

# PARTS MANAGEMENT PROGRAM

Reduce Costs and Minimize Risks to Your Operation

Service Note



Honeywell's Parts Management program provides users with an alternative to the high cost of purchasing and maintaining a spare parts inventory program themselves. Under the Parts Management program, Honeywell owns the spare parts inventory and guarantees their availability so users don't need to make capital outlays for spares, and it ensures users have the right parts on hand when needed.

In today's competitive environment, managing spare parts inventory at industrial facilities is critical for reducing total ownership costs and achieving the performance required of systems and equipment. Even the smallest of delays can cost thousands of dollars in lost production and overtime.

Effective spare parts management is key to efficient operations. When system problems occur, having spare parts on hand to rectify the issue helps to minimize downtime. If you have immediate access to spares, your system can be up and running smoothly in minutes or hours rather than days.

For process industry facilities, selecting, purchasing and managing the correct amount of spare parts is key to maintaining availability and safety. Unfortunately, the rapid evolution of technology, along with ongoing changes in the global supply chain, makes this task complicated.



The Honeywell Parts Management program is aimed at minimizing system downtime from parts failures as well as lowering the customer's cost to support and maintain the spare parts required. This all leads to increased productivity, lower spare parts costs, improved asset support, and having the right part at the right time.

## IMPROVE YOUR PLANT'S RELIABILITY – AND SAVE MONEY

Honeywell's Parts Management program enables process plants to achieve their goals for improving

asset supportability and managing obsolescence. The program provides greater predictability of spare parts costs and helps plant managers maintain their maintenance, repair and overhaul (MRO) expenses within a fixed budget. It saves inventory costs, minimizes exposure to risk, increases system reliability and safety, and reduces acquisition lead time.

With the Parts Management program, Honeywell owns and manages the parts inventory either at your site or in a Honeywell location, giving you access 24/7/365 with no capital outlay for spares.

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This solution is valuable to companies seeking:

- Increased overall plant availability and uptime
- Alternatives to unexpected spare parts and capital outlay costs
- Improved control of inventory assets
- Reduced inventory carrying costs
- Immediate availability of critical spares (site stock)
- Improved inventory integrity
- Faster mean time to repair

By utilizing Honeywell's Parts Management program, your operation does not have to balance the cost of maintaining a spare parts inventory against the risk of process downtime. We work with you to ensure you have the parts available to maximize system uptime.

With a Parts Management agreement, customers pay a fixed monthly cost for spare parts availability while the spare parts are owned and managed by Honeywell. The agreement also includes an in-service warranty, where the customer's warranty period does not begin until the part is placed into service.

## FINANCIAL PROTECTION FOR GREATER PEACE OF MIND

When obsolescence, shrinkage, and depreciation are factored in, the cost of acquiring, storing, deploying, and managing a plant's spare parts inventory can run as high as 40-50% of inventory values annually. Honeywell's Parts Management program helps reduce inventory costs by providing logistics and planning features that directly address the selection and delivery of spare parts to field locations.

Honeywell will work with you to determine the precise support strategy for your facility after extensive financial and operational analysis. We give you the professional backing and level of parts management that allows you to reap the benefits of your process control system while enjoying the confidence of a secure maintenance, repair, and overhaul (MRO) inventory. That is peace of mind you can count on.

Financially, our parts availability solution works much like insurance,

except we keep spare parts, not cash, in reserve. Because Honeywell's bonded stock inventory is shared among multiple program participants, our costs are significantly lower than if we carried a complete stock of spares for each customer. This allows Honeywell to offer the program to you at a substantial savings over customer-owned inventory.

Best of all, you can expense on a monthly basis the fixed annual fee for our Parts Management program, along with the Parts Replacement option to cover the parts actually used. This enables you to plan your

system's parts support strategy in advance with complete assurance you can control its cost.

## LIFECYCLE SUPPORT TO EXTEND YOUR INVESTMENTS

When combined with Honeywell's Lifecycle Management or Solution Enhancement Support Program (SESP), Parts Management provides you with even greater economic results. You get expert engineering assistance to help leverage system capabilities to optimize productivity. Enhanced software releases and system updates - complete with documentation - are provided to you as well.



## CUSTOMER BENEFITS

Over 1000 Honeywell customers around the world have found our Parts Management program delivers significant benefits that have a direct impact on their business performance.

- **Better Asset Control:** Industrial plants can avoid unnecessary buildup of parts inventory over time. In addition, the program ensures improved Return On Net Assets (RONA).
- **Improved Cash Management:** Thanks to the Parts Management program, you can eliminate large capital outlays for purchasing spares. Agreement costs can be included as part of our Parts Replacement option - ensuring a stable, cost-effective payment schedule.
- **Reduced Inventory Carrying Costs:** Parts Management is intended to minimize or eliminate expenses associated with carrying your plant's spare parts inventory. Compared to the Honeywell Parts Management program for

the same period, conventional inventory carrying cost (ICC) strategies cost two to three times more and do not provide the same high degree of protection.

