**“If your service is poor, you become easy prey for your competitors”**

**Erich Schlenkrich is Industry Manager at TGW Logistics Group. In the interview, he explains how the challenges in spare parts logistics are changing, which role digitalisation will play in the future and why TGW is a reliable long-term partner for companies.**

**Mr Schlenkrich, manufacturers of vehicles or capital goods often spend a lot of money on cutting-edge distribution logistics. Why should companies also think about having sophisticated spare parts logistics?**

Erich Schlenkrich: As a part of the after sales market, spare parts logistics can be an extremely profitable business. However, you have to know the right approach. Studies say that companies are currently only tapping into one quarter of the global sales potential in this sector. Unlocking this potential requires appropriate preparations and investments. There is one thing you have to keep in mind: If a company has a great spare parts service, it can establish a close relationship with its customers.

**What are the consequences of poor spare parts management?**

Digitalisation makes it possible to launch retail platforms in the blink of an eye. If your service is poor, you become easy prey for your competitors. This is how product clones start circulating. Product pirates who try to start illegal activities are a particular nuisance.

**How do you distinguish yourself from your competitors?**

Customers from the B2C segment are used to high quality and fast delivery. They expect the same in the B2B segment. This is why high availability and agile logistics matter. In other words: Only those who offer a high level of service will survive on the market.

**What do today's customers expect from companies providing intralogistics solutions?**

The providers have to view things from the end customer's perspective. The end customer expects easy ordering options on all channels, fast deliveries, short response times and high availability. This is because time is often worth a lot of money in the B2B sector. Let's take an example from agricultural machinery. If a chopper breaks down in the field, and the chopper is supposed to fill a dozen trailers of contractors with corn every hour, then one day of downtime due to an undelivered spare part will easily cost thousands of euros.

**How can you meet the customers' expectations?**

These days, a state-of-the-art logistics system has to feature the right degree of automation to ensure that the requirements for quick delivery can be fulfilled. Optimized processes and digitalisation create efficiency and transparency. But establishing high availability in distribution centers is not enough. Companies have to look at the entire supply chain, from one end to the other – and then, they have to optimize the network. And they also have to factor in the possibility that the chain will be interrupted – for example, by environmental disasters, strikes or a pandemic like Covid-19. You have to think through these situations in advance in order to have solutions ready when they actually happen. Ultimately, you need an elaborate network and communication system including excellent logistics providers that can also handle unexpected events – for instance, postponed deadlines. Digitalisation is the foundation for such a network.

**What are the champions of spare parts logistics doing right?**

They have established a global logistics network and global, structured inventory management. And the processes are digitalized.

**What solutions does TGW have for providing support to companies?**

Over the last fifty years we have accumulated comprehensive knowledge of key technologies in our core markets. We have used this knowledge to develop basic systems that allow us to meet the requirements of our customers. Our FlashPick® solution provides answers to general questions regarding efficiency and economy in a warehouse. Usually, the three most important questions of the customers are as follows: How can I respond to an unpredictable future and fluctuating demand? Second – how do I provide a customer service level that is both the highest and the most cost-effective? And third – how do I accomplish all this in view of the bottlenecks in personnel?

**While every customer asks these questions, each of them has established business models and processes that are different in their specifics...**

Exactly. And because of this, we individually tailor our solutions to the needs of each customer. Our basic systems are the foundation. They enable us to achieve a very high degree of detail and high quality within short time. Moreover, the companies have different resources and skills at their disposal. We take care of whatever the customer cannot provide.

**Can you name some examples of that?**

We utilize a whole array of state-of-the-art tools for maintenance and support. For example, we have been using smart glasses of the TGW EVOCALL type for years. They allow us to make information, images and data available to the on-site employees in a live stream in order to solve problems. Our maintenance management systems such as TGW CMMS are digitalized, of course, and we use condition-based monitoring. In this process, we use sensors to acquire status data for central components and compare them to the empirical values in our database. Then we create usage-based maintenance models from these data. We have an edge in terms of knowledge because we have been in this business for decades.

