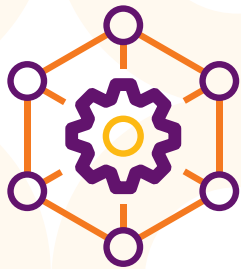

Integrated Parts Management for **Multi-Site** FM Organizations





What's Inside:

Introduction	3
Why FM Leaders Can No Longer Afford to Ignore FM Parts Supply Chain	4
The Strategy: Think Big, Start Small, Scale Fast.....	5
The Challenge: Eroding Margins in Retail.....	7
The Challenge: FM Organizations Trail Behind Best-in-Class Supply Chain Organizations	8
The Changing Landscape: Retail/Consumer Standpoint.....	9
Technological Enablers of FM Supply Chain Transformation ...	10
The Good News: A Step-Wise Approach to FM Supply Chain Transformation ...	11
The Processes and Enablers: Digitally Empowering the FM Supply Chain	12
The Solution: Optimizing the Procurement Process.....	13
Impact on Business Performance	15
The Digital Supply Chain Journey.....	16
About SDI: The Digital Supply Chain Company.....	17



Introduction

Unmanaged, highly volatile, and reactive supply chains with a decentralized, fragmented supply base have created operational inefficiencies and increased waste, leaving little room for innovation. The rapid exit of technician baby boomers, and the resulting loss of intellectual property has manifest in growing costs and increased risk exposure.

The supply chain can create a downstream strain on FM organizations.

The current supply chain climate.

- Prices are up 12-15% on average and climbing
- Lead times are extended by 30 -50% on some commodities
- Stock-outs are increasing unplanned downtime on revenue-generating assets

De-risking the parts supply chain.

Since 1971, SDI has supported leading organizations in de-risking their parts supply chain, cutting costs, and reducing constraints in their Facility Maintenance.

Over the course of engaging with these organizations, we noticed some common threads:

Retailers were putting limited to no emphasis on parts spend professionally, despite the category accounting for 25-30% of their FM operating budget. This issue also extends to the vendor base that provides services to the stores. This is not a result of willful neglect or ignorance; rather, it stems from the challenges related to managing a geographically dispersed network of facilities through a fragmented base of in-house and third-party service providers and parts suppliers.

Some retailers had sourced favorable contracts with a few national parts suppliers, but metrics were largely focused on price and payment terms with almost no consideration to inventory availability, delivery, technical & warranty services, etc. As a result, most of the retailers were ‘stuck in neutral’, forced to seek savings and improvements outside of the parts & materials supply chain to deliver ever increasing value with fewer and fewer budget dollars.

95%
Parts-related data unstructured and otherwise inactionable

Based on thousands of different SDI engagements, this document provides insight into how FM leaders can:

- Improve overall service levels
- Decrease direct and indirect supply chain costs

The performance of any FM team is dramatically impacted by the supply chain and has consequences both upstream and downstream in their organizations. Driving new efficiencies in the supply chain starts with gaining visibility.

SDI’s Supply Chain Risk Report is a detailed analysis of the processes, people, and technologies involved in the supply chain. It shows FMs how spare parts and supplies fit into their workflows, and how they directly impact KPIs.

For more information on anything in this guide, or if you’d like to talk more about a Supply Chain Risk Report for your organization, please contact:

Glenn Pierce

Vice President, Solution Design

Glenn.Pierce@sdi.com



Why FM Leaders Can No Longer Afford to Ignore FM Parts Supply Chain

For any retailer, the cost of FM parts and supplies can amount to between **20-30%** of their total FM budget, but this is only part of the story. Inefficiencies in the parts & materials supply chain and buying process result in **technicians** spending anywhere from 25-40% of their “wrench time” driving to, shopping for, or in some other way waiting for parts – a huge chunk of the budget.

Unfortunately, due to the rapid graying and exit of the maintenance workforce, this productivity drain is only going to increase.

