

Lifetime Cost of Equipment Ownership

Richard Portman, Managing Director of Kosme UK urges packaging processors and manufacturers to consider Life Cycle Cost analysis of equipment ownership:

In today's present climate, bottlers and packagers are under increasing pressure to reduce costs. With new products constantly being introduced onto the market buying new processing equipment to keep up with fluctuating demand is difficult. The initial outlay to buy new equipment means that many manufacturers and producers are having to carefully choose the right equipment at the right price, which often means the cheapest option is sometimes the only option. However, over the lifetime of that equipment you can end up spending more than you would have on the more expensive alternative.

Companies today must take into account the Life Cycle Cost (LCC) analysis of the equipment. The objective of LCC analysis is to choose the most cost effective approach so that the lowest long term cost of ownership is achieved. Additional to the purchase price, other cost considerations include: design, development, production, operation, maintenance, support and final disposition of the equipment.

A low-priced piece of equipment, might appear initially attractive, but may be excessively costly to operate over its lifetime or its useful life might be unusually short, making the item of less economic value than other alternatives in the long term. The technique of LCC analysis allows the buyer to see beyond the simple acquisition cost of a piece of equipment and evaluate the long term economic impact. LCC analysis helps justify equipment and process selection based on total costs rather than the initial purchase price.

Procurement costs are widely used as the primary (and sometimes only) criteria for selecting equipment. This simple criteria is easy to use but often results in bad long term financial decisions. Procurement costs tell only one part of the story and equipment maintenance tells a substantial part of the rest, as equipment failure cost is often many times larger than procurement costs.

The biggest worry for any major drink and food producer is downtime. Any line that stops in peak season will affect the profitability of producers with immediate effect. Similarly, a 12 or 24 hour stoppage can wipe out a month's profit on that line instantly. Therefore, reliability is essential in any selection of equipment to ensure the lowest long term cost of ownership. By adding expected equipment failure rates and renewals from a financial viewpoint makes LCC analysis much more precise.

According to a survey conducted by the Packaging Machinery Manufacturers Institute (PMMI), packaging lines are running at an average of only 72.3% efficiency. With changeover speed and downtime being key reasons for line stoppages. Processors are looking cost effective for solutions to these efficiency-depleting obstacles.

As processors are put under increasing pressure, more and more reliance is being put onto packaging and processing machines. With many production houses running 24/7 to keep up with demand, reducing downtime is one of the most effective ways of achieving profitability in today's highly competitive marketplace and ensure their LCC analysis is optimised.

Kosme UK is a leading supplier of high quality turnkey filling, labelling, packaging and conveying machines. The company's key element of success is that they are one of the few suppliers of non-UK manufactured machines to maintain a team of dedicated UK based engineers who are able to respond, within a few hours, to any emergency and carry a wide range of spare parts with them in their vehicle, so the vast majority of needs can be met as soon as the engineer arrives. This means that equipment downtime can be minimised.

Kosme can offer a service and maintenance contract as part of the total initial cost. By offering this service, customers can logically work out potential downtime and maintenance costs and build this into their LCC analysis.

When purchasing labelling equipment it is difficult to decide which format is suitable, the ever changing trends of label dress application means wet glue may be ideal at one time but then hot melt may be in favour a year later, this makes LCC analysis of such equipment harder to predict.

Kosme UK offers a cost effective solution - modular machines, which can easily be converted to perform a number of functions using interchangeable attachments.

Modular machines offer users different 'plug-and-play' options for a single base station chassis, which incorporates a transport carousel mechanism. The chassis can be equipped with any number of label applications - to offer the best solution for any production requirements as modular construction also accommodates retrofits – allowing for potential changes in labelling applications for future projects.

The ability of modular machines to adapt easily has obvious LCC benefits. New modules can be purchased when needed, at a fraction of the price of a completely new stand-alone machine. Furthermore, there are significant savings to be made in respect to the labour costs involved, compared to adapting production lines using traditional methods. There is also the significant issue of lost production time, which can be acute with complex changes to more traditional stand-alone machinery production lines.

Kosme UK works in partnership with the Krones Group. This close working relationship means that Kosme benefits from Krones' research, development and manufacturing facilities ensuring that its equipment is reliable and durable.

Additionally, Kosme's high investment on research and development and a global 24/7 service support, all backed up by highly qualified and experienced engineers means that machines provide value for money throughout their lifetime operation. Hopefully as more processors and manufacturers consider the life cost of machines that they will also realise that there are other factors which effect the overall cost of machinery.

John Ruskin, a poet and social theorist who shaped the esthetic values of Victorian England summed up the principles of LCC in a poem aptly named 'Looking for Value' - "When you pay too much you lose a little money, that is all. When you pay too little, you sometimes lose everything..." - his principles are still true today..

For more information about Kosme UK's machines and their bespoke bottling and packaging equipment please call 01283 523713 or visit www.kosme.co.uk

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Notes to Editors:

Kosme UK is a leading supplier of bespoke, turnkey filling, labelling, packaging and conveying machines for the packing and bottling industry. Working with customers, from comprehensive design, to project management, Kosme's goal is to fully satisfy the most demanding of packaging and bottling requirements. The company also offers extensive, on-site technical support and servicing with a dedicated UK team and parts for a rapid response to customer needs.

Kosme UK is an independently run part of the Kronos Group, in close working partnership with Kosme's research, development and manufacturing facilities in Italy.

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