Tyre Manufacturer Contains Costs with Rockwell Automation Service Agreements

The Kumho Tyres Nanjing plant optimises the balance between parts inventory and costs.

Kumho Tyres, one of the nine largest corporations in South Korea, has established a plant in the high-tech development zone of Nanjing, China. The Nanjing plant is the fourth Kumho Tyres facility in China and has an annual production capacity of 300,000 truck/bus radial tyres.

Company management has set high standards and requirements to contain overall plant operating costs. One of the areas on which management has focused is maintenance. To ensure the continuity and stability of the production process, Kuhmo scientifically manages the types and quantities of spare parts – and has achieved an optimised balance between parts inventory and costs.

In July and August 2007, the Rockwell Automation® Services & Support team performed an installed base evaluation onsite at the Kumho plant. The team created a record of the entire parts list and quantities on hand. After further compilation and statistical analysis of the data, the team provided the company with a complete report on part conditions. The Rockwell Automation team recommended that Kumho enter into agreements for Parts Management and Extended Warranty.

The Parts Management Agreement is a vendor-managed inventory program. Under this agreement, companies have access to the Rockwell Automation spare parts they need while Rockwell Automation owns and manages their spare parts inventories.

A Parts Management Agreement can help manufacturers realise several benefits. The first is asset control. Plants can avoid unnecessary build-up of parts inventory over time. When the Parts Management Agreement ends, the inventory can be removed or modified to meet current needs.

Improved cash management is another benefit. Under this agreement, companies can eliminate large capital outlays of purchasing spare inventory. This frees up cash for other areas of spending. In addition, agreement costs can be deferred over three- or five-year terms. Also, companies can minimise inventory-carrying expenses.

Other benefits include increasing uptime and maximising production. Uptime improves because critical parts inventory can be maintained onsite at each facility for immediate availability during emergency breakdown situations. As material is consumed, it can be replenished quickly upon reorder.

An Extended Parts Warranty agreement provides targeted coverage of repairable Rockwell Automation electrical equipment. The parts-only warranty extends the standard, one-year Rockwell Automation equipment warranty on an annual basis for up to an additional four years.

This service can be ordered anytime within the original warranty of the new and/or remanufactured product. Extended Parts Warranty is backed by the Rockwell Automation remanufacturing and exchange services. It can be purchased as a stand-alone offering or bundled with other offerings from Rockwell Automation.

An extended warranty can become an integral part of a company's maintenance strategy, providing valuable protection and peace of mind. It can also drive down unplanned repair and MRO expenses, as well as reduce the duration of unscheduled downtime events.

After careful consideration, Kumho Tyres signed a Parts Management Agreement and Extended Warranty contract in 2008 for a period of five years. As part of the agreement, Rockwell Automation has established and is managing a self-owned spare parts warehouse within the Kumho Nanjing plant.

Over time, Kumho Tyres has come to understand the benefits of these agreements, especially with regard to controlling cash flow and maintenance costs. In fact, Kumho headquarters is considering adopting the services in their other Chinese plants. AT

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Rockwell Automation offers a range of standard and customised service offerings. In addition to extended warranties, standard service offerings include Callout Services Contracts, Training Services and TechConnect℠ Support (see the article on page 16).

The Parts Management Agreement is a customised service that Rockwell Automation provides. Additional customised service offerings include Preventive Maintenance, Remote Services, Industrial Network Services and Training Vouchers. For more information, visit *www.rockwellautomation.com/services/*