A digitized FM parts supply chain, otherwise known as Integrated Parts Management (IPM), offers immediate opportunity to reduce cost and waste. Recently, **IPM** has witnessed a significant increase in industry attention and industry participation. Our research indicates that both in-sourced and third-party technicians are now leveraging the digital supply chain – primarily through eCommerce catalogs and online marketplaces, including **Grainger.com, Amazon Business, Alibaba, and eBay** to locate and purchase FM parts and materials for both preventive and reactive maintenance. But this activity has been limited to spot buys of one-off products, not as a supply chain solution for all sites and technicians.

The primary driver for this shift is **technicians seeking the same buying experience** that they enjoy as consumers – easy to navigate site, wide selection, certainty of availability, and omnichannel fulfillment. This holds especially true in FM, where parts and

supplies procurement involves all products that are used for preventive or reactive maintenance, repairs, and capital improvements.

Experience indicates that digital supply chain has the potential to:

- **Decrease** total supply chain costs by more than 10%
- **Improve** end-to-end visibility and control
- **Improve** maintenance productivity (wrench time) by as much as 20%

Unlocking the potential of FM digital supply chain through an IPM solution is not an “instant on” nor is it a panacea – it requires effort and is a complex transformation that is best approached as a journey – **“Think Big, Start Small, Scale Fast.”** Many retailers have yet to embark on this journey. However, the root causes of these missed opportunities are known, as are the steps required to overcome them.

This white paper focuses on Integrated Parts Management and FM supply chain in multi-site facilities and compares current practices with those of best-in-class FM supply chain organizations.

It calculates the potential of FM digital supply chain and details how to realize the benefits. The approach described is based on SDI’s experience with one of the world’s largest retailers as well as other large, complex multi-site facility operators has been tested and improved in our global practices over the past decades.



IPM integrates thousands of suppliers in one platform while integrating the parts supply chain with your Facilities Management strategy.



The Strategy: Think Big, Start Small, Scale Fast.

The roadmap proposed in this guide is based on SDI's supply chain transformation philosophy of "Think Big, Start Small, and Scale Fast". We'll discuss strategy and the organization to drive the strategy, processes, and enablers.

Despite the integral nature of parts and supplies to effective R&M, FM departments lack a clear linkage between their enterprise FM/asset management strategy and their parts & supplies supply chain. Even the concept of supply chain management is somewhat foreign in the FM space, most organizations view parts and supplies as a **category of spend**, not a value lever for enterprise improvement.

The conventional practice has been for field maintenance technicians and/or third-party contractors to purchase materials locally and add a pre-negotiated surcharge/mark-up (10-25%) to the invoice upon completion of the service or repair. This decentralized approach results in 20-30% of the aggregate FM budget for a retailer being off limits in terms of management or optimization. However, it gets worse. When viewed systemically, we see that the decentralized approach to parts management inadvertently impacts several other areas, including:

- First call completion
- Maintenance wrench time
- Asset lifecycle
- Operating expense
- Compliance with enterprise CSR strategies and initiatives related to energy, sustainability, and diversity
- In-store brand experience

FM departments have a unique opportunity to drive significant operational improvements while reducing costs systemically. Within this scope, FM leaders should have an expanded focus on **supply chain value creation**, e.g. focusing not only on purchase price but also on optimizing the total costs of ownership to a retailer (maximizing technician productivity, asset uptime and in-store customer experience).

This responsibility should also extend to a new **center of excellence** for facility-essential materials (store essentials, goods not for resale, PPE, jan/san disinfectants, supplies/equipment related to indoor air quality, etc.) as well as **mission-critical spares**. These items prior to the pandemic were viewed as commodity items with a low priority. Now they are mission-critical to store operations, brand image, and employee/customer health and safety.



Today's FM teams are often under-resourced and certainly not staffed or organized to address the additional work related to parts supply chain management. The good news is that there is a path forward that does not require a complete reinvention of the wheel. We have noticed that a small percentage of FM departments partner with their in-house purchasing for facility-related parts & supplies.

