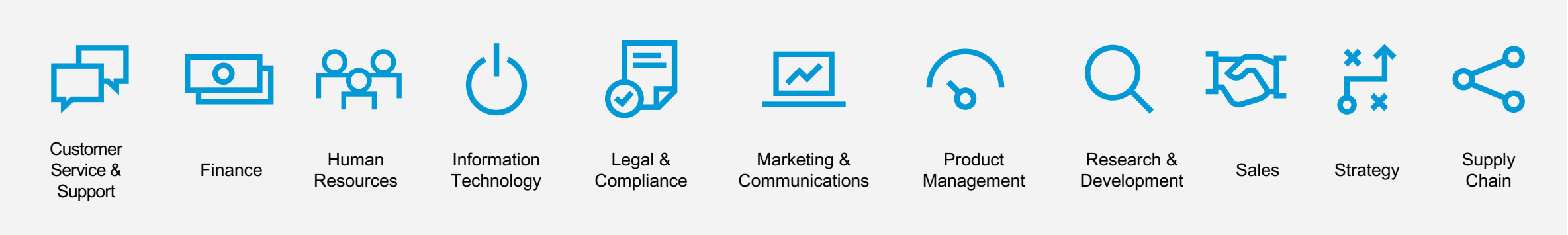


# Developing Asset Lifecycle Strategies that Maximize Value Realization

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# Gartner today

Deep, global business and technology insight for leaders of every major function across the enterprise



Gartner delivers **actionable, objective insight** to executives and their teams. Our expert guidance and tools enable faster, smarter decisions and stronger performance on an organization’s most critical Supply Chain priorities.

We are an integral part of the day-to-day operations of our clients as an insight's platform.

# Gartner delivers everything you require in a single solution

## Traditional resources:

- Consultants
- Peer communities
- Benchmarking firms
- Professional development associations
- Event companies
- Academia

### Insights and Tools



**Proprietary, fact-based content**, maturity and metrics models, and must-have templates



**Peer-contributed content** videos and case studies highlighting best practices and insights from your peers



**Benchmarks** to measure the maturity and health of your supply chain



**Cross-Functional content** from Gartner's extended research team to drive collaboration with business partners on corporate priorities

### Practical Advice



#### Supply chain experts

Who provide deep, focused insights and best practices based on hundreds of interactions with supply chain leaders



#### Supply chain practitioners

with an average of 20+ years providing leadership coaching and strategy execution support



#### Cross-functional experts

to provide insights and perspective from outside of the supply chain function

### Peer Networking



#### Peer networking opportunities

within the largest network of global supply chain leaders — 2,900+ Gartner clients — facilitated via one-on-one interactions and networking forums



**Events** to learn and share best practices at our Supply Chain Symposium

# Executive Summary

- Organizations invest in assets with an expectation that they deliver value.
- In times of increasing resource competition and financial scrutiny, it is essential that asset intensive organizations think beyond traditional asset management practices and systems.
- Maximizing the value of an asset requires a focused strategy that goes beyond a 'buy and hold' approach, but instead derives value over an entire expected lifecycle and even beyond.

# Let's make it personal...



# Let's make it personal...



Supports son's part-time job  
Easy to park  
Serves my needs

Very reliable  
Parts easy to find  
Lasts 12-15 years

Economical to operate  
Great fuel efficiency

# Let's make it personal...

Supports a growing family  
Feels safer than a small car  
More cargo space

Can provide school carpools  
Probably use 8-10 years  
Easier to manage child seats



Can transport guests and kids  
Easier to transport pets  
Supports Uber part time job

# Let's make it personal...

Work / Life balance reality  
Income from a rental pool  
Makes for great memories

Flexible travel schedules  
Lodging and meals built in  
More affordable trips overall

Extended financing  
Extended trips  
15+ years planned use





# Let's make it personal...

Dream car  
Fun and exciting  
I earned it!



You can't have the keys son!  
Driving is no longer a chore  
Highlights one's identity

Long term collectible?  
Appreciate the uniqueness

# Your choices are influenced by value to you.



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# We're going to focus on 3 things

- How your organization defines the value of an asset
- Four practices organizations are employing to increase the value of an asset
- Being strategic in how assets are fully employed and consumed to deliver the greatest lifecycle value

# **How Does Your Organization Define Asset Value?**

# Examples of how organizations may value assets

## Accountable Value

The purchase price of the asset. What would be recouped from an accountable person if the asset was lost.

