A review of spare parts supply chain management

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ABSTRACT

The particular characteristics of spare parts have prompted several authors to provide substantial results for effective spare parts supply chain management. In this context, the purpose of this paper is to present the significant contributions that researchers have proposed, over time, for the spare parts supply chain management. The literature has shown that the particular characteristics of spare parts have a significant impact on inventory performance and customer demand fulfillment. For this reason, most of the contributions were focused on spare parts classification methods, forecasting methods and inventory optimization. The focus of researchers on some areas of spare parts management allowed us to identify some promising perspectives that were not developed in the literature, such as the development of performance measurement frameworks for the spare parts supply chain and the measurement of organizational maturity.

INTRODUCTION

The spare parts business forms an essential source of revenues in many sectors, such as automotive, IT industry, medical and industrial equipment [1]. However, the activity is usually difficult to handle because of intensified competition, globalization, technological evolution and emerging spare parts markets.

Besides, the spare parts have some particular characteristics that significantly influence all the supply chain processes [2]. Therefore, manufacturers and distributors of spare parts have to implement effective and responsive management systems to fulfill customers’ needs and to achieve operational excellence and better financial results.

The literature has principally been limited to inventory management and forecasting methods to ensure the availability of spare parts and to optimize the inventory [3]. However, the literature has devoted little attention to other areas of spare parts supply chain management, such as the organization strategy [1], the supplier selection [4] and the process maturity [5].

In the present paper, we propose a literature review of the main contributions related to spare parts supply chain management. We focus on the following areas: Spare parts classification...
methods, inventory management, forecasting methods and performance measurement of spare parts supply chain.

RESEARCH METHODOLOGY

The literature review was carried out through a process of articles selection “Figure 1”, based on the following bibliographic databases: Google Scholar, ScienceDirect and Scopus.

The first step of the process was the identification of a set of articles through the combination of keywords related to spare parts supply chain management. The research led to 148 articles. We selected 75 articles after removing duplicates and screening titles. Then, we selected 60 articles after reading abstracts. Afterwards, we excluded 10 articles after full reading, and we included 50 articles in the present review.

The included articles allowed us to determine the issues that have received great attention from researchers in the field of spare parts management. Most of the contributions have focused on inventory management and forecasting methods because of the particular features of spare parts that have a significant influence on inventory performance.

SPARE PARTS CHARACTERISTICS

To understand how companies can better respond to customer demand, we first need to identify the factors that prevent them [6]. Most of the managers in spare parts companies believe that investment, strategic orientation and internal organizational communication are not the significant obstacles to their businesses continuous improvement.

They believe that the main obstacles are the stability of the spare parts supply chain, relationships with suppliers, information system, data management, supply chain visibility, warehouse management, inventory management and capacity management.

Figure 1. Process of articles selection
These obstacles are related to the particular characteristics of spare parts, such as the multiplicity of references [7] due to the creation of new ranges of items and the entry into new markets, the durability of spare parts, the heterogeneity of sales, the risk of obsolescence and the intermittent nature of customers’ demand [8]. Spare parts are also distinguished by different costs that can be very expensive [9], [10]. Therefore, the carrying cost of inventory can also be significant.

Spare parts also require a high level of service. It is necessary to ensure the availability of spare parts, in order to meet customers’ needs at the right time.

The particular characteristics of spare parts have created a strong need for the implementation of appropriate techniques to manage the complexity of the spare parts supply chain. In this context, the literature has presented the classification of spare parts as an essential and useful step to facilitate the decision-making process [11] and to help managers to focus on the most important items.

SPARE PARTS CLASSIFICATION METHODS

The literature has proposed several quantitative and qualitative classification methods that use a set of criteria for effective inventory management. The most popular criteria are criticality, volume of demand, value of spare parts, time of replenishment, availability of suppliers and variability of demand [12], [13], [14], and [2].