Although anecdotal, this is relevant evidence that an **enterprise approach to IPM and FM supply chain** can be effective and serves as a model for the build-out of a larger capability. **This hybrid approach** has proven very effective in other industry verticals and can be replicated in the multi-site facility space.

Beyond internal support, progressive organizations in other verticals have partnered with third-party supply chain solutions firms that specialize in supporting maintenance personnel. This hybrid model combines the **best of both worlds** – internal FM subject matter expertise with the purpose-built infrastructure (people, process, technology) of a third party that serves to augment, enhance, and accelerate the results that the client seeks.

It is important to note that in the retail FM environment, **technology is an enabler, not the solution**. Effective FM supply chain management requires people and process enabled by purpose-built technology.





The Challenge: Eroding Margins in Retail

The adage that it's not about “**how much you make, it's about how much you spend**” is more relevant than ever in the multi-site facilities management world. With 44% of sales now coming through eCommerce platforms, the need for effective budget controls and visibility is critical in this highly competitive sector with tight operating profit margins (~ 3%). Retailers and other FM organizations have seen margin pressure steadily increase. A contributor to this pressure has been the demand for effective Maintenance Parts visibility and control.

- Field Techs spend a staggering 34% of their time **waiting for or looking for** required parts for repairs and maintenance. Pressures on the Supply Chain as the economy exits the pandemic will put unprecedented strain on the availability of materials, many of which are critical to the maintenance of the Retail Store environment. Shortages of FM parts will certainly result in increased costs. Additionally, the downtime experienced from **not having an adequate supply** of parts to service and maintain critical operations for the retailer will translate into higher operating costs, resulting in a diminished buying experience at the brick and mortar locations.



- Supply Chain challenges will require a fresh look at the need for **local inventory** to support the needs of Facility Maintenance. Having critical parts on hand will require an investment in not only the materials themselves but the proper SCMS (Supply Chain Management System).
- Upfront costs of **Sustainability** initiatives will continue to increase as Retailers move to become environmentally responsible citizens. This will be especially true in the U.S. where on average \$1,380 USDs per annually/facility are spent on Sustainability-related expenses as compared to \$4,729 for International locations.
- Actionable Parts Spend data and advanced analytics are on the critical path to effective

Material Supply Chain optimization. It is estimated that currently 95% of parts-related data is **unstructured** and otherwise inactionable.

With margins under such severe pressure, FM professionals must turn over every rock to improve operating costs, remain price competitive, and maintain

shareholder value. An effective Facilities Maintenance Parts Spend management system will need to become an integral part of total spend controls.



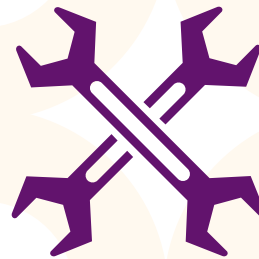
The Challenge: **FM Organizations Trail Behind Best-in-Class Supply Chain Organizations**

In the not-too-distant past, multi-site retailers managed services much the same way that they manage parts today, namely through a **decentralized** approach to procurement with a highly **fragmented** supply base.

This was due mainly to the lack of CMMS & WOM technology. Despite its enormous size (20-30% of FM budget), until recently FM professionals had no way to access this potentially very rich source of value creation. However, shrinking budgets and rising costs (labor and supplies) within Retail and other multi-site FM organizations are forcing leaders to rethink their approach to parts & supplies from a cost of doing business to a **source of value generation** and **competitive advantage**.

Facility managers are now seeking to leverage their parts spend by aligning and integrating their parts supply chain with their overall FM strategy to improve outcomes and results.

Bringing parts spend under management yields obvious **parts & supplies savings** (12-18%) but what is not obvious is the positive impact on other elements of value, including:



Wrench time improvement:
10-25%



Increase in asset uptime:
20%



Improved first call completion:
30%

Innovation in supply chain and other technologies are now enabling what wasn't even conceivable just five years ago.



