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Changing Habits Driving New Ways Of Acquiring Parts And Services

The consumer world is driving MRO to update the way it buys and sells parts.

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As the global business and consumer environments become progressively online-centric, the MRO industry is catching up with this reality. Companies are increasingly turning to digital platforms, both as buyers and sellers across their supply chains—especially when trading components.

Platforms such as the Boeing-owned Inventory Locator Service (ILS) and Parts Base have existed in some form for a number of decades and are widely used by providers. But as buying components online becomes more common, new entrants in this evolving market are developing increasingly sophisticated digital platforms. Perhaps sensing opportunity in a segment estimated by Aviation Week's Fleet & MRO Forecast to account for 32% of MRO demand through 2027, some established MRO providers have

created their own offerings to allow customers to purchase not just parts but also maintenance services digitally.

New Entrants

Nordam, the component and structures manufacturer-MRO hybrid, entered the digital market at the beginning of 2018 with its wholly owned subsidiary PartPilot, which developed an online platform to list factory-new, new-surplus, overhauled, repaired and as-removed parts from an inventory of 17 million items to buy, sell and exchange. Its January launch followed a private beta test carried out 12 months earlier with several airlines and about a dozen inventory dealers.



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Establishing the platform, according to PartPilot Chief Operating Officer T. Hastings Siegfried, was the result of tapping into changing buying habits and a desire to list materials in a more modern and cost-effective way. “In recent years, we saw the way that the industry buys and sells parts had not kept pace with e-commerce trends that have become commonplace in our personal lives, and that this was a needless strain on our resources and those of our customers,” he says.

The ambitions of companies such as PartPilot are perhaps being driven by an industry receptive to adopting a more digitized approach to procurement, Siegfried feels. “This is driven in general by the increased comfort society has using technology in our personal lives, the desire by individuals and businesses to leverage technology for increased productivity, and the increasing prevalence of tech-oriented supply-chain professionals,” he says.

A similar view toward the changing way buyers and sellers interact is shared by Hans Bernd Schmidt, managing director of Lufthansa Technik-founded Skeyos, another recent entrant offering a digital marketplace for component services for the aviation industry. “In the business-to-consumer area, digitalization is already present everywhere you go, and it is slowly starting to emerge in the business-to-business environment also,” he says.

Having conducted a lengthy period of market analysis in the lead-up to its January 2018 launch, Schmidt says Skeyos, which operates as a separate entity from its founder, identified some prevailing flaws in service transactions. “We found out that the existing request-for-quote process and repair workflow management is time-consuming and non-transparent,” he says. “The admin effort also has no relation to the average repair price of an aircraft component.”

Through the Skeyos portal, which allows MRO shops to provide services and OEMs to offer capabilities, the pricing of parts-repair services ranges from hundreds of dollars up to workloads that cost six figures. One service—for tests on small units like a mask stowage—is listed for around \$600, while an overhaul on an integrated drive generator is listed for \$100,000.

Typically, a customer can search for specific part numbers and find various offers with all technical and commercial details, which they can compare and directly purchase through the portal. “Once the order is placed, the whole repair process can be managed

through the platform,” Schmidt says. “If a work-scope change is needed, it can be proposed and accepted online.” Throughout the whole process, both supplier and purchaser are able to check the current status of the component.

Having started with European partners—including Lufthansa Technik, Swiss, Umbra, Aerospace Engineering Group and B.O.S. Aerospace—Skeyos is now eyeing expansion into the U.S. by bringing American customers onboard. As of this month, it has commenced work with Mingo Aerospace, an Owasso, Oklahoma-based aircraft component repair and manufacturing facility that Schmidt says already has uploaded its capabilities and is looking to manage numerous transactions via the platform.

Brian Emery, vice president of sales and business development at Mingo Aerospace, tells Inside MRO that the value in using a tool like Skeyos lies in connecting its business to a larger base of customers. “We are typically looking to source components to support our internal repair capabilities for cargo loading systems and thermal spray,” he says, specifically citing new consumable items along with large amounts of materials from teardowns, consignment inventories and airline surplus acquired to support its repairs, along with overhauling components before selling to airlines or broker markets.