The degree of criticality of the spare part is conditioned by the severity of the failure. If the failure requires immediate repair, it is a "high criticality". If the failure can be tolerated for a short time, it is a "medium criticality". If the failure can be tolerated for a longer time, it is a "low criticality". The volume of demand is an important criterion assessed through the total amount of sales in a specified period.

The value of spare parts is also an important criterion to take into account when making decisions regarding the stock level. Managers generally try to reduce the number of expensive spare parts held in the stock. However, they must be careful and store a certain amount of these spare parts to fulfill customer demand.

The literature has presented many spare parts classification methods. Gajpal et al. [15] proposed an analytical classification model “VED” that defines three groups of spare parts (vital, essential and desirable) and uses criticality as a single criterion. The model is based on the use of the analytic hierarchy process (AHP) for criticality evaluation.

Sharaf and Helmy [16] proposed a similar approach. They defined four groups of spare parts (vital, very essential, important and desirable). The approach uses many criteria such as volume of demand, value of demand, criticality, supply characteristics and supply uncertainty.

The famous ABC method was also used for a single criterion “volume of demand” [17] and for several criteria “volume of demand, value of demand, criticality, supply characteristics and supply uncertainty”, on the basis of several methods such as weighted linear optimization [18], [19], [20] and artificial neural networks [21].

Syntetos et al. [22] and Boylan et al. [23] proposed a quantitative classification through a two-dimensional matrix based on demand variability and demand frequency. Molenaeers et al. [24] proposed a classification method based on criticality. The proposed classification converts the criteria that affect the criticality of an item, into a single score presenting the criticality level. Then, the obtained criticality level is used to rationalize the efficiency of the spare parts inventory policy. The model offers the multi-criteria classification problem in a logic decision diagram where AHP is used to solve the multi-criteria decision subproblems at diagram decision nodes.

Ben Jeddou [25] proposed a multi-criteria classification based on Ng model. The method was applied in a company that sells a range of automotive spare parts. Before, the company used the traditional ABC classification based on the annual use value (AUV) as a single criterion. However, the ABC classification gave little
satisfaction, which pushed the company to apply the multi-criteria classification based on Ng model. The company incorporated many criteria such as profit margin, annual number of orders, number of customers, and considered an order of importance for each criterion. The author pointed out that the multi-criteria classification is flexible according to the needs of each manager for changing classification criteria or integrating new criteria.

Despite the existence of several classification methods, the empirical application of these methods is still limited by obstacles such as data availability [2]. There is a strong need for case studies describing the application of classification methods and the problems faced during their implementation.

INVENTORY MANAGEMENT AND DEMAND FORECASTING

As already mentioned, researchers in the spare parts management field have focused on inventory management and demand forecasting because of the particular characteristics of spare parts. Several models for inventory management and demand forecasting have been developed in order to increase the level of service and to minimize costs.

The overview of the main contributions related to spare parts inventory management is presented in Table 1. Researchers have focused mainly on mathematical models that optimize spare parts inventory levels, minimize the inventory cost, and simultaneously lead to a high service rate. Spare parts obsolescence has also been discussed in the literature since it forms a high risk for many companies because of the continuous technological evolution. The literature has also presented other contributions related to inventory control and stocking policies to deal with the criticality of spare parts demand.

The demand forecasting techniques are summarized in Table 2. Most methods are modifications or alternatives to others.

