

STANDING BY

As cigarette manufacturers become increasingly aware of a machine's total life cycle costs, parts suppliers invest to give their products the best reliability and service life.

By Brandy Brinson



Spare parts suppliers are at the beck and call of manufacturers. They must stay on top of what their customers need, help identify problems with machinery and deliver parts as quickly as possible to minimize machine and production downtime. As technology has evolved, so has the flow of the spare parts industry. Recent years have seen changes in ordering, stocking and delivery of spare parts. *Tobacco Reporter* caught up with several suppliers—both original equipment manufacturers (OEMs) and dedicated spare parts suppliers—to discuss recent developments in the industry.



All suppliers are feeling pressure to streamline the supply chain of spare parts. Russell Greenwood of Garbuio Dickinson acknowledges there is more emphasis on the OEM to support the end users' requirements more effectively and provide more information on parts when ordering machinery.

The spares industry has adopted a two-tier approach in the face

of pressure to continually reduce inventory levels and [implement] smarter maintenance regimes, says Stan Boyce, regional director of sales and service EMEA for Molins Tobacco Machinery.

The first tier is the “manufacture of predictable parts through low-cost manufacturing facilities to be held in stock.” This ensures the most cost-effective supply of the commonly used parts.

Second, according to Boyce, is the “manufacture of emergency parts that have no regular usage pattern through flexible, responsive manufacturing facilities for immediate dispatch to the customer.”

“This approach will in turn develop a two-tier pricing structure according to demand. This means that improved contact is required between the customer and account manager to ensure that the most appropriate response is given to any request to quote.”

The availability of modern, N/C controlled machine tools enables customers to access an increasing number of local sources of routine parts. “This shifts the emphasis onto the OEM's ability to manufacture the more technically advanced and high-risk parts and assemblies,” says Boyce.

While OEMs are seeing increased spare parts business, so are sole suppliers of spare parts. Wayne Hine, director of the Tobacco Machinery Spares Division of Ace Interactive Ltd., says that Ace



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and Premcourt Services have seen a positive focus externally on the spares and service aspects of the equipment by the cigarette manufacturers. "Previously it would be expected that the original equipment supplier would automatically gain the business," he says. "However, as the analytical focus continues, dedicated spares and service centers like ourselves are being given increased access to opportunities. Customers like to have a comparison, and we can efficiently and effectively open the discussion with the cost savings, stock reduction, compatibility or improved quality and a service performance that ensures we are always considered for the next requirement."

The business of supplying spare parts for cigar manufacturers is increasing as well. Ensa Machine Bouw BV, a Netherlands-based supplier of cigar making machinery and spare parts to cigar manufacturers, is relatively new to the industry but is already seeing a surge in demand—not only in parts but in service as well.

"Spare parts are becoming more important by the day," says Martijn van de Ven. "Factories can't have production stopping on account of a 'small' spare part. Machines run faster and so when a machine doesn't run, more production is lost. We provide a service to our customers, which means we try to deliver as [quickly] as possible with parts of high quality and try to solve the problems for our customers. Sometimes we find a solution for a problem they didn't know existed. This can be found in simple changes, making machines more accessible to technicians, keeping everything operator friendly, and using different materials [that] require less maintenance and therefore less care. Customers turn to us not only as a spare part/machine supplier but also as a problem solver."

Demand

For the most part, the customers of spare parts haven't changed in recent years, but suppliers have seen a shift in where demand is located. As manufacturing moves to developing regions, so the demand for spares there increases. Manufacturers are also becoming more sophisticated in their purchasing needs.

"Our customer base has not changed significantly—perhaps only in name as the acquisitions continue," says Hine. "We have found them to be more knowledgeable in what they are purchasing, and how they want to control their stock costs. Demand increasingly comes from Asia, associated with the new factories and move of manufacturing facilities to the region, but we also have consistent repeat business from Africa, South America and Europe."

Garbuio Dickinson is seeing the most demand for spare parts in Africa, Russia and the Far East. Greenwood says customers have changed in that they carry less stock and rely upon OEM information to plan more effectively on maintenance. Spare parts using alternative design features are in demand. "Garbuio Dickinson has for many years supplied controlled strand length knives, which are costly to produce, but feedback from end users suggests increased filling power and less degradation in other stages of the process," says Greenwood.

In addition to the move to developing regions, there is also a tendency for regions such as Africa to source the manufacture of simpler parts locally, Boyce says. "This in turn reduces demand for the simpler parts, and they may no longer be stocked to meet customers' urgent needs."

He adds, "Customers have basically remained the same. Demand for spares can fluctuate from year to year according to many local factors. The introduction of 'sparesfinder' or similar systems among the multinationals has had a negative impact on spares demand from the OEMs for around the last five years. As stocks are exhausted, demand is slowly picking up."

