



CaseStudy

► **Eve Group**

Background/rationale

Now a member of Babcock International Group, Eve was founded in 1930 as J.L.Eve Construction. It has evolved from its beginnings as a traditional rigging contractor to become a specialist provider in the network infrastructure field.

Eve's activities in the telecommunications sector range from site acquisition, design, construction, installation and commissioning, to maintenance and broadcast. It is an approved supplier to the major network owners and operators in the UK on major infrastructure projects.

To fulfil these projects in line with industry requirements and to the highest standard, it has fully trained teams of qualified people. In turn, to support these teams and deliver the projects, Eve needs high-quality test and measurement equipment which is well maintained.



...speed of reaction, flexibility and ongoing support are key factors...

In the installation environment, speed of reaction, flexibility and ongoing support are key factors. The competitive background is also highly dynamic.

This case study focuses on how Eve Group, a leading provider of turnkey network infrastructure services, deploys its electronic test equipment in a way that provides the best combination of cost, flexibility and control.

It summarises how Eve and Microlase developed a solution for the effective provision of test equipment, why that solution was adopted and what the outcomes were.

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The Challenge

For an organisation in the installation sector, lowering the cost of test procedures and reducing the need to hold and maintain equipment can make the difference between success and failure. The effective use and close control of the costs of test equipment are critical.

Eve's challenge five years ago, as it is today, was to ensure that its teams had the right equipment in the right place, in the right condition.

As their projects related to wireless infrastructure for the major operators, Eve would typically work within an overall contract environment. However, exact numbers, locations and timescales were not always determined. In addition, field based teams were spread over a wide variety of locations, sometimes remote.

Therefore the ability to react quickly and scale inventory up or down to deal with peaks and troughs was essential. Given a climate of increasing uncertainty in the market, as existed in 2001, this long-term flexibility was critical.

Added to this was the headache of managing the ongoing maintenance and support of the equipment as well as reducing the risk of obsolescence, keeping the ability to refresh the technology cost-effectively at future points.

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Cash-flow and financial planning were also important. The ability to preserve cash rather than committing it all in advance, coupled with the ability to spread costs and maintain flexibility to reduce them, could make a great difference to the company's overall financial position.

The requirement was thus to find a partner who could supply the equipment with the right financial solution but also provide a well managed service that fitted in with Eve's requirements.

The equipment requirement was focused on Anritsu S331 and S251 (A, B & C) Cable & Antenna Analysers (Sitemasters) as well as equipment to support their use, notebook computers for example.

In reviewing how the requirement could be solved, it was clear that outright purchase would not provide the best solution. Apart from up-front funding, this would not help in dealing with peaks and troughs in demand or deal with the risk of obsolescence. Equipment bought for one project may not be suitable for another project or a later contract where alternative equipment was specified. What about ongoing maintenance? Who would do this and how much time and resource would it take, distracting from core activities?

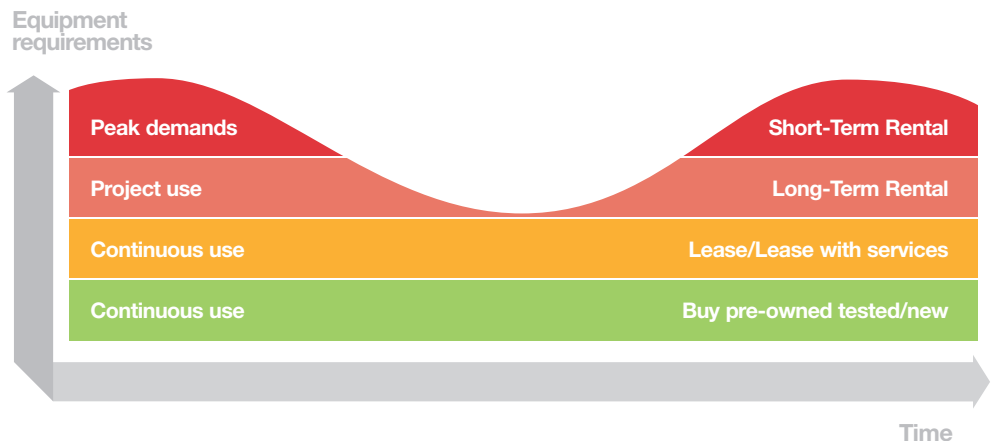
At one point five years ago, for example, an investment of almost £400,000 was required for new equipment, without ongoing visibility of use. This cash would have to be funded and diverted from other activities.

Moreover, the true costs of ownership can add considerably to the cost. Writing assets off over five years for example, would result in profitability being impacted each year with the costs of calibration, any repairs, and the associated labour and management overheads.

When the costs of managing the asset, such as tracking, procurement and sourcing, stock control, and warehousing are added as well as the ongoing financing cost of the capital each year, the final figure is likely to approach double the original purchase price, £800,000 in this case.



The average use rate of general purpose test and measurement equipment is about 15 to 20%.



