Boeing And Japan Airlines Sign Contract For Global Airline Inventory Network

The Boeing Company and Japan Airlines (JAL) announced today that JAL will be the launch customer for the Global Airline Inventory Network[SM].

The network is an innovative service in which Boeing will manage the airline's supply chain for roughly 70,000 expendable airframe spare parts used in its fleet of Boeing airplanes. Expendable parts are typically replaced rather than repaired after use. This includes parts from Boeing as well as other suppliers.

The Global Airline Inventory Network, or GAIN, 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.

"We are very excited by the Japan Airlines decision to participate in our network," said Mark Owen, Boeing vice president of Spares. "Their reputation is among the best in the world and we believe this makes a strong statement about the value of our offering. JAL's assistance and expertise, which helped to evolve the GAIN offering, was a key element in successfully launching the program."

Highlights of the network are:

- Boeing will be responsible for the purchasing, inventory management and logistics for an airline's expendable airframe parts.
- 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 or consumed. An airline will only pay for parts as it uses them, significantly reducing the airline's inventory holding costs and improving their return on assets.
- A supply-chain management system will serve as the "command center" for the network, monitoring airline inventory use and allowing suppliers to improve demand forecasting and plan production accordingly.
- To support the program, Boeing is developing a new computing system that will integrate supply and consumption information from the airlines and their maintenance facilities.

Japan Airlines said it is enthusiastic about the prospect of reductions in inventory combined with improvements in customer service.

"We see great merit in the Global Airline Inventory Network[SM] because of the substantial cost savings possible through the enhanced efficiency of the supply chain," said Norio Ogo, managing director and senior vice president of JAL Maintenance and Engineering. "Cost consciousness has never been so significant, and we stand to gain considerably from this new part-management program."

According to Mark Owen of Boeing, "Our goal is to grow our spares business by offering customers an opportunity to significantly streamline their inventory methods. Boeing has unsurpassed knowledge of the engineering, systems, and fleet-wide spare parts usage for our aircraft. These core competencies, coupled with our logistics expertise and desire to meet our customers' needs, ensure successful implementation of the network. We also are working with several European and domestic operators to expand the program."

The network will help airlines to reduce costs and free up significant amounts of capital that has been tied up in inventory holding. It will also enable suppliers to benefit from the efficiencies that come from better demand forecasting and using a single distribution channel. Boeing will benefit from the growth in its spares business while at the same time increasing inventory turns and improving asset utilization.

Implementation of the first phase of the Global Airline Inventory Network[SM] at JAL will begin in April 2001. Boeing plans to grow the network over the next few years by adding customers while maintaining service levels and ensuring customer satisfaction with the program.

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