

What Is The Life Time Value Of The Spare?

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Abstract

Although after-sales support provides an edge but it is notoriously difficult to manage, compared to manufacture of products. As we analyze, the spare parts provide the important 'material' aspect to this support. We propose the concept of 'Life Time Value' of a spare which shall account for all the flows over the lifetime of the investment. It shall reflect the contribution to profitability. The spares management application utilizes the attributes of a spare to ascertain this value. The concept has been illustrated with respect to the problem of spare resource allocation in an Indian railway engine maintenance shed.

Key words: Spare Parts, After-sales support, Valuation, Performance-based contracting.