

How A Commercial Capital Good OEM Can Mitigate The Financial Risks Of Delivering A Program To Its Customers That Assures The Availability Level Of The Supply Of **Parts**

Employed In the Maintenance Processes Of Its Product

A comprehensive 2-day seminar for Original Equipment Manufacturers (OEMs) and their partners that will enable them to address the financial issues of their Leadership Teams when offering a Maintenance-parts Supply-availability Level-assured Program (MSLP) to their customers

Who should attend?

- OEM Parts Business Unit Leaders to better understand the many approaches in mitigating the financial risks of a MSLP
- OEM Business Developers who identify opportunities to offer a MSLP to complement the sale of a new product
- Accountants who need to create a set of financial data that can be effectively utilized to identify unfavorable results
- Reliability Engineers who can develop an appreciation of their value in improving parts reliability and their impact upon profitability through warranties
- 3PLs who can be partners in mitigating risks
- Application Software Suppliers who can obtain an assurance that their product's software enables a user to effectively and efficiently manage a MSLP
- OEM Suppliers who are often asked to share the risks of a MSLP with the OEM
- OEM Channels of Distribution who are often the front line in executing a MSLP and are required by the OEM to keep their costs as low as possible
- Others

This seminar will cover the following financial risk mitigation areas of a MSLP:

1. Forecasting the current and future market size and market share of a program's parts sales and integration services revenues; this will mitigate the risks of inaccurately projecting future revenues
 - a. Market size
 - i. Installed/fielded units
 - ii. Age of units
 - iii. Drivers of demand (i.e. use, cycles PM, environment, etc)
 - iv. Actual and/or like-kind demand history
 - v. Parts sales: non-repairables, repairables and consumables
 - b. Market share
 - i. OEM and their partners
 - ii. Independent suppliers
 - iii. Organic repairs by maintainers for repairables

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2. Selecting a pricing/payment/reward/penalty option; this will create high/low "collars" for variations in risks for revenues and their timing
 - a. Timing of invoice (ship, receive, periodic)
 - b. Pricing of program (fixed unit price with bundling of assurance level, subscription fee, decoupling of parts costs from managing availability, others)
 - c. Awards/penalties for performance/non-performance
 - d. Other variations
3. Establishing supply availability metrics; this minimizes risk of inaccurate data collection driving penalties for non-performance and poor customer relationships
 - a. Time clock starts running
 - b. Period for executing fulfillment
 - c. First/second attempt fulfillment %
 - d. Off-hour measurements
 - e. Part criticality segmentation
 - f. Planned orders versus unplanned orders
 - g. Others
4. Identifying parts groupings for sourcing strategies; this minimizes risks of higher costs and/or lower availability of parts from suppliers
 - a. OEM unique parts
 - b. COTS (Commercial Off The Shelf)
 - c. M-COTS (Modified-Commercial Off The Shelf)
 - d. L-COTS (Limited-Commercial Off The Shelf; specific program primary user of part)
5. Understanding the impact upon supply availability due to a part's lifecycle stage; this identifies risks of potential material cost increases due to parts acquisition volume changes
 - a. Currently employed by new product manufacturing; new maintenance parts supply "piggy-backed" with new product manufacturing supply
 - b. Currently not employed by new product manufacturing, but continued to be built/acquired for maintenance parts demands
 - c. New condition maintenance parts are no longer built

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6. Properly classifying the financial accounting of parts; this mitigates the risk of inaccurately classifying parts that causes instability in the income statement and the balance sheet
 - a. Current asset: inventory
 - b. Fixed asset: repairable pool
 - c. Long-term asset: inventory
7. Structuring the parts ownership and the location-site network; this mitigates the risk of investment by having others participate in investment
 - a. OEM owned and/or
 - b. Customer owned and/or
 - c. OEM-supplier owned and/or
 - d. OEM-distributor owned and/or
 - e. Independent broker owned and/or
 - f. Others owned
8. Selecting the "right" issue transaction type for a part; this mitigates the investment required and the cost of sale of the part
 - a. No-return
 - b. Return-for-disposal
 - c. Like-kind-exchange-with-return-for-renewal/supplier-forward
 - d. Like-kind-exchange-with-return-for-renewal/customer-forward
 - e. Loaner-and-return
 - f. Loaner-and-return/Renewed-removal
 - g. Renewed-removal
 - h. Others
9. Choosing a condition type for a part delivered; this mitigates the cost of acquiring/repairing parts
 - a. New
 - b. Not-new
 - i. As-is
 - ii. Repaired
 - iii. Remanufactured/overhauled
 - c. Setting rules for picking sequence based upon transaction type

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10. Structuring a warranty; putting a "collar" around accrued liabilities on balance sheet for assuring quality/reliability of parts
 - a. Clock start of coverage
 - b. Duration of coverage
 - c. Forecasting accruals
 - d. Adds/deletes of accrual accounts
 - e. Re-applying claims to suppliers
 - f. Others

11. Providing parts buyback; mitigation of period revenue impact
 - a. Unlimited quantity, unlimited period
 - b. Limited quantity, unlimited period
 - c. Limited quantity, limited period
 - d. Combinations of above

12. Select the "right" organization to execute the program; mitigates the poor execution of assured availability, resulting in penalties/poor customer relationship
 - a. Personnel background
 - b. Salaries
 - c. Signing authority
 - d. Others

13. Identify detailed cost elements of the program; mitigates risk of inadequate resources to deliver assured availability, as well as criteria for outsourcing of processes for a 80% variable cost and 20% fixed cost model objective
 - a. Processes performed
 - i. Manage customer demand:
 - Entry
 - Monitoring
 - Fulfillment
 - ii. Balance demands/supplies
 - Forecasting demand
 - Analyzing open supplies
 - Creating supply requirements
 - iii. Acquire parts and repair services
 - Source
 - Purchase
 - Track
 - iv. Store/control

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- Locate
- Move
- Maintain/protect
- Audit
- v. Manage program
 - Relate with suppliers
 - Relate with customers
 - Relate with Leadership
 - Report financial performance
 - Others
- vi. Others

b. Resources employed per process

- i. People
- ii. IT network
- iii. Materials
- iv. Equipment
- v. Facilities
- vi. Intangibles
- vii. Others

14. Putting it all together with what-if financial modeling

- a. Creating the proforma income statement
- b. Creating the proforma balance sheet
- c. Creating the proforma cash flow