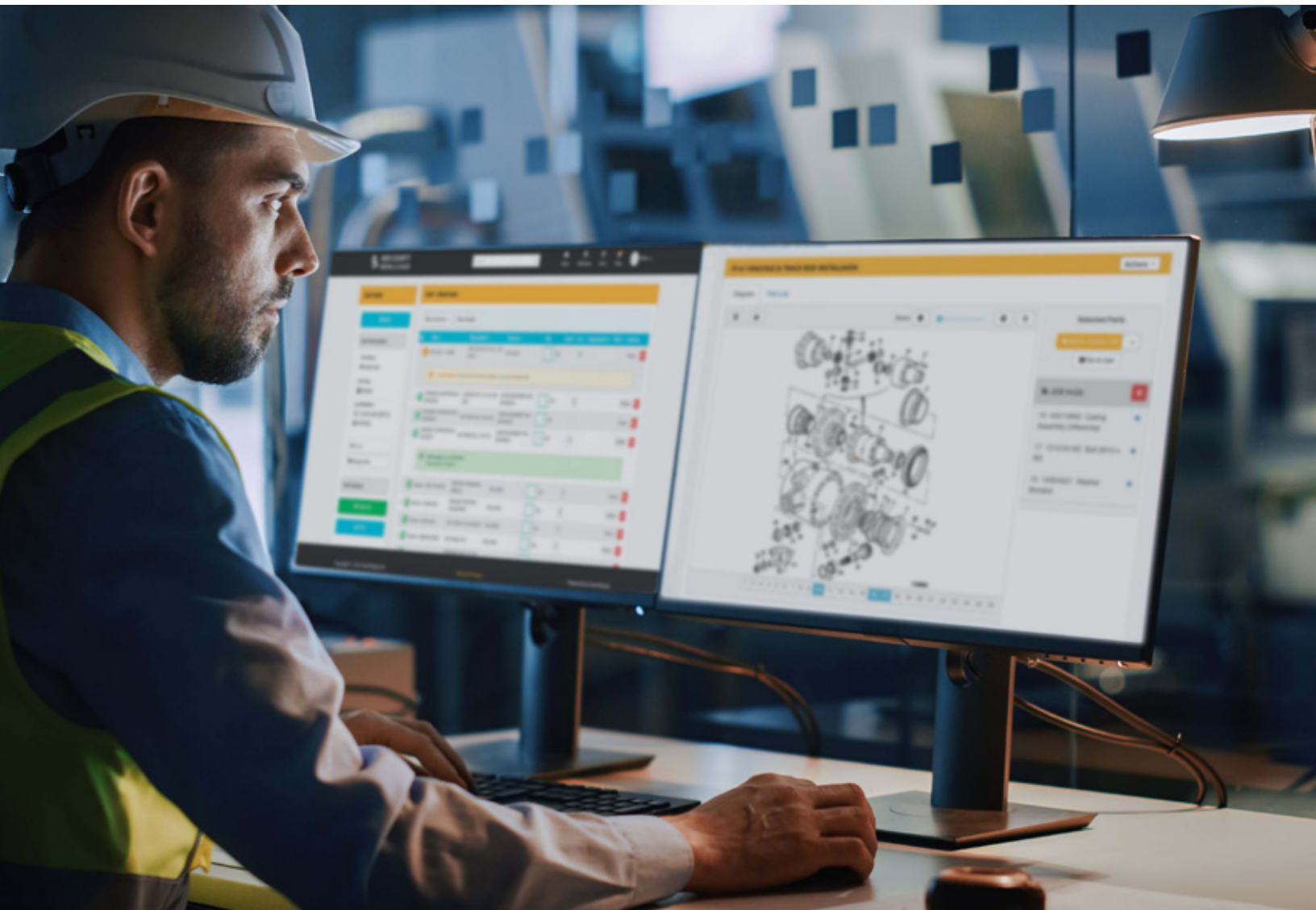


# The Essential Guide to Parts Procurement

How you can actually save more than  
**100% on parts costs**

Written by Alexander Schuessler, Ph.D., President, International Group & SmartEquip Founder.