The Changing Landscape: Retail/Consumer Standpoint

The pandemic served as an inflection point, accelerating many of the trends in FM while exposing other near-term opportunities for transformation and improvement.

- Competition is growing – making the in-store experience more important than ever
- Store function is evolving – due to the rise of the “experience economy” and omnichannel
- Philosophies are shifting – from break-fix to EAM (enterprise asset management)
- Budgets are shrinking while costs are increasing
- Organizations are losing intellectual property – the knowledge of how to fix assets and where to get the parts will be lost as skilled trades are in short supply and declining YOY
- In-store digitized equipment is becoming more sophisticated and tied more closely to ever-increasing customer experience & brand expectations
- Supply base is evolving – there’s a shift from local stores/supply houses to regional DC’s limiting local supply availability

There is growing evidence of a strong desire for supply chain digitization and automation in the FM space. Technicians and mechanics in the field are leveraging smart phone/device technology to purchase parts from online sources such as **Amazon Business, Alibaba, Grainger, and Lowe’s**. While this activity appears to be localized and not something driven from management by investing in proper FM supply/parts management platforms, organizations can positively impact business outcomes as well as facilities maintenance productivity.





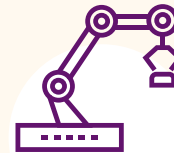
Technological Enablers of FM Supply Chain Transformation

Beyond smart devices there are many other technological (and other) enablers of FM supply chain transformation, including:

- Adoption of smart phones/device use by field maintenance technicians
- Proliferation of mobile apps
- Advent of open APIs
- Supplier digitization and eCommerce in industrial parts space
- End users embracing data analytics, AI, and machine learning
- Acceleration of Industry 4.0 and Internet of Things
- Supply chain as FM value lever
- Emergence of managed service providers that specialize in FM parts supply chain management



Much of this wasn't even conceivable just five years ago but the change is now accelerating at a rapid pace and is more disruptive in nature. As a result, facilities management professionals that have not taken control over their parts supply chain are rapidly losing their competitive edge over top performers.





The Good News: A Step-Wise Approach to FM Supply Chain Transformation

There's good news: Multi-site FM professionals don't need to transform all at once. They can **Think Big, Start Small, Scale Fast** through a step-wise approach:

- Start with one or a few specific categories (HVAC/R)
- Begin on particular assets or asset types
- Start with one region and then roll it out to similar regions
- Begin with particular Suppliers

Benefits of an IPM approach to FM parts and supplies are many and not just limited to the FM domain. Other organizational stakeholders enjoy direct and indirect benefits as well, such as:

Store Ops

- Revenue generating asset uptime
- Better in-store customer experience
- Minimized FM disruptions
- Lower operating costs

Maintenance Techs

- Improved productivity
- B2C experience in the workplace (digital vs. analog experience)
- Job satisfaction - less chaos & frustration
- Visibility to parts availability and shipment
- Improved planning for work order job activities
- Improved performance - first call completion
- Fewer emergencies
- Happier customers

Enterprise FM

- Lower costs
- More control
- Greater visibility
- Actionable analytics and insights
- Budget predictability
- Risk mitigation
- Enables reliability and enterprise asset management strategy

Suppliers

- Greater visibility to demand
- Integration with customer and technician
- Improved inventory optimization

An enterprise plan of best practices can be agreed upon and applied by the FM team and its internal (and/or external) supply chain partners. This includes developing deep relationships with key suppliers and motivating them to continuously deliver new and innovative ideas to maintain a competitive advantage. Environmentally sustainable materials is an example of one area where building supplier relationships can help ensure supply or lower environmental impact.





The Processes and Enablers: Digitally Empowering the FM Supply Chain

FM parts supply chain is enabled by a digital platform that provides a range of digital solutions that combine high automation, deep data insight, and robust spend controls.