## Profit/Loss Value

The gain/loss between the current market price and the depreciated (book) value of the asset.

## Capability Value

The cost difference of performing asset capabilities without the asset and the cost of acquiring and operating the asset.

# Value is achieved through a balance of

## Capability

An understanding of all the features and functionality an asset can deliver.

## Availability

The access to and operational readiness of an asset.

## Utilization

The actual operational use of the asset, and if monitored, the use of specific features or functionality of the asset.

# Example: Is this asset delivering value?



Zoomtastic color copier & printer  
with network and fax capabilities

- Cost: \$9,500 or Lease: \$475/mo
- Maintenance fee: \$225/mo
- Lease fee includes maintenance

- Copies / prints 80 pages per minute in b/w
- Copies / prints 30 pages per minute in color
- Monthly duty cycle: 100k b/w & 30k color
- Located on the admin floor, staff present 9am to 6pm
- 12 users on floor – total volume averages 1.2k pages a week
- Service calls in last 12 months: 0
- Last service call: 22 months ago
- Lifecycle replacement plan: 5 years
- Months until replacement: 18

# 5 years pass – Time to replace the asset



Zoomtastic color copier & printer  
with network and fax capabilities

- Cost: \$9,500
- Maintenance fees: \$2,700/yr
- \$13,500 over lifecycle

- Did the asset deliver value over the lifecycle?
  - Was the asset CAPABLE?
    - Duty cycle of 130k copies / mo = 1.56M copies / yr
    - Network connectivity
    - Fax machine connectivity
- Was the asset AVAILABLE?
  - 45 hrs / wk, otherwise locked up on floor
  - ~27% of the hours in a week
  - 4 service calls in 5 years, no parts required
- Was the asset UTILIZED?
  - Average 1.2k copies per week = 62.4k / yr
  - No phone line nearby for fax capability



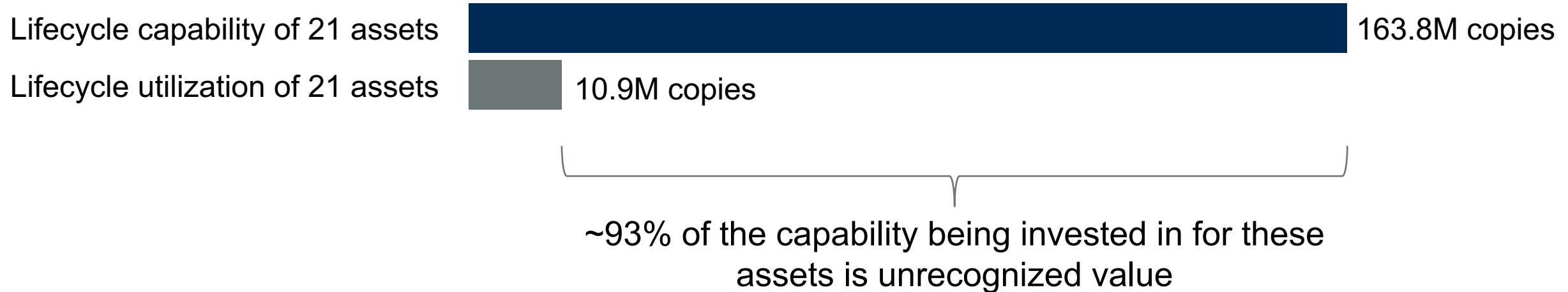
# A bit more reality – Enterprise IT standardization

- Business case to standardize copier/printer assets
  - Simplify IT landscape
  - Reduce consumable supply proliferation
- 21 Total assets
  - Own 6, Lease 15
- Average volume per asset: 2k / wk
- Monthly maintenance fees: \$1,350
- Monthly lease fees: \$7,125



5 <sup>th</sup> Floor	Exec Offices – 1 asset
4 <sup>th</sup> Floor	Admin Offices – 4 assets
3 <sup>rd</sup> Floor	Planning Offices – 4 assets
2 <sup>nd</sup> Floor	IT Offices – 6 assets
1 <sup>st</sup> Floor	Service Offices – 6 assets

