

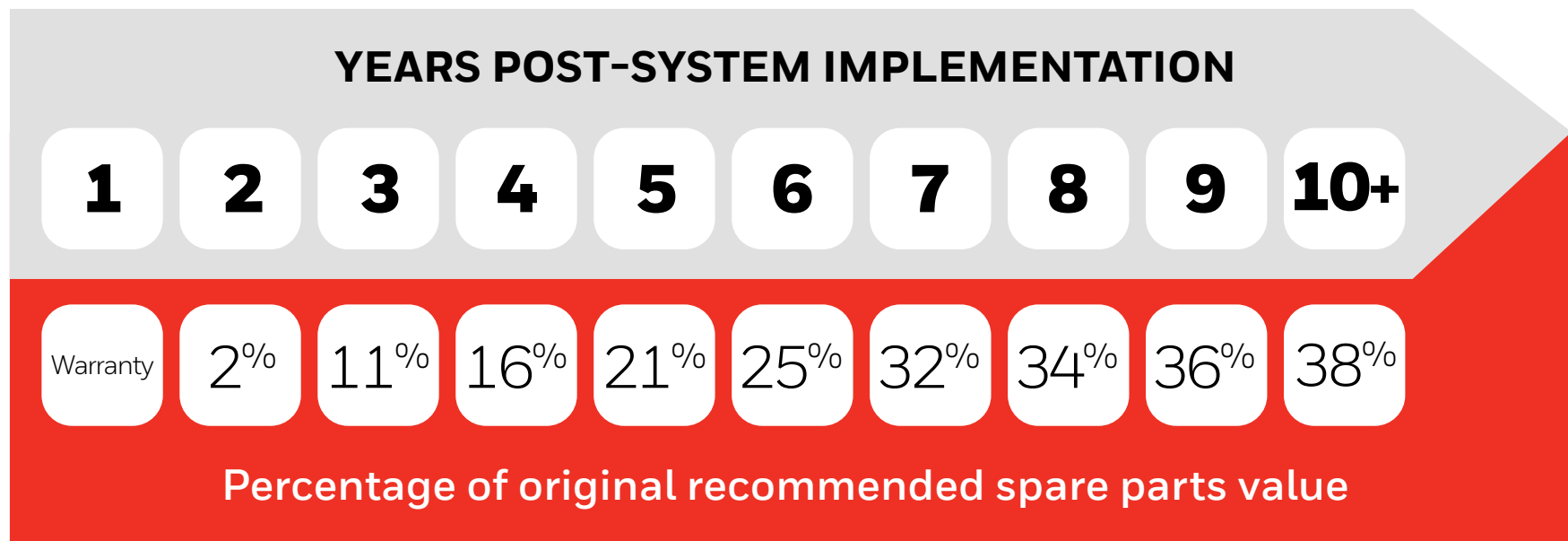
# HOW TO BUDGET FOR SPARE PARTS COSTS



Here's a simple yet field-proven method for estimating how much to budget for spare parts inventory for **material handling equipment (MHE)**.

The manufacturer will recommend a list of critical MHE spare parts to keep in your maintenance inventory. For a typical \$10 million distribution and fulfillment (D&F) system, the initial spare parts list could cost **\$200,000**. Use the chart below to estimate future spare parts costs:

- In the second year after system implementation, budget about **2%** of the initial inventory cost. In our example, that's **\$4,000** for spare parts.
- As your MHE ages, anticipate that maintenance costs will grow.
- By the sixth year after system implementation, budget about **25%** of the initial spare parts inventory cost. In our example, that's **\$50,000**.



*Note: this method accounts only for routine spare parts costs. Be sure to also budget an amount for contingencies to cover repairs for unexpected equipment damage or accidents.*