



Growing MRO business: Closing the gaps





Introduction

Reliability, quality and a competitive price are table stakes in the business of maintaining and repairing industrial facilities and equipment, commonly known as Maintenance, Repair and Operations (MRO). Given the nature of MRO, urgency can often catapult to the top of the list of requirements. Sellers who cannot consistently come through will almost certainly be dropped from future consideration.

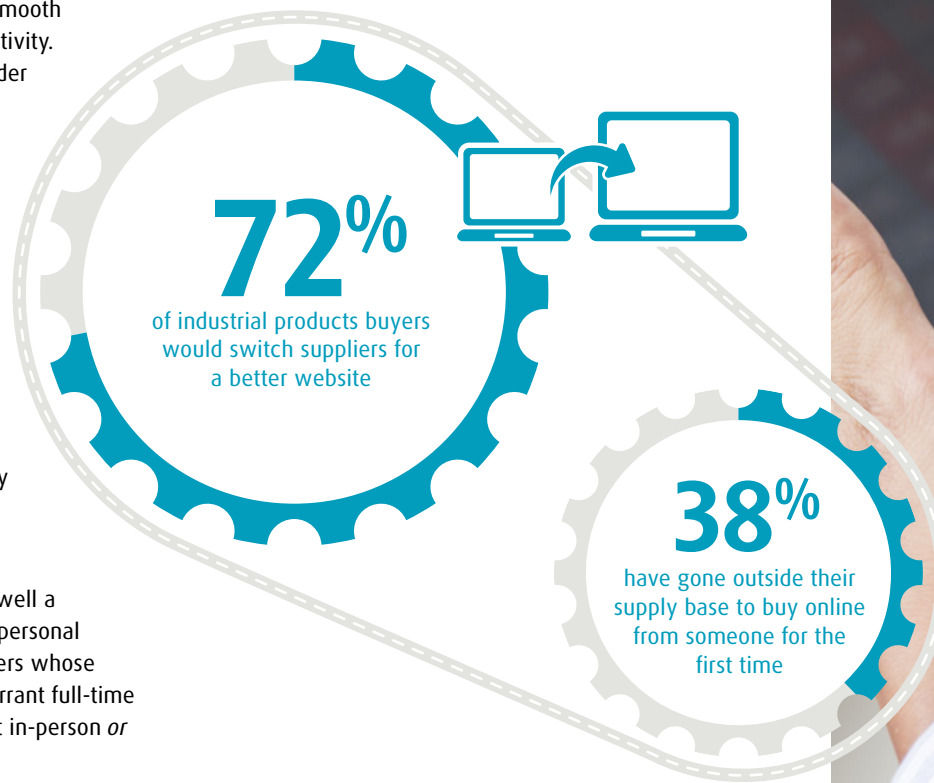
Effective communication between MRO buyers and sellers can be all that stands between safe and smooth operations and potentially millions in lost productivity. But *communication* these days has a much broader definition. So does *loyalty*.

A generation raised with technology as an unquestioned part of their lives is progressing through the buying and selling ranks, bringing their new expectations with them. Buyers, now with more direct access to more options than ever before, are now clearly exercising these options.

Case in point: A recent UPS study* showed that 72% of industrial products buyers would switch suppliers for a better website. And 38% said they had gone outside their supply base to buy online from someone for the first time.

Customer loyalty today is often created by how well a company satisfies a buyers' needs than through personal relationships. This can especially be true for buyers whose companies don't generate enough volume to warrant full-time sales support. If buyer demands aren't being met in-person or online, is there a way to grow?

“
If I call supplier A two times in a row and they didn't have it and supplier B did, the next time supplier B becomes first call.
”



*2015 UPS Industrial Buying Dynamics Study



Introduction *continued*

Introduction

Suppliers, interactions and channels

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In a MRO Marketplace where the largest competitor has only 7% share, it's tough out there, everywhere. Some companies adapt and thrive — think Netflix. Others become part of history — think Blockbuster. Those who understand their markets and customers best will adapt faster, and, likely, to their great advantage.