- Open APIs that allow for ease of data passage between the client's asset management system (CMMS) and financial systems (ERP)
- Apps & Mobility that bring the full power of the FM supply chain to the field technician, regardless of location
- Inventory Management including central warehouse, truck stock, and remote lockers/cages
- A data management and analytics solution that provides real-time online insight into who has bought what, from which supplier, and against which commercial terms and order-to-pay process
- An e-sourcing solution to ensure sourcing processes run effectively and enable procurement to touch the spend in the supply base frequently
- Omnichannel fulfillment enablement including integrated supplier ordering assistance and local will-call pick up
- 24/7 Technical Services to assist with repair triage and part selection
- Effective spend management enabled by automation and catalogs, so low-value transactions can be dealt with more efficiently
- A supplier portal for ease of supplier onboarding, data management, and performance management
- A procure-to-pay solution across the organization that links business, finance and procurement effectively. As a result, supplier compliance (as well as control over cash) is optimized. In addition, invoice processing costs are minimized resulting in 95% reduction of administrative FTE.
- A collaborative procurement strategy solution that enables seamless cross-country category collaboration
- A 'should-cost' analysis that enables procurement and FM managers to calculate and predict the should-costs of parts and supplies purchased across regions. This allows for fact-based negotiations and optimizes sourcing solutions, for example by replacing expensive OEM parts with lower-cost functional equivalents.





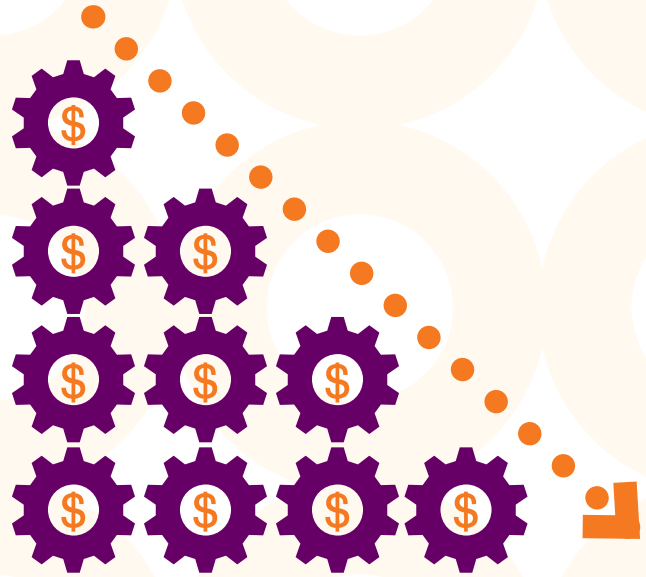
The Solution: Optimizing the Procurement Process

The quickest path to improving profitability is to **reduce costs**. An eye popping 25% of Facility Maintenance budgets are spent on Parts and Supplies comprised mainly of one-off, non-stock purchases. To make matters worse, approximately 85% of this spend is not purchased under any type of contract, meaning its highly likely pricing is inconsistent and noncompetitive. It would be logical to address the historically **underserved** Parts and Supplies category as a critical part of any cost reduction strategy.

Examples of Typical Retail Spend & Service Categories:

- Doors, Locks
- HVAC/R
- Plumbing
- Electrical, Lighting
- General Maintenance & Repair Items
- Kitchen Equipment
- Building Supplies, Roofing
- Flooring and Ceiling Tiles
- Material Handling Equipment
- Janitorial and Sanitation Supplies and Disinfectants
- PPE, Safety and First Aid

Optimizing the procurement process for these commodities will yield significant near-term results. By moving to an automated, digitized data driven process increases of operating margin of 40 to 70 basis points is readily achievable. A digital supply chain allows you the **agility and transparency across your entire supply chain ecosystem**, enabling you to respond quickly to demand and better identify savings opportunities.



Utilizing a robust digital supply chain ordering platform will not only allow you to place & track needed materials but should provide for powerful data analytics which will be the foundation for supply chain critical activities such as spend visibility & consolidation, trends & compliance tracking, material sourcing, contract negotiation and developing supplier diversification.

