



GROENEWOUT

## PK OEM Parts reduces inventory by 15 percent

*Interview with Jan van Uden, Technical Director of PK OEM Parts*

**PK OEM PARTS**  
*The Quality Provider*



**PK OEM Parts, based in the Dutch city of Dordrecht, supplies spare parts for heavy-duty diesel engines such as**

**those found on ships and in power plants. The company's biggest challenge is to maintain the optimal balance between service level and inventory value. A user-friendly, stand-alone tool from Groenewout has not only helped to improve the service level, but has also reduced the inventory value by 15 percent. "This tool is considerably cheaper and better aligned with our business than an off-the-shelf inventory management system."**

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*Jan van Uden*

If a ship sails into a port with engine problems, there is usually very little time to perform the necessary maintenance and repairs because all delays are costly; after all, the ship doesn't generate any revenue while it is docked. In other words, the replacement parts should ideally be ready and waiting when the ship arrives. "Our customers are always in a hurry," says Jan van Uden, Technical Director at PK OEM Parts, a supplier of spare parts for heavy-duty diesel engines. "Not only in the case of engine trouble, by the way, but also when it comes to routine maintenance. That's why we engage in regular dialog with our customers. If they plan their maintenance better, we can charge them less."

Speed is of the essence which means that high stock availability is crucial. As a result, the company holds stock of 6,000 different items at its warehouse in Dordrecht, which is strategically located between the ports of Rotterdam and Antwerp. Those parts, ranging from tiny O-rings to complete cylinder heads, are not only used in shipping but also at electric power plants. The company processes between 300 and 500 order lines per week.

### **Not too much stock**

But high stock availability does not mean that PK OEM Parts allows inventory levels to build up uncontrollably – far from it, according to Van Uden: "Our warehouse must hold the right quantities of the right parts, but

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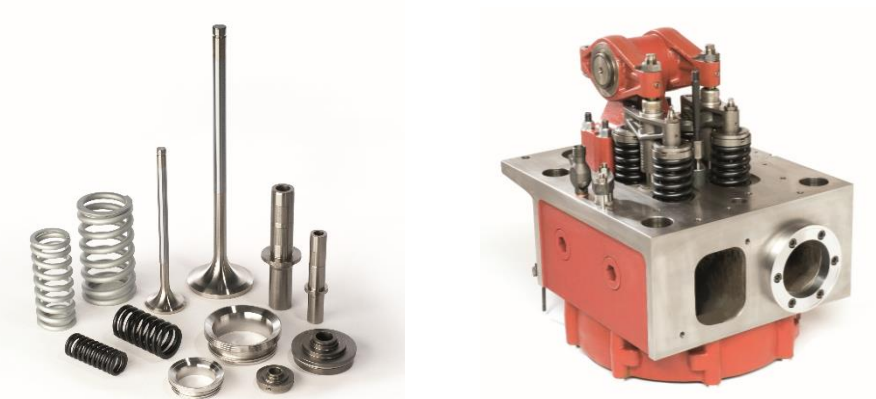
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our inventory value may not become too high because that would tie up too much working capital unnecessarily. Or, to put it another way, it would be poor business management. That's why we strive for an inventory turnover ratio of two: new stock every six months."



*Some of PK Oem Parts' products*

That is easier said than done, however; it is difficult to set minimum and maximum inventory levels because the demand curve can be unpredictable. Van Uden: "We regularly analyze the demand for all our parts in order to recalculate the optimal stock levels. We'd enlisted Groenewout's help with this in the past, with great success. This time, we were looking for a system that would enable us to take a more structured approach to working out the optimal stock levels more frequently. So we once again turned to Groenewout, who developed a highly effective inventory management system for us."

### **Cheaper and better**

Before doing that, PK OEM Parts had searched the market for a standard inventory management system, but Van Uden and his team failed to find what they were looking for: "Most off-the-shelf software systems are expensive and include a lot of functionalities that we don't need. Purchasing a system like that would mean spending a lot of money on quite a few extras that wouldn't actually earn us much in return. Groenewout has developed a tool for us that is not only considerably cheaper, but also much better aligned with our business."

Groenewout conducted interviews with various employees to gain an overview of what was actually required of the system, and then built an application in Microsoft Access. There were very frequent progress meetings with PK OEM Parts which led to some new ideas and design adjustments. The collaboration ran smoothly, explains Van Uden: "Sometimes, issues only become apparent once work has actually started on building the tool. It helped that Groenewout was already familiar with our company. The whole project took less than four months, including the aftercare."

### **Better purchasing suggestions**

The result is a tool that PK OEM Parts uses twice a year to calculate the minimum and maximum stock levels. That entails exporting information such as the inventory and sales data from the ERP system and importing it into MS Access so that the optimum can be calculated for each item. "The tool includes various parameters that we want to set differently for each item. Should we look at the data from the past two years, or just the past six months? What's the desired service level: 91, 95 or 99 percent? We've set the service level at 91 percent, but our score has actually been much higher since we started using the system – normally around 95 percent," states Van Uden.

The stock levels calculated by the Access tool are then imported back into the ERP system. "Once the right minimum and maximum stock levels have been set, the ERP system generates much better purchasing suggestions, also taking things like delivery times into account. We need less stock of an item that can be sourced within a few days than we do of an item with a delivery time of three to six months."

### **15 percent less inventory**

Thanks to the tool, PK OEM Parts has managed to reduce its inventory value by an impressive 15 percent, meaning a rapid return on the investment – much to Van Uden's satisfaction: "Besides that, we also have more insight into our stock levels. The tool is actually very simple and easy to use. The main thing that users have to watch out for is the data from the ERP system: Microsoft Dynamics NAV. Once that's all correct, very little can go wrong."

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Van Uden regards it as a successful project: "We've known Groenewout for many years and have always been very happy with our relationship with the consultancy firm. Groenewout's people understand the challenges associated with inventory management and take a problem-solving approach. They've not only created a good tool, but the aftercare has been excellent too. They contacted us regularly after the implementation to check that everything was working satisfactorily. And besides that, they are just great people to work with."

**Text by Marcel te Lindert**

Marcel te Lindert is a journalist with over 13 years of experience in logistics. He was editor-in-chief of the Dutch magazines Transport+Opslag and Logistiek. Nowadays he works freelance for trade magazines including Supply Chain Magazine and Warehouse Totaal.

**More information**

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