Molins sees the greatest demand from cigarette manufacturers who make cigarettes under a license agreement and therefore have to make regular size and brand changes in order to exploit their own market potential. "Additionally, however, the large multinational companies tend to operate structured planned maintenance programs, which generate phases of high demand," says Boyce. "As with all industries, cigarette manufacturers have become very cost conscious, but within the major multinationals, the emphasis is being focused on total life cycle costs of the whole machine rather than the individual cost of a particular spare part."

On the cigar side, Van de Ven says Ensa has noticed a change regarding development of new technologies and maintenance.

Previously, "all the cigar manufacturers did some development on the machines themselves. As a result, all the machines we are getting for overhauling look the same but are

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all different on small details. Companies came up with different solutions for similar problems. But now they let us do the developing; if they have a problem, they tell us about it and we make sure that we find a good and cost-efficient solution. A result of this change is that technicians previously working on development now have time to do preventive maintenance or can solve problems faster in production. Another trend is that cigar manufacturers let us do total overhauling of machines, often including a speedup of the machine. We have all parts in stock, and if a problem arises we have our own engineering department and can produce or adjust parts with our own machine park,” says Van de Ven.

“We always do a test run with the machines, after which our customer comes over and judges the cigars. If they are all right, the machine gets transported to the factory, and one of our technicians installs the machines and, if required, gives explanations and tips in operating and adjusting the machines.”

Most of Ensa’s customers are based in western Europe. “We also do business with the USA, but since they mainly use a different type of machine to make cigars than the rest of the world, this is not a big market for us at this time. However, we expect that this market has big potential because the machines they are using are very old and will need to be replaced. As far as I know the machines aren’t built new, so they will probably change over to “our” system. Via the main offices in Europe and the USA, we deliver parts all around the world to countries such as the Dominican Republic, Puerto Rico, Sri Lanka and Indonesia.”

Quality

One constant among all spare parts suppliers is the necessity of working directly with manufacturers to improve the quality of the needed parts.

“We are always looking to improve the quality of spares and especially try to increase the life of consumable parts. A few advances have been made in this area, but most improvements come from liaising with the end users and maximizing the machines’ performance to fit their requirements. This can result in an increased life span for parts,” Greenwood says.

Hine says, “We have always offered the original specification quality. If there is a material improvement, we will liaise with the customer to establish whether there is a real benefit in life, cost or performance. In this field, they are the experts; we alone cannot recreate the operational elements of individual parts.”

Historically spare parts quality has been improved on the back of improvements generated from the design of newer generations of machines. Boyce says this is no longer appropriate, as many parts fitted to older machinery can benefit from being manufactured from new materials or modern processes.

Boyce adds, “As a consequence of the growing awareness of total life cycle costs, Molins constantly strives to incorporate the latest design techniques as well as metallurgical and manufacturing advances in order to provide the best reliability and service life. Of course there may always be cheaper, locally made alternatives available to our customers, but labor and downtime cost associated with the risk of using less technically competent parts is often overlooked in calculating the real cost of routine maintenance.”

In spare parts for cigar machines, Van de Ven says, “The quality has improved a lot. We are always looking for more durable materials, which require less maintenance. An example is changing to stainless

steel where possible and needed. This includes guarding plates but also parts in the machine such as the rolling device. We made this rolling device completely out of stainless steel, including stainless steel ball bearings. By doing so the lifespan of the device has increased and the maintenance has decreased. It’s easier to clean and more resilient to glue, dust and moisture. Another part we focus on is delivering the parts so they can be fitted on the machine straight away and there are no problems while mounting parts. This all starts with producing, testing and finally packing. This last step is mostly forgotten, and this can [result in] a customer [receiving] a part that is damaged even before it’s used.”

Cost

Soaring fuel costs is just one of the challenges that spare parts suppliers have had to face, but they are working hard to keep prices down.

“In recent years steel costs have increased exponentially,” says Hine. “Freight costs and additional requirements for airline security have all added to the mix. We need to ensure our spares are sold profitably. Business is about making a profit, so we have to be strategic in purchasing specifically to demand. We are fortunate that we purchase the finished spare parts and do not have manufacturing costs, and by supplier partnership we find ourselves still able to offer competitively and maintain an acceptable profit for the development of our position in this industry.”

At Garbuio Dickinson, “Fuel costs affect most of the supply chain, and obviously we suffer like the rest. We focus on how we produce spares and constantly try to make our operations more effective,



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whether that be newer and faster machining centers or different working practices. We always try to limit the impact on our customers,” Greenwood says.