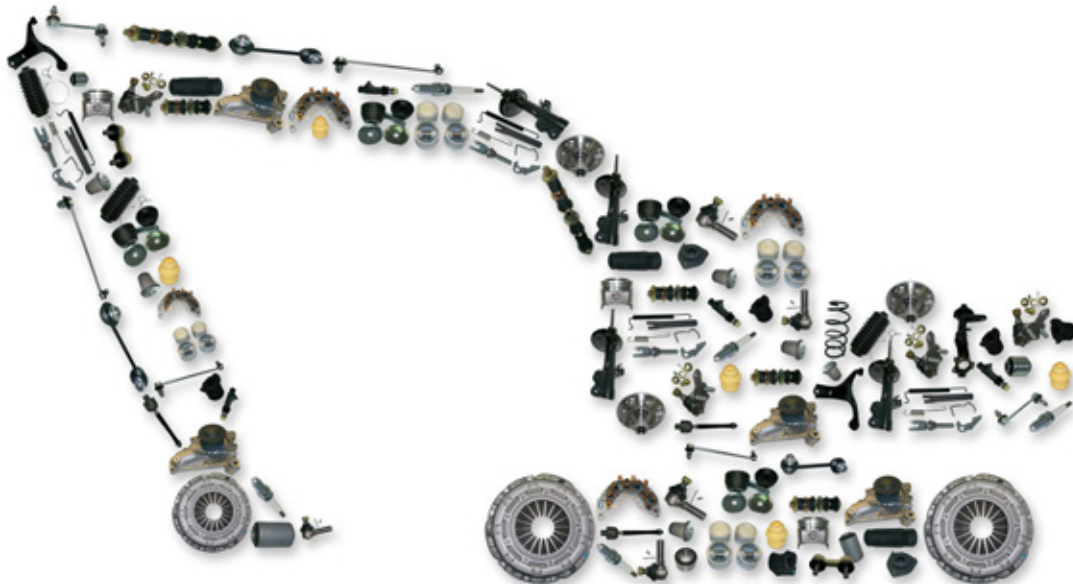
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**Contractors and other Equipment Fleet Operators** are well aware of the critical role parts purchasing and management play in maintaining an equipment fleet and the economics are very complex. The operating cost associated with parts is very high, because it is associated with service, inventory management, accounting, and a slew of other activities. Whenever you make a mistake in your parts buying – and no other form of purchasing for a fleet operator is as complex and therefore error-prone as parts purchasing – your equipment remains down for longer, losing revenue opportunity.

In fact, the total operating cost and potential revenue loss associated with parts purchasing and management are frequently significantly higher than the direct cost of the part itself.

If negotiating a better deal with your parts supplier, or changing suppliers altogether, can shave a few percentage points off the quoted price of the part, the use of smart technology to handle all of the operating cost overhead surrounding your parts-related activity can save you many times the price of the part.





## Let's Dive a Little Deeper

Depending on fleet mix and size, a fleet operator typically spends approximately 3% of fleet value at first cost (OEC) on parts each year. It's a small amount, to be sure. And yet it is this type of purchasing which is inextricably tied to profitability.

## How Can That Be?



Well, for starters, parts costs don't exist in isolation, but are inextricably tied to other costs – most notably service – which might well be defined as the use of parts. Annual service costs typically are another approximately 3% of equipment value, thereby already doubling parts-related cost.



Second, parts purchasing relies on the knowledge of service and parts personnel – the type of labor that is both by far the most expensive, and typically the hardest to find. Parts are often serial-number specific and part numbers frequently change as they are “superseded” by new releases. In addition, the time-intensive and error-prone world of parts purchasing translates into complicated stocking rules, often leading to unwanted inventory build-up, rising obsolescence, and plenty of return shipments – all of which cost labor time, but also delay repair completion.



In fact, third and relatedly, parts are the only type of purchasing a fleet operator will make, where errors and delays not only increase operating costs, but also will cause a loss in revenue: each additional hour spent on identifying, sourcing, and attaching parts to equipment represents an additional hour of equipment downtime. Put differently: it's not that it's a \$5 part. It's that it's a \$5 reason for why my \$50,000 machine is not working! To put it in formal terms, parts management directly impacts the financial return on your fleet.



## How to Actually Make Parts Less Expensive

Traditionally, a lot of us have operated on the assumption that the best way to make parts less expensive is to use non-original (“non-OEM”) parts. Beginning with standard service items – filters, tires, batteries, hoses – and extending to high-turn parts, such as controllers and control assemblies, rental operators frequently look for cheaper sources of alternate parts.

However, when adding the full cost surrounding the processing and use of parts, the most effective means of making parts cheaper is not in fact to start buying cheaper parts, but to bring operational efficiency to the purchase and use of these parts. As one fleet operator put it to me recently, “I can save \$10 by purchasing \$75 of parts from an alternate supplier. Or I can save \$150 by shaving three hours of service technician time, which will additionally allow me to put equipment back out on the job more quickly.”