# Do organizations place greater value in convenience than being fiscally pragmatic?



**Leading organizations are placing greater emphasis in maximizing a total DELIVERED value achieved through tighter alignment between capacity, requirement and utilization combined with asset recovery, resale, reuse and recycling strategies.**

# **Four Approaches to Increasing the Value Delivered from an Asset**

# Leading organizations treat assets as investments and are laser focused on maximizing value return

- They do not overinvest in capability or capacity.
- They aggressively pursue pay for use agreements for variable asset utilization.
- They implement circular supply chain elements that also support sustainability goals and communications.
- They employ technology to mature maintenance programs and ensure asset availability meets commercial or operational requirements.

# Understanding both required capability and capacity is essential to not overinvest in assets

**Objective:** Evaluate the potential of reducing ongoing maintenance costs associated with motorized assets.

**Opportunity:** Fleet of 240 forklifts across local sites

**Approach:** Use of tracking tags to conduct time/motion study over 6-month period. Tags applied without announcement.

**Findings:** Peak usage – 148 (1 day); Typical shift usage - 90

**Actions:** 100 assets collected to a motor pool. Newer assets swapped out of pool at time of maintenance to retain newest, most capable assets. Serviceable units sold before further devaluing. A few unserviceable units were retained to tear down for parts.



# Reduce costs associated with underutilized assets by paying for only what is used/needed



## Own and maintain

Cost of assets

