SR TECHNICS LOOKS TO GLOBAL MARKETS
WITH ARMAC

SR Technics is one of the world's most ambitious and rapidly expanding aircraft service companies, moving into new geographies and into new market niches, including aircraft component financing. RIOsys from Armac Systems is a strategic enabler of the SR Technics business, keeping its rotables inventory investment at precisely the right levels, in the right locations across the globe.

Responsible for keeping more than 700 customer aircraft maintained and ready for service, SR Technics knows better than most the importance of maintaining optimal inventory levels. Costly rotable components like fuel pumps and flight management computers must always be in stock to minimise aircraft on ground (AOG) situations, but holding too many rotables in reserve ties up capital in inventory that turns over too slowly. Inventory turns are the key to profitability for companies like SR Technics, which is aiming for up to five inventory turns per year.

"We have to have enough inventory to ensure we can meet customer demand, but not overinvest," said Brian Gillett, Vice President, Supply Chain Development for SR Technics Switzerland. "It's always a fine line."

Walking that line is even harder for SR Technics than for other aircraft maintenance, repair and overhaul (MRO) organisations. SR Technics doesn't just service customers' aircraft, it is increasingly buying its customers' inventory outright, and in return deliver guaranteed availability and service levels to the customer. This business model has created a global "superinventory" worth almost 1 billion Swiss francs which SR Technics must expertly manage; it sets aside right-sized inventories dedicated to each customer and manages the rest as a flexible asset pool, where surpluses are sold by its materials trading team on international markets.

"SR Technics has a unique sell, and it really appeals to customers who see the cost of depreciating inventory as a problem they don't want to manage," Brian said.

Armac facilitates SR Technics' global vision

RIOsys, the intelligent MRO inventory planning solution from Armac Systems, is the linchpin in SR Technics' ability to manage its global inventory pool, without overinvesting or sacrificing service levels.

"We'd been using RIOsys in our UK and Irish operations since 2003, but it's only within the last year, as we executed our new strategy, that we've begun using RIOsys in a much deeper way across the business," Brian said. "The company traditionally focused on customers in Europe but we have a global focus now, from EMEA to Australia to America. We're developing pools of inventory in these locations and we absolutely need a tool like RIOsys to give us a multilayered scientific model, or we wouldn't have the capability to manage our inventory."

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Today RIOsys performs two vital functions: optimizing inventory levels, and assisting SR Technics with the pre-sales process as it attracts new customers for its unique managed service proposition:

Proven inventory optimization:

RIOsys leverages data, human expertise and continuous improvement principles to continuously calculate the right investment levels for rotables at SR Technics. RIOsys draws data from the company's enterprise resource planning system, captures the tacit knowledge of its skilled inventory planners, and uses its unique algorithms to recommend extremely accurate purchasing decisions to planners.

Already proven at SR Technics in UK and Ireland, where it immediately enabled a 25% reduction in annual spend, RIOsys is now deployed at headquarters in Zurich, where inventory planning and management is now centralised. "Previously our planners in Zurich had been using outdated tools and processes to review every part number, but with tens of thousands of parts, it's impossible to work effectively this way," said Walter Delli Gatti, Head of Inventory Planning and Optimization at SR Technics. "With RIOsys we run a calculation monthly with updated data, and we can properly prioritise a large number of inventory item decisions quickly." RIOsys suggestions now account for around 80% of the SR Technics monthly inventory plan.

Capturing the knowledge behind decisions:

RIOsys allows SR Technics to analyse and measure its inventory planners' decisions; if planners reject a recommendation from RIOsys, they're prompted to record why and if necessary capture the critical knowledge necessary for the decision. "It's critical that we have this audit trail to learn from," Brian said.

Global superinventory expertly managed:

As SR Technics takes on its customers' inventory pools, its massive worldwide inventory continues to grow, dispersed across 11 international depots. RIOsys allows the organisation to quickly identify tradeable surpluses as well as prevent shortages, regardless of how large the inventory pool becomes.

Which inventory, where?

RIOsys not only recommends which stock items should be purchased and in what quantities, but also where stock should be held geographically, to deliver required service levels to its international customer base.

RIOsys, a vital pre-sales tool:

SR Technics uses RIOsys during the presales process, analysing the inventory currently held by the customer, and illustrating potential overspends that could be reduced by outsourcing its inventory management to SR Technics. RIOsys also helps to develop the final commercial model for the client, and to perform initial provisioning as the customer is brought into the business. "When we give commercial numbers to a customer, we need the science behind those numbers to be sure we've got it right, and that's where RIOsys is essential," Brian said.

RIOsys drives return on capital:

SR Technics is currently operating at 3.5 inventory turns per year and is targeting between 4.5 and 5 turns per year to improve profitability. "We expect the additional turn to come from RIOsys," Brian said. "In aviation, 3.5 turns is actually quite good, but we believe we can get higher to get a better return on capital employed (ROCE)."

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The right partnership for SR Technics

Brian noted that the SR Technics and Armac teams work productively and well together. Also, in practice, SR Technics discovered that the combination of this mathematical muscle with the capability of incorporating the critical expert knowledge within the process made RIOsys very hard to beat. "ERP systems, for example, have MRP modules, but none of them have the smarts of RIOsys," Brian said.

He said that SR Technics also appreciates Armac's deep commitment to customising RIOsys as needed.

"Armac has been so easy to work with, and very quick to offer to modify the tool so that we could get the best benefit from it," Brian said. "Not many software companies would be that flexible."

ARMAC
OPTIMIZING MRO INVENTORY

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