

Reducing MRO Spend and Achieving Immediate ROI.



Eaton's specific objectives included the following:

- Relocate the highest usage MRO items to the Machining and Manufacturing areas
- Automate and manage disbursement of high turning MRO materials
- Increase levels of security, control & tracking to minimize risk of theft or shrinkage
- Reduce MRO spend and inventory
- Improve productivity to reduce time & motion waste, progress machining-up time and streamline maintenance & changeover in production areas
- Automate restock processing

Background.

Eaton is a global leader in electrical systems and components for power quality, distribution and control; fluid power systems and services for industrial, mobile and aircraft equipment; intelligent truck drivetrain systems for safety and fuel economy; and automotive engine air management systems, powertrain solutions and specialty controls for performance, fuel economy and safety.

The company's Electrical segment provides customer-driven solutions that serve the changing needs of the industrial, utility, light commercial, residential and original equipment markets. At the Eaton Electrical facility in Arden, North Carolina, the company manufactures commercial electrical equipment such as low voltage switchgears, transfer switches, integrated power assembly and power factor corrections. The facility is located on 77 acres and occupies 375,000 sq. ft. with over 400 employees. The workers at this facility use a variety of indirect MRO materials and high security items in their operations - ranging from gloves, earplugs, paint brushes and cleansing solutions to power drills, sanders, rivet guns and personal protective equipment (PPE).

Eaton has embraced the concept of Lean Support Cells, which were developed to automate, control and track the use and consumption of MRO materials on the shop floor. But, Eaton was specifically seeking a solution to help eliminate waste in their inventory management processes for indirect materials at their Arden, North Carolina facility.

Challenges.

Eaton utilized an open-issue central store room for disbursement of all indirect materials which made products available to employees in a low control manner. Disbursement was being maintained using manual processes. Reporting activity by cost center and/or employee was not available.

The company was facing a serious problem with MRO consumption spending up to \$145,000 per year on materials for employees directly involved in the manufacturing process.

Eaton's has achieved the following results:

- Reduced its MRO spend by nearly 15% due to better inventory management
- Reduced product shrinkage by nearly 25%
- Controlled disbursement of MRO & safety material
- Lowered holding costs on inventory due to reduced stock levels
- Detailed reporting to help monitor product usage
- Reduction in required storage space within manufacturing operation
- Automated management of inventory

Solution.

Advanced Technology Systems, Eaton's on-site facilities management provider, partnered with Nexiant to help reduce Eaton's overall MRO spend. Nexiant helped Eaton identify the need, desired results, technology requirements and elements of the implementation process.

Eaton installed multiple Nexiant Secure Point-of-Use (POU) dispensing units in both the Machining and Manufacturing areas. This unique carousel and locker combination offers the highest level of control for each SKU. Paramount to the Nexiant POU technology is the company's Smart Inventory® Manager (SIM) which provides management with a real-time view of the MRO supply chain. Utilizing this information, better decisions are made to optimize purchasing, inventory management, and replenishment of the materials. The SIM is a robust Web-hosted inventory management solution that enforces business rules, controls access at POU and provides enterprise-wide inventory visibility which eliminates pilferage, stock-outs, and overstocking.

Nexiant Secure enforces corporate access control policies at POU, combines carousel and locker modules to provide flexible configuration options for single-item dispensing and ensures the right MRO materials are in the right place at the right time. Each carousel contains up to 56 bins with a maximum of 560 SKUS giving 24/7 access to inventory without an increase in labor costs.

Results.

Eaton's Arden facility achieved a 65 percent reduction in MRO consumption within six months of implementing Nexiant's solution. By the 11th week, Eaton had already experienced a weekly average savings of \$2,371 which totaled \$26,083. Eaton is saving thousands of dollars on tool purchases every month, thanks to an audit trail that makes it possible to document which supplies go where and if they're returned.

Implementing the Nexiant solution has given Eaton the visibility and control to measure and manage their baseline to determine proper usage.

Eaton's implementation of Nexiant SIM further provides Eaton with ongoing validation of documented savings through use of intelligence reports. Data includes inventory performance, spend per cost center, spend per employee, number of transactions, take and return activity, calibration and re-sharpening activity as well as other reports.