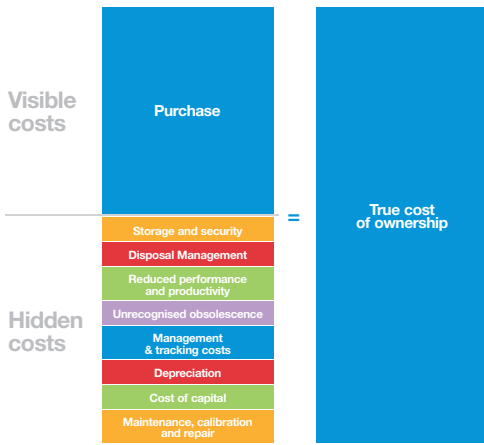
Solution proposed and implemented

Given its experience in test equipment management since 1979, (with its competencies in the management of test assets; bespoke systems; technical support; logistics organisation; the people and the know-how) Microlease was well placed to work with Eve to develop the right solution.

Following an assessment of the circumstances Eve was operating in, Microlease proposed a managed long-term rental solution. This would address the key factors in the following way:

- No need to find the capital sums required, thus freeing up cash for key investments.
- Securing low rates by committing to a longer period than standard rental.
- Spreading cost over time, making it an operational rather than capital cost, thus improving cash-flow.
- De-risking the supply of equipment so that if requirements changed there was still flexibility to add, reduce or upgrade equipment, thus eliminating the long term problem of obsolescent equipment.

- Ensuring that the equipment supplied was maintained to the highest order, always calibrated and that there was downtime cover provision when needed.
- Receiving a high level support capability as needed, including a 24hr technical helpline.
- Working with a supplier that understood Eve's technical and service requirements to become an extension of the Eve team. This included managing the requirement for laptops as well as test equipment.



When the costs of managing the asset, such as tracking, procurement and sourcing, stock control, and warehousing are added as well as the ongoing financing cost of the capital each year, the final figure is likely to be around double the original purchase price.

Having agreed the solution, Microlease went about the task of delivering it. With Microlease's core competencies being in test equipment management and provision, a team and structure was put together to support Eve's requirement.

Equipment was purchased and allocated from Microlease's vast inventory and delivered to Eve. A set of internal processes and systems were put in place (including the allocation of reserve units for downtime cover) to ensure that Eve received a service that would really add value to their operation and ensure the best response to projects.

As an extra service, Microlease also allocated a dedicated Customer Support Administrator to track the status of all equipment, manage required calibration dates and proactively work with Eve to ensure the most efficient deployment of equipment.

Most importantly, all staff at Microlease were trained to understand the specific service to be delivered and its importance to Eve. For example, Applications Support and Technical Support personnel were briefed to Eve's requirements and assigned to work to deliver to them.

Management reports and customised invoicing were also provided as part of the package to ensure the greatest clarity and control of the whole process between the two organisations.

The solution provided was not a static one. Within a climate of continuous improvement, it has evolved to keep up with the dynamic requirements of the market that Eve operate in. For example, Microlease has organised changes requested in the durations for which the equipment is required.



Outcomes

The results? The outcome for Eve is an integrated package of equipment supply and services, which means that looking after the test equipment requirement is not a headache. Instead, it is a source of competitive advantage.

By being able to ramp up and down as required, use the latest technology and having a support structure, as well as managing the cost outside of capital requirements, Eve effectively has total control in this area.

The right equipment is available at the right time without the risk of obsolescence. In many instances, as part of the long-term approach Microlease applies to its relationships, it has bought equipment in advance of requirement so that Eve has been able to benefit from immediate availability of equipment from stock at Microlease's risk.

Other examples of equipment support include the sourcing of the Anritsu MS8609 Digital Mobile Radio Transmitter Tester for Eve's Installation & Commissioning department and a new technology refresh on all laptops used by Eve.

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Over 80 Eve teams are currently supported by Microlease. The relationship between the two companies is very close and the Microlease team is valued by Eve's staff. As a result Eve has not had to invest in additional resources to manage this area (especially beneficial as the management of equipment is not the organisations' core business).

A Service Level Agreement documenting the expectations of service delivery has been created between both parties to ensure there is the basis for review and continuous improvement. This is discussed in regular bi-monthly reviews.

Any impact on Eve's cashflow has been minimised and the risks of investment have been drastically lowered. Also, Eve has not experienced the unseen corresponding costs of ownership which impact many organisations.

Moreover there has been no need for expensive storage and maintenance, replaced instead by the reporting of management information from Microlease so that Eve is always in control and aware of the status of any equipment requested.

According to John Desz, Technical Support Manager at Eve "I am convinced that without deploying the strategy that we have in using long-term rental for our equipment requirements we would not have been as successful as we have been in winning and retaining business with our customers.

Being able to rely on efficient equipment supply from a partner who understands our needs is a critical success factor. We have limited the distraction and are able to react to the market in a way that gives competitive advantage especially over rivals that have purchased equipment. This is the future – equipment use should be managed in this way."



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About Eve Group

Eve is a leading service provider to the Telecommunications and Power network owners and operators in the management of their network assets. Eve is a member of Babcock International Group, an asset management business that provides support services to the defence, rail, civils, power and telecommunications sectors. It is FTSE 250 company that is quoted on the London Stock Exchange in the support services sector (EPIC:BAB).

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About Microlease

Microlease is the European market leader in electronic test equipment rental. Operating since 1979, the company has offices in the UK, the US, and across Europe, serving customers in a variety of industry sectors including Communications and Aerospace & Defence among others. Users can rent, lease, buy, sell or get services for equipment, with over 3,000 different types available from all the leading manufacturers.

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