<table>
<thead>
<tr>
<th>Research field</th>
<th>The main purpose of publications</th>
<th>Authors</th>
</tr>
</thead>
<tbody>
<tr>
<td>Inventory management</td>
<td>a. Mathematical approaches to optimize spare parts inventory management</td>
<td>Cobbaert and Van Oudheusden [26], Dekker et al. [27], Kennedy et al. [3], Teunter and Klein Haneveld [28], Kalchschmidt et al. [29], Aronis et al. [30], Caglar et al. [31], Chang et al. [32], Wong et al. [33], Porras and Dekker [34], Louit et al. [35], Topan et al. [36], Turrini and Meissner [37]</td>
</tr>
<tr>
<td></td>
<td>b. Obsolescence management</td>
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<td></td>
<td>c. Order and stocking policies</td>
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<td>d. Inventory control</td>
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<td>e. Inventory levels</td>
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Table 1. Spare parts inventory management overview

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<tr>
<th>Author (s)</th>
<th>Category</th>
<th>Forecasting method</th>
</tr>
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</table>
| Makridakis et al. [38] | Time series | a. Exponential smoothing  
b. Moving average |
| Altay et al. [39] | Modification of time series | Holt and Holt-Winters modified  
Croston’s method |
| Croston [40] | Croston | |
| Syntetos and Boylan [41], Teunter et al. [42] | Modification of Croston’s method | a. Approximation, SBA  
b. Alternative to Croston’s method |
| Snyder [43], Willemain et al. [44] | Bootstrapping | Bootstrap |
| Kalchschmidt et al. [45], Kalchschmidt et al. [29] | Aggregation/disaggregation of demand | Filtering data |

Table 2. An overview of the methods applied to forecast the spare parts demand
The authors pointed out that a method updates inventory with positive demand. The results showed that the two-step method is one of the most accurate forecasting methods and performs better than Croston’s method.

Other works focused on filtering data to separate constant demand from sporadic demand [45] by applying a single exponential smoothing to constant demand data, and a modification of Croston’s method to intermittent demand data [29].

Other models treat the value of information collected about customers’ demand such as Verganti’s model [51], which considers preliminary information collected from customers as a driver for forecasting intermittent demand.

Demand forecasting is undoubtedly an essential step to ensure the availability of spare parts. For this reason, it has received great attention from researchers in the field of spare parts management [52]. However, the intermittent nature of spare parts demand is still a major obstacle to the accuracy of the various methods applied to forecast the spare parts demand.

**PERFORMANCE OF SPARE PARTS SUPPLY CHAIN**

The research related to spare parts supply chain performance measurement has been limited to the identification of some key performance indicators used by aftermarket suppliers. Barkawi and Partners GmbH [53] identified, through their study on spare parts logistics, a set of key performance indicators used by spare parts providers: On-time delivery performance, inventory turnover, service level, availability rate, accuracy of delivery, accuracy of forecasts, inventory level, complaint rate and customer satisfaction.

De Leeuw and Beekman [54] provided an empirical study into the performance measurement of automotive spare parts supply chain. They investigated several companies belonging to the car manufacturer channel. The authors provided a set of key performance indicators that were important according to the interviewees: Availability rate, stock-out, lead time, delivery frequency, completeness, correctness, regularity and punctuality.
Gaiardelli et al. [55] proposed an integrated framework for the after-sales service performance measurement. The framework was evaluated through multiple-case studies including the automotive sector. The authors provided several key performance indicators for spare parts logistics performance measurement, such as error rate, picking time, delivery time, inventory obsolescence, supplier delivery performance, supplier quality performance and number of stock-outs per month.

We confirm the importance of the performance measures provided by the authors given the particular characteristics of spare parts and the high expectations of customers in terms of service quality and availability of spare parts. However, it is essential to take into account other performance measures for effective spare parts supply chain performance measurement.

CONCLUSION

The main objective of this paper is to present a summary of the contributions provided by the literature about the spare parts supply chain management. As a result, we have identified some promising perspectives that constitute a fertile field of study, such as the development of performance measurement frameworks for the spare parts supply chain and the measurement of organizational maturity.

Future studies should focus more on the performance measurement of the spare parts supply chain because the particular characteristics of spare parts largely complicate the supply chain management for manufacturers and distributors of spare parts. Hence, it is of paramount importance to control the spare parts supply chain processes and to evaluate the achievement of objectives for better improvement of the overall supply chain performance.

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