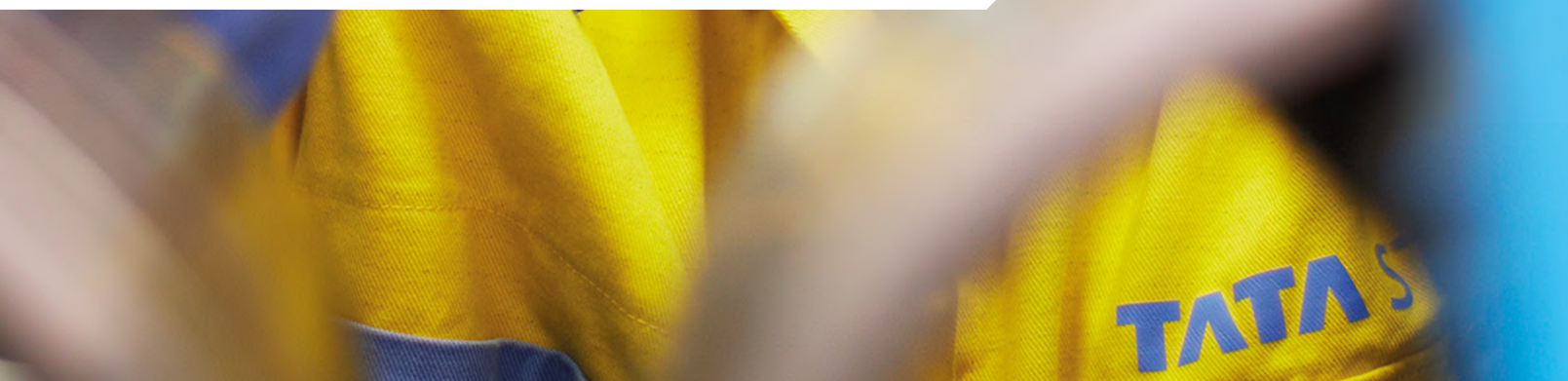




How Tata Steel reduced its MRO costs with RS Pro

Manufacturing giant Tata Steel has benefitted from working closely with RS Components to reduce the costs of MRO purchases



End inefficient, costly procurement processes

Procurement teams and engineers face a number of challenges when it comes to the maintenance, repair and operation of their organisation's assets and facilities. The supply chain for indirect materials is complex because of the number of stakeholders involved, a fragmented supply base and the sheer number of products split across multiple categories. In addition, there is constant pressure from senior management to reduce costs.

As one of the largest industrial suppliers, RS is in a unique position to understand the complex needs of its customers, and to help these businesses improve their processes and make efficiencies.

The crucial fact for organisations to appreciate is that with indirect procurement process costs can be twice

as much as the amount spent on the products themselves. So if your organisation spends £100,000 on purchasing products over the course of a year, you will spend a further £200,000 on processing or "soft cost".

As such, there is significant value in reducing process costs rather than focusing on the purchase

2:1

**Indirect (MRO)
process costs**

**Indirect (MRO)
product costs**

The challenge

An example of how RS has been able to help a customer reduce its costs is our work with Tata Steel – Europe's second-largest steel producer. Tata Steel's UK site in Port Talbot, South Wales employs around 600 electrical engineers who order and use thousands of MRO products each year.

Given the volume of MRO products Tata Steel orders each year, the procurement team was challenged to find cost-effective alternatives to branded items while still maintaining the safety and quality standards of those products. In addition, Tata Steel was keen to achieve more standardisation of its tools across the business.



➤ "The benefits over the last year of switching from branded items to RS Pro has been that we have maintained the quality of the products but vastly reduced the cost"

Rob Choat,
Electrical Engineer, Tata Steel

The solution

RS are a strategic supplier for Tata Steel, having supplied MRO products for a number of decades. Tata Steel shared its objective of reducing costs with RS and asked what part they could play achieving this. Using transactional data of products and brands RS has supplied over the years, RS was able to sit down with Tata Steel and look for opportunities where an alternative brand could support them.

One initiative RS ran was to help reduce costs for Engineers Test Kits. RS worked with Tata Steel's engineering team, and hosted a meeting at the RS Components offices to review a selection of RS Pro and Branded products, to review which would meet their specifications. It was during this exercise that RS's Account Manager, introduced Tata Steel's Head of Engineering to RS Pro, RS's own-label range of tools and products, as a solution to their challenge.

Having looked closely and been impressed by the quality and variety of products in the RS Pro range, Tata Steel has worked with RS to identify ongoing MRO purchases that could be substituted for RS Pro products. Just one example is a multimeter, which Tata Steel includes in an electrical testing kit provided to all electrical engineers – the branded meter costs £247, while the RS Pro version was just £106 and met all of Tata Steel's requirements.

The outcome

Tata Steel has embraced RS Pro over the past 12 months and switched a significant number of purchases away from branded items. Despite having to work with new products, the RS Pro tools have proven popular with Tata Steel engineers out out in the field.

“We had some pushback initially when we switched from a branded multimeter to an RS Pro alternative,” says Rob Choat, Electrical Engineer at Tata Steel. “Some engineers who had been trained on the branded product didn't like the idea of switching, but over time, and with support from RS, we've won those people round and they now admit that the RS Pro multimeter meets our needs.”

The simplicity of ordering has helped to improve the entire purchasing process, which lets the engineers spend more time on their actual role of keeping the business running efficiently and less on sourcing products and tools. RS has also been able to deliver direct to engineers' desks which makes getting hold of the products even more straightforward.

“The benefits over the last year of switching from branded items to RS Pro has been that we have maintained the quality of the products but vastly reduced the cost,” adds Choat. “This helps me

because it is much easier to get requisition orders through when you can show the savings you are making – it makes my job much easier.”

Over the course of 12 months RS has calculated that switching from branded products to RS Pro alternatives has saved Tata Steel at least £30,000. What's more, RS has identified a further £13,000 plus of potential savings that Tata Steel could still make if they switch more items in the future.

The overall result is that Tata Steel now has access to a huge range of RS Pro products that have high availability, industry-standard quality and cost significantly less than branded alternatives. These products have been seamlessly integrated into the daily maintenance workstream while maintaining Tata Steel's high standards.

£30,000

already saved by Tata Steel by switching from branded to RS Pro products

£13,000

future potential savings if more RS Pro items are used in future



INSPECTED

PRODUCTS INSPECTED TO ENSURE EXCELLENT QUALITY.



AUDITED

PRODUCTS CONFORM TO INDUSTRY STANDARDS.



TESTED

TESTED BY LEADING ENGINEERS.



The full range of RS Pro products are available online: www.rspro.com

To find out more on procurement best practices visit rs-connectedthinking.com

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