- **System Integration:** Integrations into existing computerized maintenance management systems (CMMS), work order management systems (WOM), financial systems, and legacy enterprise resource platforms (ERP) bridge the functional silos across the organization and level up your facilities management and enterprise asset management strategies.
- **Software Development:** Customer success teams who communicate with client stakeholders and end users on a regular basis can integrate feedback from the field into new app releases, to ensure the technology continuously evolves with the needs of the organization and as the market evolves.



→ **eProcurement Software and Mobile**

Procurement Apps: The needs of mobile maintenance teams and field technicians are different from the needs of corporate procurement teams. eProcurement software solutions that enable sourcing processes to run effectively and enable procurement teams to get more spend under control should incorporate mobile applications that extend beyond procurement to bring the full power of the FM supply chain to the field technicians, regardless of location by incorporating guided buying to align with Corporate procurement initiatives

→ **Inventory Management:** Inventory management systems should be designed with the technicians out in the field in mind, so whether the parts needed are on the truck, at another facility, at a central distribution site, in a remote locker, or at the will-call window of a local supplier's retail counter, the mobile maintenance techs should know exactly how to get what they need. Inventory should be optimized based on dynamically responsive stochastic modeling focused specifically on spare parts for accurate lead times, fill rate targets, and optimized SKU levels.

→ **API Development:** Application Program Interfaces (APIs) with category suppliers enables real-time pricing, lead-times, and status updates. API development and interoperability enablement allows for real-time data flow within the supply chain ecosystem and enables technicians to better plan their work schedules and reduce travel time.

→ **Advanced Data Analytics:** Extending FM parts supply chain visibility into the field, at the point of consumption, enables organizations to break away from tribal knowledge that is typically siloed by function across the enterprise to reveal the full story behind their data. Real-time insight into who has bought what, from which suppliers, for which facilities and assets, and against which commercial terms and order-to-pay process enables better, data-driven decision making. This enables FM teams to anticipate supply chain challenges early and proactively implement changes that drive measurable improvements for their specific performance goals.





Impact on Business Performance

In today's competitive business landscape, multi-site FM organizations must constantly strive to improve their operational efficiency and financial performance. The management of parts and supplies is a source of significant value. By adopting an integrated parts management platform, organizations can unlock a multitude of benefits that not only streamline their operations but also positively impact their bottom line.

Investing in the proper FM supply/parts management platform will positively impact cash flow & facilities maintenance productivity:

Impact on Human Capital:

Technicians can focus on core competencies, rather than parts management, improving wrench time and their experience. An integrated parts management platform will also streamline vendor and supplier management, simplifying the process for FM personnel.

Impact on Invested Capital:

Implementing enhanced stockroom efficiencies, work order planning, and critical spares and safety stock management can help reduce downtime of revenue-generating assets. Improving demand forecasting enhances enterprise knowledge of the facilities' assets and capabilities, which enables better predictive maintenance and scheduling of planned downtime. This results in swifter response to critical, emergency outages, ensuring that the necessary parts are available on time.

Impact on Working Capital:

By reducing excess and obsolete FM parts/MRO inventory, businesses can free up valuable working capital, which can be used to invest in growth opportunities or pay down debt. Similarly, reducing finished goods inventory held as safety stock due to unreliable production can help minimize the amount of working capital tied up in inventory and improve cash flow.

Impact on Operational Cash Flow:

Implementing volume pricing and right-sizing inventory can significantly impact costs, reducing the amount of working capital tied up in excess or obsolete parts. Lengthening the payables cycle and realizing transactional savings can also help to improve operational cash flow, providing additional working capital that can be reinvested in the business. By prioritizing the optimization of operational cash flow, businesses can enhance financial flexibility and improve their ability to navigate unexpected supply chain disruptions.