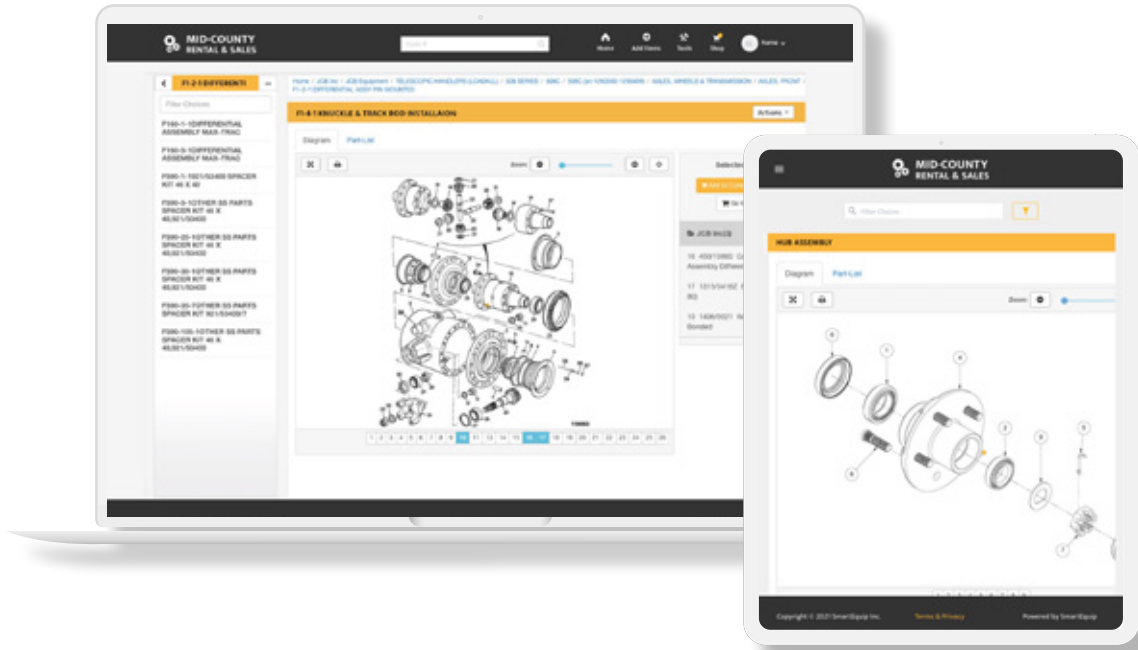
The most effective means of making parts cheaper is not in fact to start buying cheaper parts, but to bring operational efficiency to the purchase and use of these parts.

That’s 150 dollars in savings on a 75-dollar purchase, plus an increase in equipment productivity! What other form of purchasing can offer that kind of 200%+ “discount”?

**SmartEquip** technology enables manufacturers not just to electronically publish parts, service, and diagnostic information, but to intelligently thread this information into the workflow of their customers – ensuring that as technicians begin their work, they are automatically provided all of the correct and always-current information

pertaining to the asset’s specific serial number, while simultaneously showing the equipment owner’s relevant parts stock levels, alongside those of manufacturers, dealers, or other relevant providers. All of this saves critical time. And as parts orders are generated and service work begins, the system will automatically populate the company’s purchase order and work order systems, enabling the technician to focus solely on the task at hand, while leaving several hours of administrative tasks to automation.

**But the scope of savings and revenue enhancements does not end there...**



## Now Let's Make Your Whole Business Less Expensive

Because of SmartEquip, manufacturers and their dealers have helped make their customers' operations more efficient. Stated differently, they have moved from simply shipping equipment and parts, to also delivering operational efficiency to these customers, by streamlining their ability to manage the "equipment lifecycle". More recently, the impact of these efforts has extended from improving fleet owners' service and parts operations to also improving other parts of their business, most notably their back-office costs.

For example, in addition to delivering spare parts and service information into the fleet operator's service process, always-current parts pricing information today can be delivered by manufacturers and dealers directly into the equipment owner's fleet management, financial, or ERP systems. As a result, "item master" files, which previously were manually updated by fleet owners in these systems, have now become essentially self-updating, requiring only minimal (if any) human intervention. In addition, the associated guarantee of self-updating and always-accurate pricing information virtually assures three-way matches when parts are shipped, thus taking significant strain off the accounts payable process – which is another significant overhead to parts purchasing.

So, in addition to the \$150 in savings on the \$75 parts order across the service and parts department, and in addition to the additional dollars in machine activity and productivity gained, because your equipment is available more quickly, there are additional savings to be had in finance, administration, and IT data management.



Indeed, these are rather magical times! The technology supporting parts transactions continues to allow us to save more via service cost reduction and reclaimed productivity than the actual value of the very parts they help us buy. And now they have begun to help us reduce the size of our accounts payable departments and of IT groups managing price tables and item master files.

Instead of carving a few percentage points off your parts prices by looking for cheaper deals, come and use a technology which shaves off a few hundred percent of your parts costs.

SmartEquip is the leading technology standard for equipment lifecycle management, service and procurement support for the construction industry. The platform provides a seamless brand-enhancing experience for fleet owners, manufacturers, and distributors of complex equipment. SmartEquip enhances ROI for all Network participants by increasing equipment uptime, improving both technician wrench time and transaction accuracy, while reducing the total cost of equipment ownership. The SmartEquip Network currently supports more than 700 OEM brands, with over 95,000 users across more than 42,000 equipment locations globally. The Network supports over \$1.4 billion in parts transactions annually and the company is led by veterans of construction, technology, and data sciences. Founded in 2000, SmartEquip is positioned to define tomorrow's dynamic and evolving equipment industry.

**We look forward to welcoming you to the Network.**

**Schedule a Demo**