Cost of spare parts

Facilities to maintain

Labor to maintain

Training expenses

Licensing and registration fees



# Reduce costs associated with underutilized assets by paying for only what is used/needed



## Alternatively, Rent or Pay by Service Hour

Sharing of pooled assets

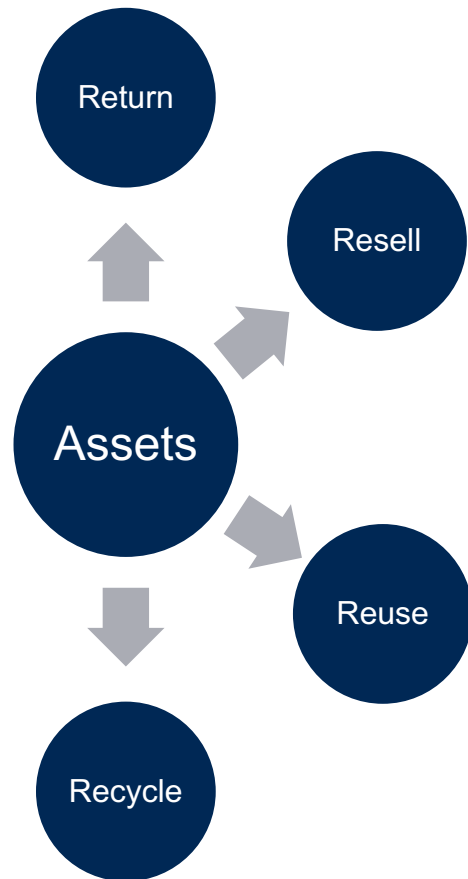
Requires advanced coordination

Rental service responsible for maintenance

Operating hours rate is a loaded rate



# A circular supply chain identifies ways to reuse assets, generally beyond an expected lifecycle

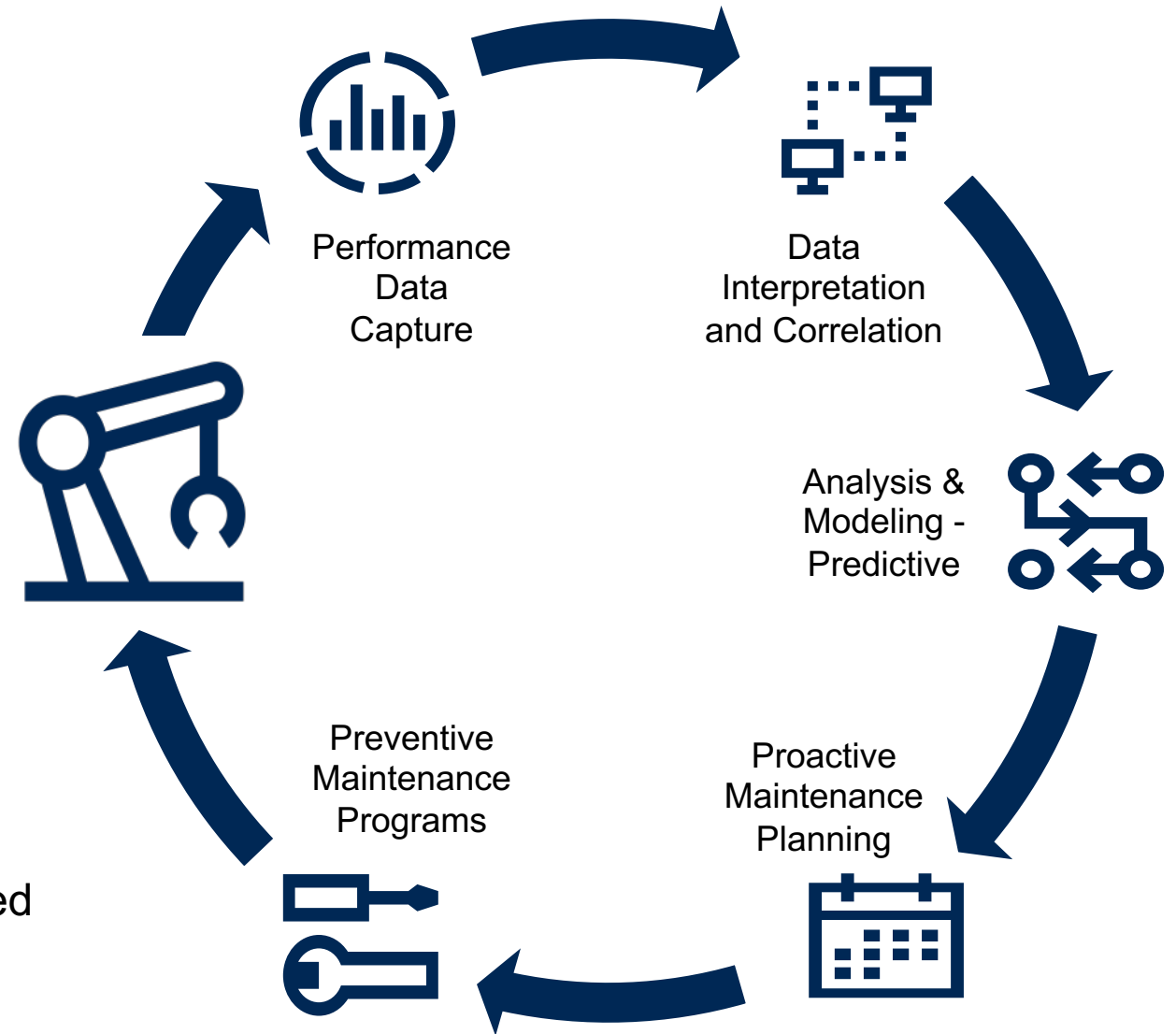


- Incorporate contract return or buyback clauses to sell back assets at reasonable times during their lifecycle
- Identify means to resell when no longer required or delivering intended value
- Leverage new technology and capability upgrades as a catalyst to recover and redeploy assets for alternate uses – Most capable and reliable for most critical
- Harvest parts from unserviceable assets to mitigate high costs and hard to find spares.
- Negotiate in kind trades that provide greater value – Recycle for something other than money



**Asset availability is a top priority. Predictive failure analysis means forecasting service requirements with greater precision.**

CONDITIONS BASED MAINTENANCE enables proactive alerting of increasingly higher risks of asset failure that can result in disruptive unplanned downtime.





