Boeing And Japan Airlines Open Global Airline Inventory Network Operations Center

The Boeing Company and Japan Airlines (JAL) recently celebrated the opening of the new Global Airline Inventory Network^{SM}(GAIN)operations center in Tokyo. JAL is the network's launch customer.

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

"The opening of this new office marks an important milestone for this program," said Bill Krebs, director of GAIN for Boeing Spares. "We believe this service will provide JAL with significant cost savings through the enhanced efficiency of the supply chain."

The new operations office will function as the "command center" for Japan Airlines' requirements for GAIN services. The center will allow suppliers to improve demand forecasting and production planning by monitoring inventory usage and providing forecasting and ordering information in a timely manner.

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

GAIN is designed to attack costly inventory inefficiencies in the airline industry, where both airlines and suppliers incur unnecessary costs because of duplicated distribution channels and excess inventory levels. The airline industry worldwide consumes $7 billion a year in airframe spare parts to support Boeing airplanes.

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 the supply chain 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, reducing the airline's inventory holding costs and improving their return on assets.
- 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.

The network will help airlines reduce costs and free up capital that has been tied up in inventory holding. It also will 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.

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. The second GAIN operations office is scheduled to open at KLM Royal Dutch Airlines in fourth-quarter 2001.

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