Increased Usability

While some new companies have entered the market with the backing and support of established MROs, others are MROs that have chosen to expand their existing presence. AAR established an online store for factory-new component sales more than 10 years ago. In October 2017, the U.S. aftermarket specialist broadened its presence in the segment by launching its Paarts platform, a revamped online marketplace giving existing and new aftermarket customers—typically airlines, aircraft operators, MROs and brokers—real-time access to a full inventory of new and used parts that exceeds one million, it says. These include overhauled, serviceable and repairable airframe and engine components for almost every commercial aircraft type, AAR says.

Further mirroring the consumer environment is a growing business-to-business penchant for ease of use for transactional products. AAR, which markets Paarts as a “B2B shop with B2C experience,” has specifically targeted this feature, having realized the sometimes tricky environment of business-to-business online trading. “Business-to-business e-commerce has been notoriously difficult due to special contract provisions, customer requirements and smaller user groups,” says Michael Czerniak, manager for digital services at the Rockford, Illinois-headquartered company.

“We’ve specifically partnered with technology companies with the intent to deliver the robustness of a business-to-business portal with a “look and feel” driven more by the business-to-consumer sites people are familiar with at home. Eliminating the tedious chain of requests and providing customers with the opportunity to pace their selection as they determine was a key driver in the development of the portal,” he says.

A Receptive Industry?

While efforts are underway to make digital platform offerings as user-friendly as possibly, MRO providers themselves have taken a mixed approach to using online portals to procure components. Chris Dare, managing director of U.K.-based Monarch Aircraft Engineering, says it uses online component stores to source parts including the long-established inventory locator service (ILS). But like many MROs that trade parts, it also still uses more traditional methods such as contacting component suppliers with inquiries via phone or email. Nevertheless, Dare is one many in the industry who believes e-commerce platforms will continue to grow for MRO, with the rise of new entrants inevitable.

Austria-headquartered component supplier and MRO provider FACC also uses e-commerce platforms such as Parts Base and Locatory along with its own supplier portal, according to Rudolf Leitner, its executive vice president for purchasing. In FACC’s

experience, Leitner says using them has afforded it better speed and flexibility, along with greater levels of transparency and traceability for parts.

Another company using parts stores is MGT Aero, a landing gear and hydraulic component distributor with a presence in both France and Miami, Florida, which buys mostly expendables and hardware online. Olivier Mongenot, president of MGT Aero, says there is certainly value in going digital, but this is often dependent on the store itself. “Depending on how sophisticated the platform is, searching and buying online has some definite advantages such as getting an immediate answer on stock availability and pricing, which avoids the process of sending out [requests for quotes] and waiting for answers.” He continues: “Some platforms even give you access to certificates and trace availability with the parts, while some platforms allow the customer to place orders and then track these orders.”

However, Mongenot says some concerns still exist regarding online transactions in areas such as reliability. “A lot of companies are trying to offer an online service in order to increase their exposure. However, not all of them have the capability to offer a reliable platform,” he says. “Therefore, the authenticity of all the information provided was initially, and can still be, a concern, but with time we get to know which platforms are reliable and which ones are less so.”

Magnetic MRO, the Estonian aftermarket provider, has been more reluctant to procure high-value components online and typically uses the platform to purchase consumables and chemicals instead, says Eigirdas Keblikas, senior sales manager for its spare parts unit. He concedes that the opportunity to offer any variety of products makes e-commerce increasingly attractive in aviation, something Magnetic MRO has tapped into through its Enginestands24 offering, a dedicated e-platform where customers can book a particular engine stand at a particular location online.

But in terms of parts acquisition, he identifies issues around risk management and negotiation and feels that companies are not willing to purchase highly valuable components without negotiations and confirmation of a unit's availability.

Despite these reservations, Keblikas, agreeing with Mongenot, says the value of the tool is all dependent on the quality of the platform. "Efficiency of online shopping depends on the quality of the store, and if it's well organized, with easy processes and low risks of failure, Magnetic MRO is always open to use it," he says.

Given common concerns related to sourcing parts online such as the integrity of tags and traceability of materials, Skeyos says it vets each vendor through an "onboarding" process prior to entering the platform, which includes personal visits to their facility. PartPilot also says transparency is especially important in areas such as data and customer integrity, through methods such as allowing buyers to immediately review and compare the details and documentation provided by sellers for each part listed.

Despite some pessimism about the changing ways parts and services are acquired, MROs building up their e-commerce platforms are nevertheless enthusiastic about the future. AAR expects to further expand Paarts over the next year, mirroring Skeyos' repair services offering. "We expect to combine the parts availability with repair services that further reduce the customer's need to manage the process on multiple engagements," Czerniak says.