# **Build an Asset Management Strategy to Deliver the Greatest Value over the Lifecycle**

# Building an asset management strategy begins before the procurement of the asset(s)

Scoping the Requirement

Assessing Long Term Supportability

Defining Lifecycle Phases and Decision Points

Replacement & Disposition Considerations

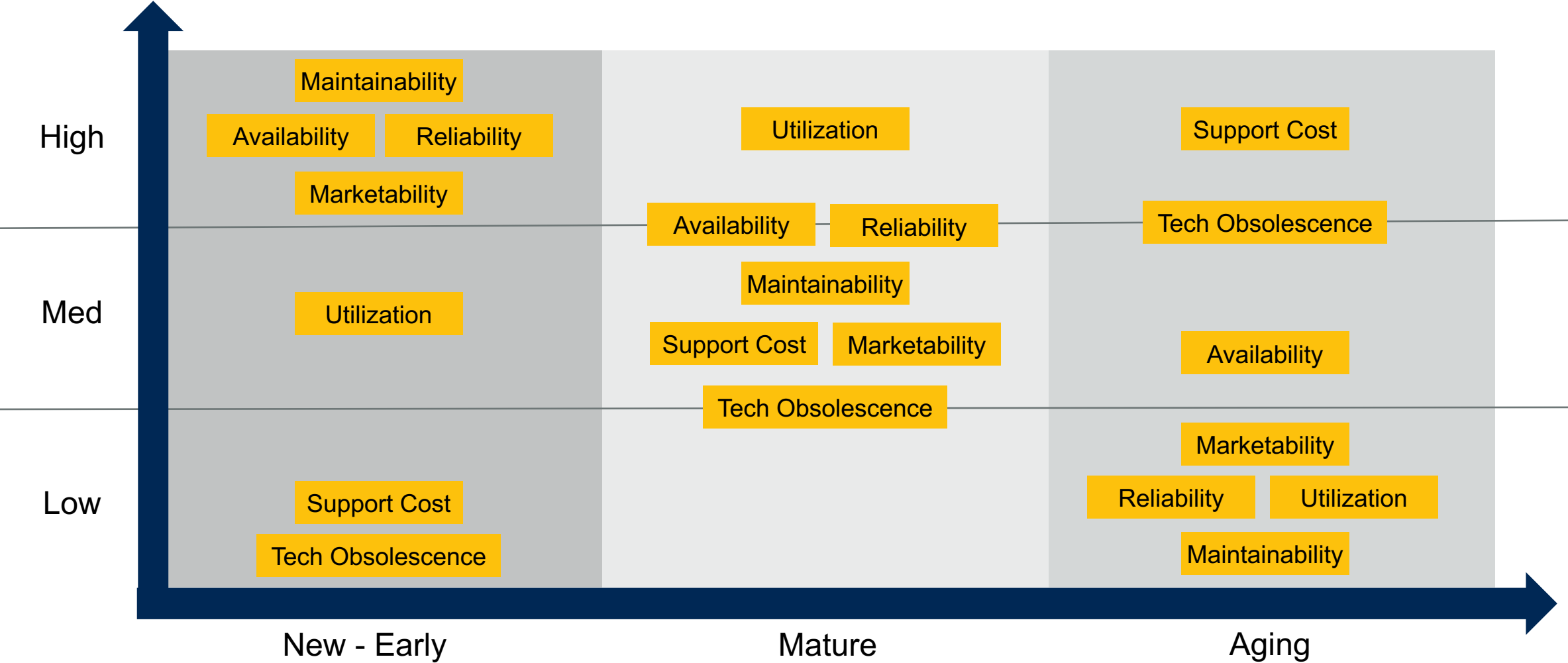
# Key questions should be considered regarding the expected value over the investment lifecycle

- ① How long will the asset be required?
- ② Will technology force a shortened lifecycle?
- ③ Can others benefit from the availability of this asset?
- ④ Will the capabilities of the asset be outgrown? When?

