



EXECUTIVE BRIEF

Five ways MRO can prepare for the new normal

aerospace & defense

The COVID-19 pandemic has caused substantial upheaval for aerospace and defense suppliers, especially those who focus on the commercial aftermarket segment. According to [recent research](#) from the Boston Consulting Group and the Aerospace Industry Association, analysts forecast a 50% decline in revenue for the maintenance, repair, and overhaul (MRO) sector. The revenue decline is expected to cascade into a 40% reduction in MRO demand over the next five years and a 50% reduction in staffing levels.

[Another report](#), from the analysts at Oliver Wyman, predicted that global demand for MRO would only reach \$50.3 billion by the end of 2020, coming in 45% lower than their original pre-COVID forecast of \$91.2 billion. The report also forecast spending on all parts and materials—used and new—to reach just \$26 billion, down from a pre-COVID estimate of \$60 billion for the year.

Regardless of whether these dire forecasts do come true, it's already clear that COVID has taken a significant toll, and that the next five years will demand that aerospace and defense suppliers adopt new strategies and tools to succeed. Here are five keys to help MRO and aftermarket suppliers cultivate resilience and move forward in this new environment.

1. Increase global supply chain visibility

MRO suppliers need to make sure parts are available to mechanics and technicians when they need them. This requires a resilient supply chain management system that provides end-to-end visibility into the complete supply chain—both inside a supplier's operations, through to the partner ecosystem. MRO suppliers need supply chain software that helps them quickly and efficiently procure parts made from specialty composite materials, carbon fiber, super-alloys, and titanium—many materials which aren't widely available.

MRO suppliers also need visibility into global supply chain performance. When there's an unexpected delay or disruption to services, MRO companies need to respond quickly—sourcing parts from other suppliers.

2. Manage complex processes and components with ease

From tracking the lifespan of thousands of multipiece components to predicting demand and stocking replacement parts, MRO inventory and service management systems need to keep track of materials, service history, and as-maintained configuration. Managing inventory is even more complicated today as manufacturers increasingly turn to new materials, like carbon fiber. Because some older aircraft may still use traditional materials, MRO systems may need to manage dual inventories and keep track of which technicians are trained to use which materials, platforms, and procedures.

Different materials add complexity with varying maintenance requirements and lifespans, which can directly impact service, maintenance, and warranty contract management. MRO suppliers need integrated business systems that can keep up with several SKUs, serial numbers, and configurations to mitigate the risk of an uncertified component slipping through.

3. Meet all regulations and requirements

Whether MRO suppliers work with military or civil aviation contracts, they must meet the specific government mandates for flight times, maintenance, program performance, and cybersecurity.

Technical orders, drawings, parts lists, procedures, and other product-related details are considered Controlled Unclassified Information (CUI) if they are subject to the International Traffic in Arms Regulations (ITAR). Defense suppliers will soon be required to achieve [Cybersecurity Maturity Model Certification \(CMMC\)](#) at Level 3 or above in order to continue supplying these products and related CUI to the U.S. Department of Defense. This contract requirement will also flow down through the defense industrial base to suppliers in all tiers that may require access to CUI.

Enterprise resource planning (ERP) software that provides real-time contract management capabilities, plus serial and lot traceability for build and product maintenance, simplifies compliance with contractual demands and government mandates, while maintaining strict quality control. Spreadsheets introduce errors and inefficiencies, and can increase the likelihood of audits, fines, or grounded aircraft.

MRO suppliers need to ensure their software systems meet necessary security and compliance requirements while handling their unique business needs.

4. Give technicians the information they need to do their jobs

An MRO supplier's service is only as good as its technicians—who need to make sure they're in the right place, at the right time, with the right parts and equipment. These technicians work with aircraft that have become more complex over the years, with highly advanced components that require specialists to maintain.

Those specializations add complexity to the tasks of scheduling repairs, inspection, and routine maintenance. MRO companies require highly-specialized software to ensure technicians have the certifications and information they need to complete the assigned task. With smart mobile devices and the right software, technicians can access critical data, such as parts inventories or a component's service history, while on the flight line or in the hangar. Not only can this help speed up service visits, it also increases the likelihood the service will be completed right, the first time.

5. Boost profitability

Most MRO contracts are extremely complex, so knowing if the opportunity is truly profitable can sometimes be a guessing game. Hidden costs and heavy investments in replacement parts and inventory can mask true bottom-line performance. To successfully manage margins, MRO suppliers need to track everything—from parts and tools, to time spent on a project, to resources, and more.

The right tools can help suppliers track the essentials and ultimately, boost their margins. Advanced analytics can help determine the profitability of contracts, drive contract renewals, and provide accurate quotes for new contracts, while time-tracking tools can help efficiently manage resources.

Prepare your business for the new normal

The aerospace and defense industry is experiencing unprecedented upheaval, with the global pandemic threatening to impact bottom lines everywhere. Now is the time for MRO suppliers to audit their operations, remove inefficiencies, and build infrastructures that are resilient enough to withstand change and flexible enough to leverage new opportunities.



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