Boeing And British Airways Launch Global Airline Inventory Network

The Boeing Company and British Airways announced today that the airline will be the first launch customer for the Global Airline Inventory Network℠, an innovative new service in which Boeing will manage British Airways' supply chain for expendable airframe spare parts used in its fleet of Boeing airplanes. This includes parts from Boeing as well as other suppliers.

An expendable part is one that is typically replaced rather than repaired after use. These range from fasteners and brackets to floor panels and airplane skins.

The Global Airline Inventory Network℠ is designed to attack costly inventory inefficiencies in the airline industry, where both airlines and suppliers incur extra costs because of duplicated distribution channels and unnecessary inventory levels. The airline industry worldwide consumes $7 billion a year in airframe spare parts to support Boeing airplanes. Industry studies indicate that for every $1 of spare parts inventory, airlines spend an additional 35 cents on inventory holding and materials management costs.

"This new service will add value for our airline customers and their suppliers while also creating value for Boeing. Everyone benefits," said Tom Schick, executive vice president of Boeing Commercial Aviation Services.

A More Efficient Supply Chain

The Global Airline Inventory Network℠ offers both airlines and their suppliers a more efficient supply chain with cost savings for all participating members.

Highlights of the network are:

- Boeing will be responsible for the purchasing, inventory management and logistics for an airline's expendable airframe parts.
- All airframe parts will be "forward deployed" by Boeing at or near the airline's point of use. Depending on the part, forward deployment may be to a Boeing regional distribution center or to the airline's facility.
- Boeing and other suppliers will own the airframe parts that are forward deployed until they actually are used. An airline will only pay for parts as it uses them, significantly reducing the airline's inventory holding costs.
- A supply-chain management system will serve as the "command center" for the network, monitoring airline inventory use and allowing suppliers to better forecast demand and plan production accordingly.
- The existing Boeing spare-parts distribution system, with seven regional distribution centers around the world, will be the backbone of the network. In addition to Boeing proprietary parts, these distribution centers will now stock other suppliers' parts as well, creating a single parts-distribution channel.

Excellent Strategic Fit

Both Boeing and British Airways described the Global Airline Inventory Network℠ as an excellent strategic fit for each company.

"British Airways continually seeks to become more efficient to better serve our passengers," said David Richardson, general manager of Supply Chain Management at British Airways. "One key to our strategy is streamlining the supply chain process. To continue implementing that strategy, we determined that the innovative Global Airline Inventory Network could play its part in this. We expect to see significant cost savings and better performance levels as a result of the efficiencies we'll create in the supply chain."

Richardson added, "We have done a lot of analysis of the airline industry's supply chain, and it's clear there is tremendous inefficiency across the board. This means there is also plenty of opportunity for airlines and their suppliers to save costs. The Global Airline Inventory Network is the right approach to attack the waste that's out there."

"At Boeing, our strategic plan includes profitably growing our business by offering our customers new value-added products and services," Schick said. "Based on our knowledge of the airplane fleet, our worldwide spare parts distribution system, our logistics expertise, and our existing relationships with industry suppliers, Boeing is in a unique position to offer the Global Airline Inventory Network to our customers."

Schick said the network will help airlines to reduce costs and free up significant amounts of capital that has been tied up in inventory holding, enable suppliers to benefit from the efficiencies that come from better demand forecasting and using a single distribution channel, and allow Boeing to grow its spares business while increasing inventory turns and improving asset utilization.

"We could not have developed the model for the Global Airline Inventory Network without the active participation of British Airways and another launch customer who will be announced later this year," Schick said. "We worked with them to understand their requirements and to develop the underlying business processes to make sure the Global Airline Inventory Network fully met their needs. In particular, we'd like to take this opportunity to thank David Richardson and his team for their support. British Airways is an airline industry leader in supply chain management and their input was invaluable."

Richardson noted, "There will naturally be some job changes at British Airways, but all people currently employed in this area will continue to work for British Airways."

Implementation Begins This Month

Implementation of the Global Airline Inventory Network[SM] will be phased in at British Airways beginning this month. Once the network has been successfully implemented with the launch customers, Boeing will begin offering the new service to additional airlines.

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