



ARMAC SYSTEMS HELPS
CZECH AIRLINES DELIVER
COST SAVINGS AND A
STANDARD APPROACH TO
CONSUMABLES
PURCHASING

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Jaroslav Kubes, Director of Material Procurement and Development, Technical Division, Czech Airlines

As one of Europe’s oldest airlines, Czech Airlines faced the challenge of changing deeply established habits when it began an initiative to improve the efficiency of its consumables purchasing. A partnership with Armac Systems has proven to be just what the airline needed to deliver not only cost savings, but also an evolution in approach among its planning team.

For Czech Airlines (CSA), the decision to work with Armac Systems was based on a successful past history in inventory optimisation. When CSA purchased its latest fleet of new aircraft some years ago, it had used Armac’s RIOsys software to help make purchasing decisions for its rotables.

Traditionally, an airline would accept the manufacturer’s recommendations for parts purchasing if it had no experience of a certain aircraft, but the Armac tool proved much more cost-effective. The Armac recommendations ultimately saved CSA more than \$1 million compared to the purchasing recommendations from the manufacturer, without sacrificing service levels.



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EXPANDING THE PARTNERSHIP TO CONSUMABLES PURCHASING

While it was a natural progression for CSA to work with Armac on additional efficiency drives, adapting and using the RIOsys software for consumables purchasing would raise new challenges, as it impacted deeply established methods of logistical planning and purchasing.

Armac was confident it could help CSA reduce its consumables inventory by up to 30% over a 12-month period. While CSA found this an attractive prospect, it was keen to conduct and see the results of a three-month pilot before committing to a full rollout. Armac agreed, and the result has been exceptionally positive:

- Following workshops in Prague and Dublin with the CSA team, Armac performed extensive analysis of data from CSA's consumables purchasing and consumption records, as well as essential information about part interchangeability. Extraction of data into RIOsys was rapid and seamless, with no need for CSA to modify its internal systems.
- Armac successfully configured RIOsys to calculate new purchasing levels for consumables and loaded these directly into CSA's existing planning and management tools. There was no need for logistical planning staff to train on any new software or systems.
- Purchasing is not executed automatically. Recommended purchasing levels are considered by logistical planners who then decide whether to accept or reject them. This preserves the crucial importance of the planners' expertise in the purchasing process.
- Inventory savings of \$1.6 million, more than 10% of budget, were delivered after three months. This rose to \$2.6 million, around 18% of budget, after six months. "For us, the major benefit is certainly the reduction of stock - that's extremely important for us," said Jaroslav Kubes, Director of Material Procurement and Development, Technical Division, Czech Airlines. "We believe we'll get very close to our objective of saving \$4 million over 12 months."
- Thanks to the Armac recommendations, logistical planners are now developing a broader understanding of the factors to be considered during purchasing and adopting a consistent, standardised approach to the process.

"With Armac, it's not just financial benefit that we're seeing. It's also bringing new knowledge and awareness to the planners, who are taking lessons from this exercise and getting an appreciation of additional factors to be considered," Jaroslav said. "We have one planner for each aircraft, and in the past, each had approached order setting individually; there were not many standard rules. We've achieved standardisation now."

Jaroslav notes that the RIOsys software is working very well for CSA - it can calculate and take most conditions and factors into the order calculation. RIOsys is now setting reorder levels for over 80% of CSA's consumables; reorder levels for the remainder will continue to be set by the planners, based on their long-term experience and appreciation of one-off external factors.

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For any airline considering implementing such a system for its consumables purchasing, Jaroslav says that it's vital to work with staff to help them see the system as an aid rather than a threat.

"The human factor always needs to be involved, and planners need to be reassured about that," he said. "You have to persuade people that you're not trying to take something out of their responsibility, you're trying to help them spend more time focusing on the exceptional parts. At the beginning I could feel people were worried that the software would replace their daily responsibility, and that they would be made redundant. That's not the case. We just want to let them spend their time on exceptional issues, and let the software do the rest. For us, the system is working very well with only a few exceptional problematic cases that are always operationally solved, and people's acceptance of it is really starting to improve now."



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