Impact on Operating Expenses:

By improving first-call completion for technician work orders, businesses can reduce the number of repeat visits and improve the efficiency of their operations. Aggregating and leveraging parts spend can also help to reduce costs and improve operating margins. Back-office purchasing and transactional savings can further enhance the efficiency of the business, freeing up resources that can be redirected towards other areas.

Adopting an integrated parts management platform for multi-site facilities maintenance organizations can be a game-changer. By streamlining operations, reducing costs, and optimizing resource allocation, businesses can achieve improved financial flexibility and resilience in the face of market challenges. As a result, they will be better positioned to seize growth opportunities and remain competitive.





The Digital Supply Chain Journey

Integrated Parts Management in the Digital Supply Chain is a journey, not a destination. The digital transformation promises greater visibility and transparency but depends greatly on an organization's willingness to be flexible and openness to innovation. Only a culture of entrepreneurship or intrapreneurship within a larger organization will drive this shift. It means staying curious. To always find new and better ways, not just as a way to focus on the customer and to push results, but as a way to collaborate and fulfill a natural curiosity and drive to learn. Think big. Have that future vision in mind. What does your integrated parts management journey look like in 3 years, in five years?

Start small.

Don't get overwhelmed or paralyzed by the long-term vision. Find a small project and get those small wins under your belt to build confidence and momentum. And scale fast. Take those wins and repeat them for bigger projects for long-term gains. As in any revolution, you will try things and fail. But with the pace of technology changing so rapidly, you want to fail fast. Fail. Fail fast. Learn from it and keep moving forward.

Think differently.

At SDI, our mission is to change the way people think about and manage supply chain.

Our passion is supply chain, and we're driven to empower organizations to achieve tremendous value, savings, and efficiencies – improving their lives overall.

We believe the supply chain works best when it all works together. And supply chain impacts a

cross-section that transcends industries. That's why we've created a collaborative supply chain ecosystem that empowers industry professionals to become industry innovators — reimagining how the supply chain can work for everyone. Not only to save money,

time, and effort, but to fundamentally change the way industry benefits from supply chain, for the better.

We believe strongly that the supply chain can be a HUGE source of value for all of us, can help us exceed maintenance performance goals, and align with our operational strategies. Together we have access to cutting-edge technology, research and academia, and breath-through innovation to get ahead of future supply chain disruptions and usher in the next industrial revolution.

Together, We Can Change the World.





About SDI: The Digital Supply Chain Company

SDI is an industry pioneer in supply chain solutions and services, renowned for over 50 years of experience in guiding facilities and plant maintenance leaders towards operational excellence. As specialists in integrated parts management, SDI has transformed procurement services and warehouse management solutions across a spectrum of industries, partnering with notable [supply chain leaders](#).

Employing the power of the [ZEUS Digital Supply Chain Management](#) platform and a comprehensive suite of [mobile applications](#), SDI offers cutting-edge tools to refine supply chain processes, guaranteeing more efficient and reliable facilities. From first call completion to mean time to repair, SDI is dedicated to enhancing key performance indicators, improving uptime and fueling business growth and resilience.

In an evolving supply chain landscape, SDI is committed to fostering collaboration, driving digital transformation, and delivering future-proof solutions. We are not just about business efficiency - we are at the helm of a revolution towards a smarter, more connected, and sustainable future in supply chain management.

To learn more about SDI's [mission](#) and [solutions](#), please visit [sdi.com](https://www.sdi.com) or contact sales@sdi.com.

SDI's Supply Chain Risk Report is a detailed analysis of the processes, people, and technologies involved in the supply chain. It shows FMs how spare parts and supplies fit into their workflows, and how they directly impact KPIs. **For more information** about a Supply Chain Risk Report for your organization, visit: <https://www.sdi.com/supply-chain-services/supply-chain-risk-assessment/>





The Digital Supply Chain Company

Post Office Box 1540 | Newtown, PA 18940

800-322-2644

www.sdi.com | sales@sdi.com