Rising costs of skilled labor, materials and energy won't likely abate any time soon. Taking this into account, Molins is working to reduce the number of parts in its machines. “This trend is likely to continue, and it places even greater importance on getting the design and manufacturing right so that the very best return on investment can be realized both on spare parts and on the capital machinery itself. Indeed that was the design philosophy behind the latest Molins Octave cigarette maker, which utilizes approximately 30 percent of the number of parts compared with previous machines,” Boyce says.

Van de Ven says rising labor costs are also affecting the spares industry, which tends to be labor-intensive. “We try to keep price increases as low as possible. One way of doing this is producing in larger series and so lowering costs. This puts risk at Ensa, but we are confident that we can sell our products due to quality, speed of delivery and of course price. Sometimes price is looked at from a wrong point of view. For example, if we deliver a part that looks the same but is of higher quality and slightly higher in price, companies' perception is that we are expensive. But these parts will last longer and give them less problems during their lifetime, so in the long run it is cheaper. Customers are starting to realize this, but it's an ongoing process.”

Ordering

The ordering of spare parts is an ever-evolving phenomenon. There is a clear trend to increase online ordering—something the industry has been slow to adopt.

Today, ordering and order confirmation are done mainly via e-mail, and Molins predicts that online ordering will be the norm in the future. “The use of modern software for the production of machine catalogs is further simplifying the process with the facility to create parts shopping baskets and order direct,” says Boyce.

Ordering has changed enormously with the widespread use of stock control and ordering systems. “However, a note of caution must be raised where such systems employ rigid parameters for generating inquiries and orders, as they may not make best use of optimum volume discounts or allow for a certain number of parts required to make a complete set or an assembly of parts. This can lead to the generation of many frequent but small orders rather than consolidating a number of demands into one order, which is far more cost effective in documentation and administrative terms,” Boyce says.

Garbuio Dickinson is currently testing a newly developed online ordering system. “We have a distribution center in the Far East that allows delivery times to be more efficient in that region,” says Greenwood.

Van de Ven, by contrast, hasn't seen much change in the way customers place orders. “More is done by e-mail and less by fax,” he observes. “What has changed is that we made our own catalog with spare parts. The catalog setup is based on the machines we produce. Either with natural leaf or with HTL (sheet material). You can see photos of the machine and all parts are indicated. This makes it easier for both parties to order spares. There is less confusion on how a part is called because you have a photo, and if you need a part you can look it up in the catalog because you know where the part is fitted. Online ordering is interesting, but with almost all parts there is a story

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attached. Which material does the customer want, which version, which (cigar) format, etc. As a result there is contact on almost every delivery. This without taking to mind that we mostly have to make an offer for all the parts before we get an order."

Stocking

Spare parts suppliers have had to increase storage as manufacturers continue to stock fewer parts. This has been somewhat of an inconvenience for suppliers, but they are handling it in stride.

"Stocking of parts has definitely changed," says Hine. "We have had to increase our stock of certain items, but these are the known essential items. We have also been able to reduce stock through scheduling of operational spares. There are considerable benefits to the customer, knowing their next demand is on its way without depleting safety stock. No additional costs, single activity invoicing and guarantee of supply. Flexible demand with no price increase. "Any stocking decision is not based upon a single customer's need but on an analytical view of stock support to our customer base and the ability to maintain this support from our supplier base."

Greenwood says, "We have doubled the amount of stock we hold since 2001, which obviously has a burden on cash flow. However, we still manage three stock turns per year and manage inventory effectively."

Boyce says, "Stocking has become more difficult due to the shift to the more complicated low usage parts. The greatest area of improvement will come from a clearer understanding of pro-

duction and maintenance programs enabling kits of parts to be supplied direct to the machines rather than a customer's parts stores."

He adds, "The replacement of parts is regarded as an inconvenience with end users, but modern technology, combined with a professional support service, will ensure that the whole maintenance exercise is handled with minimum disruption and at best overall cost."

Cigar manufacturers are also keeping a lower inventory of spare parts to reduce costs. "We solved this by increasing our own stock levels. We find it important that we are able to deliver spare parts to our customer very quickly. An exception [would be] model parts, this because models vary from company to company and even within companies models change. Our customers are relying and trusting us that we have the parts in stock. Since we have to produce the parts in larger series, we already had quite a big stock inventory, and we just had to increase it a little to make sure we could reach the demands," Van de Ven says.

Moving forward, he adds, "Customers in general should look to the long-term differences. Not make a quick profit by buying cheaper parts now and having trouble with it tomorrow. And this is the same with spare part inventory at their factories. They shouldn't have too [many] parts in stock, but it should be well looked at, especially with critical parts. If production stops then the real problems and costs start. My advice is look at the entire picture and not just at a small part. People think easy profits can be made but instead huge losses are created."

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