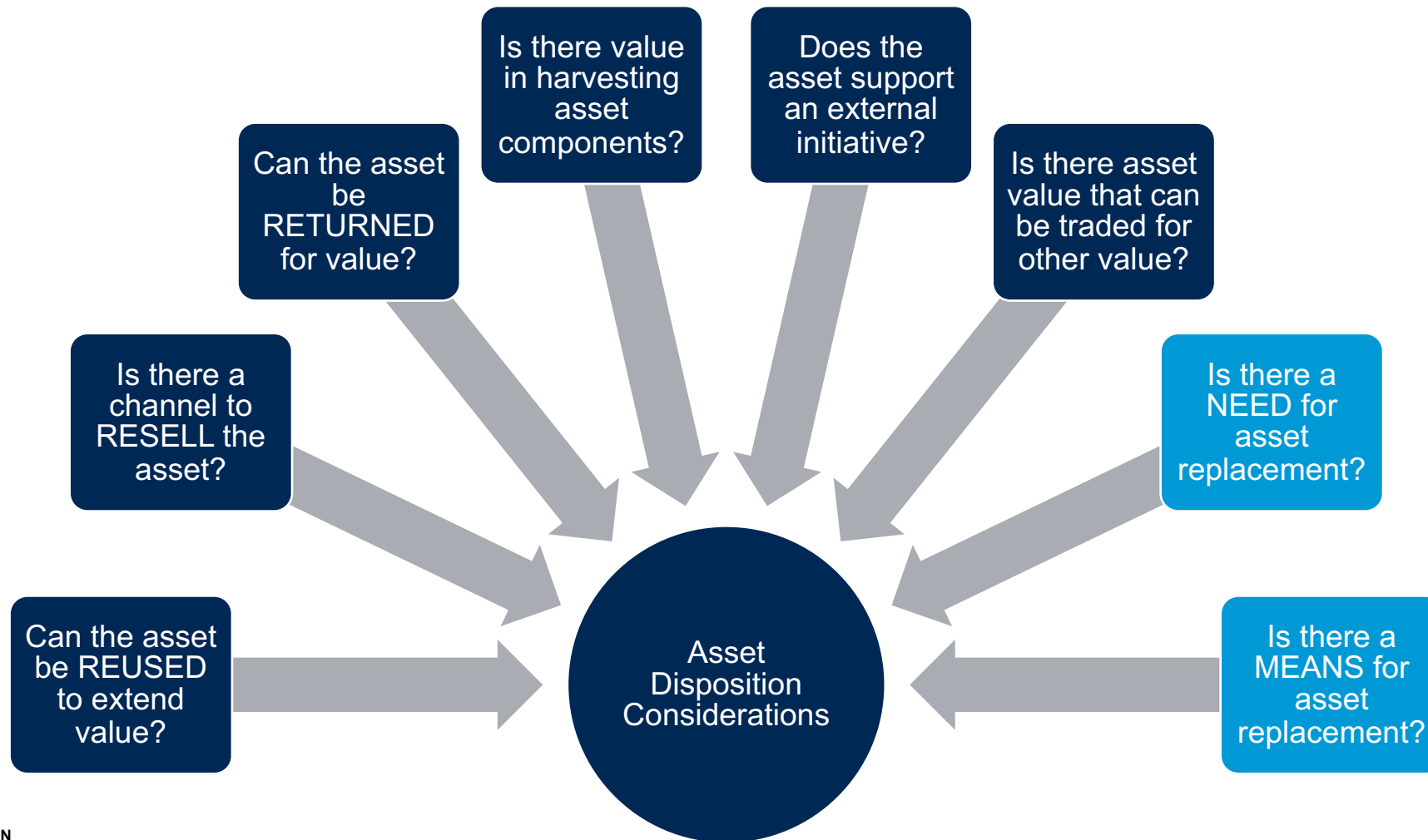
# Organizations tend to overlook or simplify long term support costs for the asset

- ① What will it cost to maintain the asset?
- ① Do support costs escalate or accelerate with usage or age?
- ① When will support costs exceed value delivered by the asset?
- ① Is support dependent on external experience / resource?
- ① Will supply chain complexity drive increased support costs?

# An asset management strategy should have phases during the lifecycle that inform decisions



# Asset disposition actions can support, and are influenced from, various directions



# Summary

- An asset management solution can be effective in tracking and evaluating long term value realization from assets. However, like all IT systems, sound and proven underlying business process is the foundation for success.
- Leading organizations are increasing asset management effectiveness by developing a lifecycle strategy for an asset which includes:
  - An understanding of the asset capability, requirements, and utilization plans
  - Engaging in innovative ideas that expand and maximize value realization from an asset
  - Identifying phases of an asset and using KPIs that drive decisions on how to manage assets most effectively during the entire lifecycle
- Assets are investments to be thought of in the same manner as traditional cash investments – returned value, capability that will be used, and ‘profitable’ regardless of how profit is defined.