- **Parts Management:** Honeywell retains ownership of your spares (allowing your cash resources to be invested elsewhere) by placing the inventory in a combination of on-site and off-site (or bonded) stocking. On-site stocking guarantees you immediate availability, while bonded parts ship within 24 hours from our centralized warehouse locations.
- **Reduced Downtime:** Rather than face huge monetary losses due to a shutdown, with the correct spare parts readily available you minimize the risks of long downtimes due to lack of the correct spare part. By utilizing Honeywell's Parts Management program, your operation does not have to balance the cost of maintaining a spare parts inventory against the risk of process downtime.

## PROGRAM OPTIONS

### P1 – Site Stock

- 24/7/365 spare parts immediate availability
- Honeywell will maintain the site stock inventory at a specified minimum revision level that is compatible with the installed system or equipment
- The Site Stock inventory will be identified and supported based on the customer contract and the specified list of parts in the schedule within the contract
- Renewable contract

### P2 – Bonded Stock

- 24/7/365 spare parts availability
- Parts shipped within 24 hours from order acknowledgement
- Provides the delivery of spare parts held at a Honeywell location within a guaranteed response time
- P2 holding also supports P1 stock for any part that is covered by both P1 and P2 coverage
- Inventory based on the customer contract
- Renewable contract

### Parts Replacement Option

- Parts replacement is required to pay consumed spares from P1 & P2 stock
- Delivery lead-times dictated by the customer coverage
- Prepaid spare parts replacement
- Honeywell will deliver spare parts at a specified minimum revision

### For More Information

Learn more about how Honeywell's Hardware Refresh Program keeps your plant's distributed control system assets up to date, visit our website [www.honeywellprocess.com](http://www.honeywellprocess.com) or contact your Honeywell account manager.

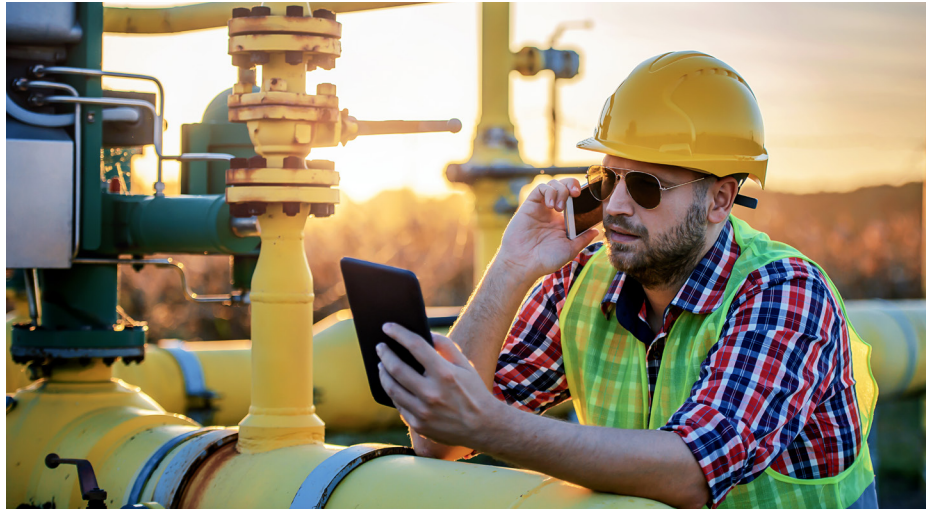
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level that is compatible with the installed system or equipment

- Parts under P1 or P2 coverage will be filled from those inventories following standard P1/P2 guidelines for availability
- Renewable contract

### TYPICAL CUSTOMER EXPERIENCE

- A major refinery had nearly 10,000 I/O points, and was faced with maintaining a large population of field assets. Thanks to the Parts Management solution, the refinery was able to reduce its spare parts inventory carrying costs by 42% per year. The program also improved asset reliability, reduced process downtime, and minimized maintenance expenses.
- A leading chemical company was dealing with issues associated

with a significant inventory of spare equipment at its production facilities. The company reduced its spare parts inventory carrying costs by 63% per year by leveraging Honeywell's Bonded Stock inventory. Bonded parts ship within 24 hours from a centralized Honeywell warehouse location.

- In the pulp & paper industry, a medium-size mill achieved a 59% reduction in ICC from the bonded stock inventory approach. Bonded stock also provides the mill with protection from downtime, as well as confidence that the right parts are always readily available. By allowing Honeywell to assume responsibility for your parts management and relying on our around-the-clock support services, you're able to focus on productivity and uptime, which speaks directly to the bottom line.

THE  
FUTURE  
IS  
WHAT  
WE  
MAKE IT

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