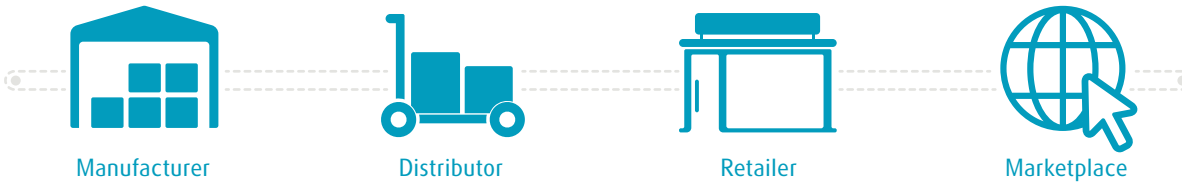
This study from UPS and research firm IDC (IDC.com) explores the ways MRO buyer and seller relationships are changing and will change in the future. Exactly 300 MRO professionals were surveyed; 150 buyers and 150 sellers. The findings that follow show where communications gaps may lie, and point to significant changes on the horizon that can impact where sellers are placing their business bets.

“ [Traditional distributors] are trying to get up to speed, maybe they're stuck in the 70s or 80s, so it's adaptation of the species; whoever changes is going to survive... ”





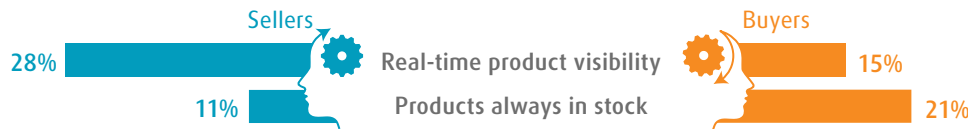
Suppliers, interactions and channels



Buyers are using all available suppliers and channels to conduct business with sellers. Roughly equal numbers are using marketplaces, retailers, traditional distributors and manufacturers.

Online Marketplaces and **Consumer Retailers** are where buyers say their MRO spending has grown the fastest in the past 12 months, although **Traditional Distributors** are a very close third-place.

Small gaps appear between how buyers and sellers perceive they are interacting with each other the most. Larger disconnects appear when ranking features they feel are most important to a buyers' experience:



Overall, buyers give strong marks to their suppliers. At the same time, the features buyers say are most important in selecting or dismissing a supplier are not necessarily the ones sellers have been working to improve.

“
...you have primary suppliers, secondary suppliers, you have contingencies. You don't want to be sole-sourced.
 ”





Suppliers, interactions and channels *continued*



“

If they're just walking in with an order pad saying I'm here, call me, I'm the guy, they're just reactive.

”

These study results provide a lot to consider and can sometimes make it difficult to know where to start. Overall, however, some themes have emerged that may help to shape priorities.



Be the easy choice

Buyers of all ages may be gravitating toward online channels but they are not abandoning the other options. Sellers should focus on making sure all information needed is available through whichever channel a buyer prefers.



Smart channel mix strategies

Online marketplaces present an interesting dilemma for sellers since they can be both a competitor and a new revenue stream. Having a carefully considered strategy for selling through multiple channels is vital to protecting margins and achieving revenue objectives.



Service, service (and aftersales and service)

This mantra is easier said than implemented since service expectations, like loyalty, has a new equation.

For some, **good service** means having a knowledgeable person answer a question via online chat or phone, 24/7. Others consider **Order response time** as their most important service metric.

The pace of change today means that businesses can no longer assume they understand their customers' needs based solely on past experience. It's essential to continually research and refresh customer knowledge and to recalibrate services accordingly.

“

We're satisfied [with our MRO suppliers.] The moment we become unsatisfied, we get someone else. They are at some level a commodity.

”



The present and future of MRO

“
 ...[suppliers] should be coming in saying I'm noticing this is your purchase, and I think I have a way of making that better.
 ”

In the competitive MRO environment, suppliers do what it takes to come through for their customers or the next order (or orders) may go to someone else. A byproduct can be unanticipated expense and suppressed margins. Factor-in the new and changing market dynamics highlighted in this study and one thing is clear: Business strategies that were once tried-and-true for suppliers may in fact keep them from thriving today.

Economic swings aside, traditional distributors feel that events of the past few years have had both positive and negative impacts on their businesses.

The biggest challenges they see to optimizing their operations are essentially the logistics of MRO:

Reflecting the long list of challenges sellers face, other perceived hurdles were not far behind such as finding new suppliers, limited range of SKUs and finding skilled staff.

