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New Spares

Avoid Excess Inventory

To avoid excessive inventory, the first step is to buy only what you really need as new spares. Independent studies have confirmed that 25% to 40% of all surplus stock originates from excessive initial purchases. Most companies use 'common sense' tests such as:

- The Square Root of the Number in Service
- Vendor Recommendations
- Maintenance Experience
- Combination of the Above

Up to 40% of initial expenditures for new spares are unnecessary

All of these are reasonable but unreliable because shortages still occur. Manually deciding first time stock levels invariably result in an uneconomical cost bias. Simply put this means that inexpensive parts tend to be grossly overstocked and very expensive parts tend to be understocked. Both conditions can be avoided.

Start by asking the right questions

Two straightforward questions are asked. The first is "If you need this part and it is not available, how serious are the implications?" The second is "What's a reasonable estimate of typical part life- the MTBF (Mean Time Between Failure)." The answers to these two questions are useful for setting accurate stocking levels. When plugged into ISI's proven statistical computations that also evaluate other considerations such as lead time, average unit price, and number in service, the result is a recommended stocking level in which you can be confident that operations will be fully supported (availability is protected) without maintaining excess inventory.

The recommendations can be tested to determine sensitivity to variations in criticality, estimated part life, and lead time. This capability results in better acceptance of recommended stock levels by everyone involved in the decision.