**Where do you acquire data, for instance?**

One example is that we measure the current draw in the KingDrive® rollers of our scalable conveying technology systems. If the actual value is different from the target value, we react promptly. Compared to conventional rollers, our high-performance rollers run nearly twice as long before they need replacement.

**Availability and speed increase if a company puts a lot of money into a dense spare parts logistics network. How do you gain control over the costs?**

Successful companies find a good balance between availability, speed and cost-effectiveness. Three issues are important here – reduction of the levels of storage, creation of an efficient hub structure and utilisation of high-performance logistics service providers in the various regions.

**Whether it is MAN or Deutsche Bahn – many companies use 3D printing technology for their spare parts. Will centralized spare parts warehouses be history soon?**

No. Technology indeed keeps improving, and there are a wide variety of materials that can be printed now. But there is always the question of whether 3D printing is also cost-effective or whether conventional manufacturing is more feasible. Therefore, all companies usually begin by calculating a business case for each part. It is clear that 3D printing will play an important role in the future for certain segments, such as discontinued spare parts. But, in my opinion, many fast-selling items will continue to be manufactured and delivered conventionally. In addition to cost-effectiveness, quality requirements are currently another reason to decide against 3D printers in some segments.

**What challenges does TGW have to prepare for?**

The world is changing, and it is changing rapidly. The current coronavirus crisis shows this very clearly. Some of the keywords are as follows: alternative drive technologies, autonomous vehicles, artificial intelligence. In addition, the customers' expectations are changing at the same time. This will also have an effect on spare parts logistics, which has to adapt to the new reality. As an example, let me refer to the self-diagnostics system that Tesla, the vehicle manufacturer, has recently launched.

**What can the system do?**

Tesla took established vehicle diagnostics – which are used by workshops to read out the current status data of the vehicle, for example – and made advancements so that they link up with communication technology and Big Data. As a result, the maintenance dates and spare parts requirements are transmitted immediately from the vehicle to networked service points. Such a strategy has a huge impact on spare parts management. On the one hand, it makes planning easier. On the other hand, all participants in the spare parts supply chain must be part of the information network.

**How does TGW set itself apart from other intralogistics providers?**

In multiple ways. First and foremost, we are a reliable and stable partner with more than fifty years of experience in intralogistics. And the TGW Future Private Foundation founded by Ludwig Szinicz has been the owner of TGW Logistics Group since 2004. Which means that, unlike some of its competitors, the company cannot be sold. For many customers, this is very important. They say, if I commission a system now, I still want to be able to talk to representatives of the company that I bought the solution from ten years from now. Because total-cost-of-ownership reviews indicate that the operating costs will exceed the initial investment in the course of time, support and maintenance are issues of enormous importance. For this purpose, we offer the ideal solutions for our state-of-the-art systems in the form of our comprehensive Lifetime Services.

Mr Schlenkrich, thank you for this interview.

**About Erich Schlenkrich**

Logistics expert Erich Schlenkrich works at the headquarters of TGW Logistics Group in Marchtrenk, Austria, as Industry Manager for the industrial and consumer goods segments. A mechanical engineer by training, he completed a degree at the Hernstein Management Institute in Vienna and has accumulated more than thirty years of experience in intralogistics at TGW. He has been able to pass on his knowledge in project management, development and sales in a variety of functions. Schlenkrich has been a key player in TGW's business development in the European, U.S. and Chinese markets over the last twenty years.

[www.tgw-group.com](http://www.tgw-group.com)

**About TGW Logistics Group:**

TGW Logistics Group is one of the leading, international suppliers of material handling solutions. For more than 50 years, the Austrian specialist has implemented automated systems for its international customers, including brands from A as in Adidas to Z as in Zalando. As systems integrator, TGW plans, produces and implements complex logistics centers, from mechatronic products and robots to control systems and software.

TGW Logistics Group has subsidiaries in Europe, China and the US and more than 3,500 employees worldwide. In the 2018/2019 business year, the company generated a total turnover of 720 million euros.

**Pictures:**

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