THE GLOBAL MRO MARKET





Types of Suppliers in the MRO Market

The Global Maintenance repair operations (MRO) market is segmented by different types of MRO solution providers

MRO integrators are best positioned to provide tail spend consolidation services

Manufacturers

- · Primarily responsible for research, development and manufacturing of MRO products
- Few large manufacturers also have their own distribution capability
- In-depth knowledge of product know-how's · Eliminates margins involved Strengths across distribution channels Easy access to after sales
 - Limited products or product line

service related requirements

Increased lead time, as Challenges supply is subject to manufacturer's location and inventory levels

Distributors

- Responsible for buying products from ▼ manufacturers, managing inventory and selling those to retailers or direct to the end users
- Typically deal with more than one MRO categories
- Strenaths
- Wide range of products from different manufacturers Leveraging geographic
 - capabilities of the distributor, resulting in lesser lead time Better negotiation power by bundling MRO spend
- Product push is normally done for brands that offers high commissions Challenges
 - Scope for value addition services are lesser

Integrators

- Large distributors, capable of providing end-to-end supply chain solutions and also manage procurement related activities
- Manage category on behalf of the buyer, and assists in achieving lower total cost of ownership



- Manages end-to-end procurement related operations
- Offers inventory optimization techniques

 Allows buyers to focus on
- core operations
- Relatively less transparency over actual cost and margins

Buying Consortiums

- Two or more independent entities combine and consolidate their individual requirements into one large requirement
- Suitable for relatively low spend-high volume products



 Improves bargaining power of the buyer



Challenges around data protection since multiple buyers for the similar products are involved

Suppliers' Geographic Coverage – Integrators & Large Distributors

Most large integrators have presence across the globe. However, in developing markets they function largely as a distributor



Key Regional Distributors



Maturity is based on factors like core MRO offerings, level of service integration and geographic comprehensiveness

Suppliers' Portfolio Coverage – Key Global Distributors

Suppliers Fortions coverage They dissuit bishibuters										
Key Suppliers	Technical & Engineering Services	Industrial Supplies	Electrical Supplies	Material Handling Equipment	PPE	Pneumatics & Hydraulics	Adhesives & Sealants	Motors & Power Transmissions	Lubricants	
Grainger	√	✓	✓	✓	√	√	✓	√	√	
Wesco	✓	✓	✓	√	✓	√	√	✓	✓	
Sonepar	N/A	✓	✓	Х	✓	Х	Х	х	X	
Anixter	√	✓	✓	√	✓	Χ	X	X	Х	
Electro components Plc	✓	✓	✓	✓	✓	√	√	✓	✓	
Eriks	✓	✓	✓	√	✓	√	✓	✓	✓	
DistributionNOW	✓	✓	✓	✓	✓	✓	✓	✓	√	
Fastenal	√	✓	✓	✓	✓	√	✓	✓	✓	
Hoffmann Group	✓	✓	✓	✓	✓	✓	✓	х	X	
Rexel Group	√	√	√	✓	✓	Х	Х	✓	X	
BDI	✓	✓	✓	✓	✓	√	✓	✓	✓	
Wurth Group	√	√	✓	√	√	/	√	√	√	

Capability Analysis by Supplier Type										
Supplier Type	Product Coverage	Geography Coverage	Technology Ownership	Spend Management	Distribution Capability	Product or Services Knowledge	Key Suppliers (Global)			
Manufacturers	Low	Low	High	Low	Low	High	ABBSchneider ElectricBoschSiemensBaumer			
Distributors	High	High	High	Low	High	Medium	SoneparMotion industriesBrammerAnixterGexpro			
Integrators	High	High	Medium	High	Medium	Medium	GraingerSDIMAG45WescoSupplyForce			
Buying Consortiums	Medium	Medium	Low	Low	Medium	Medium	Not applicable			

Pricing Model Analysis

Cost Plus Mark-up

- Margin of the supplier is fixed and buyer to pay actual cost of the product plus supplier's margin.
- Cost of the components and spares for distributors are determining factors for the changes in prices for the buyers
- Suitability: For highly commoditized products

Key Success Factors: Should be avoided with inefficient suppliers or if inputs costs are expected to increase



- Discount based pricing model where buyers negotiate on discount based on the list price of the product
- Suitability: For ad-hoc and low-frequency products

Pre-Negotiated Fixed fee

- Pre-negotiated price is fixed for all the SKUs for a fixed timeframe.
- Also known as pre-negotiated pricing model
- Suitability: For core products



- Supplier charges fixed management fee upon total cost incurred towards MRO items supplied
- Supplier charges a constant monthly fee irrespective of volatility in material supply. This is determined by looking into historical consumption trend
- Suitability: While engaging with MRO integrators

Large organizations enjoys high bargaining power while engaging with preferred suppliers. These discounts can be augmented based on site-specific agreements, commitments of sales volume, competitive situations in the geography, etc.

Procurement Best Practices

Best Practices ------

Key Success Factors -



Engage in multi-year contracts

Avoids many procurement processes including running RFIs, negotiation, analyzing market, etc.



- Engage with the suppliers already engaged with
- Avoid multi-year contracts with a new supplier



pend leakage leads to reduced effectiveness of preferred supplier program or the negotiated pricing Ill the purchases via selected suppliers only

· P-cards for catalogue items - non-core products



Adopting vendor managed inventory (VMI) sourcing model for high value & volume products VMI can significantly reduce the procurement cost for large volume buyers with multiple manufacturing sites VMI provides Just-in-Time inventory for the buyer; reducing excess inventory, inventory holding costs and other costs related to inventory management

• VMI data systems that can be integrated with least customization Smart Vending Technology which can deliver tools while tracking inventory and alerting the vendor about the replenishment needs.



- PRM should be quantifiable
- It should be well explained in the contract



e-Procurement and Catalogue pricing

Helps companies save time and resources on processes and systems that can be automated Helps companies streamline e-procurement process. Companies like Grainger and Brammer offer them to their

- Maximizing Catalogue purchases
- Online bidding
- Develop robust e-procurement platform



For more information, contact infosysbpm@infosys.com

© 2020 Infosys Limited, Bengaluru, India. All Rights Reserved. Infosys believes the information in this document is accurate as of its publication date; such information is subject to change without notice. Infosys acknowledges the proprietary rights of other companies to the trademarks, product names and such other intellectual property rights mentioned in this document. Except as expressly permitted, neither this documentation nor any part of it may be reproduced, stored in a retrieval system, or transmitted in any form or by any means, electronic, mechanical, printing, photocopying, recording or otherwise, without the prior permission of Infosys Limited and/ or any named intellectual property rights holders under this document.

Infosysbpm.com Stay Connected