Sellers also feel the heat from peers on a long list of capabilities. Twenty-four percent are most concerned about competing against **24/7 Ordering** and **Consistent Experience Across Channels**. As for opportunities to grow, about one-quarter believe that improving **Order Response Time** and **Ease of Ordering** offer potential for increasing MRO revenue.

Managing the complexities of getting the right part to the right place at the right time

37%

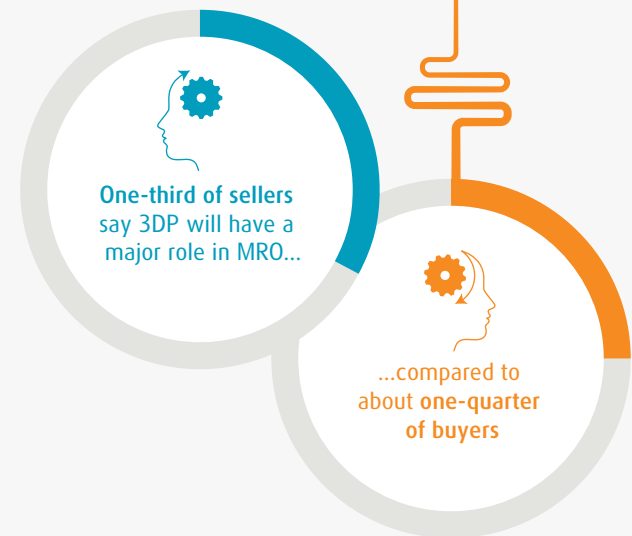
Building infrastructure to meet needs

37%

Optimizing modes based on needs

36%

Additive Manufacturing (AM), or 3D printing (3DP), is used for prototyping and limited production runs. One-third of sellers say 3DP will have a major role in MRO compared to about one-quarter of buyers.





The present and future of MRO *continued*

Buyers and sellers looking toward the future of MRO face the same uncertainties as virtually every industry. Technology is up-ending longstanding business models, calling for not just a willingness to adapt but an eagerness to adapt. Leveraging internal strengths and external partnerships can be a great way to start.



Leverage what you have

Traditional distributors may feel constrained by market factors and emerging channels but they have advantages that others don't: Personal relationships, local and regional knowledge, and sometimes even counter help can make all the difference in a sale. The growth of digital channels offers distributors the chance to bring their unique customer service skills to life across multiple channels in a way that competitors cannot.



...this generation coming up isn't that interested in talking to reps, they're just popping up YouTube videos.



The power of partnership

One way to gain new perspective and drive change is to leverage the resources of suppliers and other business partnerships.

Technology providers: Technology providers can help businesses of any size adapt quickly to increasing demand for better inventory management, real-time visibility and e-Commerce user experience.

Service Enhancements: Businesses whose success depends on providing fast and efficient maintenance and repairs should consider turn-key service enhancements such as the UPS Access Point Network. For example, a technician might pick-up critical parts at a UPS-authorized location nearer her home or between stops, which can benefit everyone.

Third-party logistics and distribution providers or 3PLs: With 3PLs, it's possible to enhance service to a customer or reach new markets faster with less investment and risk. UPS's global third-party logistics services for mid-size businesses and larger can range from shared warehouse space to end-of-runway and service-parts logistics.

Supply chain and mode optimization: When there are few options for cutting expenses, and no ability to raise prices, sellers must look inward for process improvements. Network analysis, mode optimization and supply chain design and optimization are some of the ways UPS can help larger companies realize lasting efficiencies and improvements.



Additive manufacturing or 3D printing for prototyping and production

The vast majority of buyers and sellers agree that 3DP will play role in the future of MRO. Both sellers and buyers looking to increase order response time may consider more aggressive implementation of 3DP as a competitive advantage.





Final thoughts



What these study findings make clear is that there is no single “right” way to align channels and service features that will satisfy all buyers. Seeking a silver bullet solution is tempting but can distract from the important messages being sent: **That buyers are more loyal to an experience than a supplier relationship. And, that no two buyers’ needs are the same.**

With so many variables at play it can be overwhelming to find a way forward. It may help to begin by focusing on three C’s:



No matter the business, success requires the knowledge, will and flexibility to evolve alongside shifting market and channel forces — even if evolution requires educated, leap-of-faith investments and the reimagining of longstanding business models.