



# Lead Time is Money

## How SPEC2000 Cuts PO Lead Times

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**FINNAIR**



Menu

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### Standard Shipping Rates for U.S. Deliveries

- Delivery within 3 to 5 business days

Product Category	Per Shipment	Per Item
Books	\$3.00	\$0.99

### Two-Day Shipping Rates for U.S. Deliveries

- Delivery within 2 business days

Product Category	Per Shipment	Per Item
Books	\$9.99	\$1.99

### One-Day Shipping Rates for U.S. Deliveries

- Delivery within 1 business day

Product Category	Per Shipment	Per Item
Books	\$12.99	\$4.99

Total shipping cost = "Per Shipment" cost + "Per Item" cost. (If the "per item" cost is listed in terms of price per pound, you can check the weight on the item's detail page.)



# Introduction

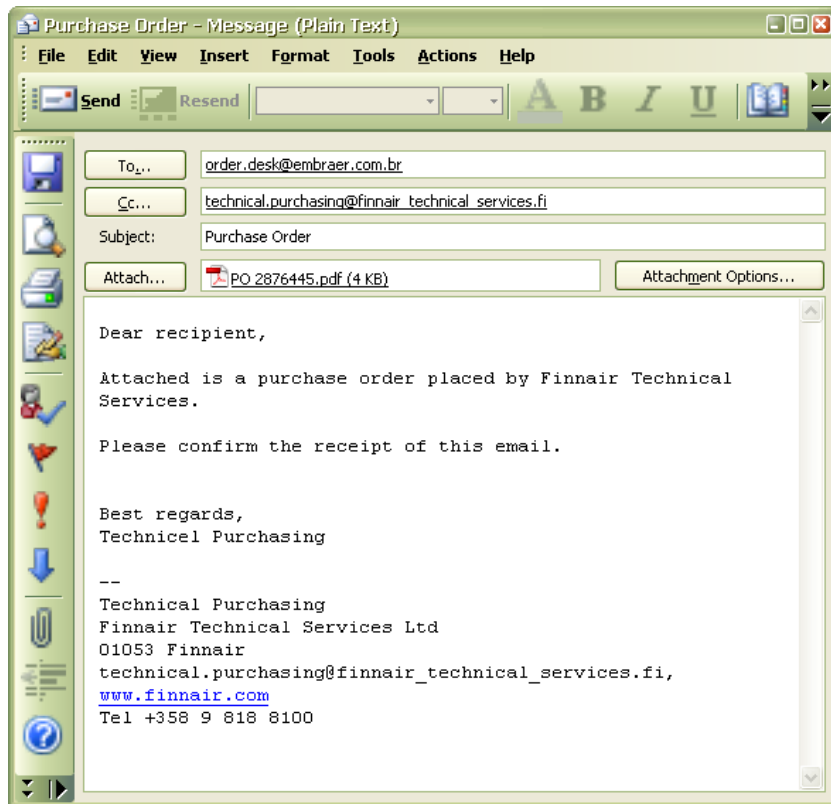
- SPEC2000 Implementation
  - Typically justified by purchase process savings
  - Lead Time based savings are seldom considered
  
- Purchase Process Savings
  - Driven by PO Line Volume
  - Difficult to Estimate and Measure
  
- Lead Time based Savings
  - Driven by Consumable Stock Value
  - Difficult to Estimate but Easy to Measure

# Background

- Case Finnair Technical Services
  - The captive MRO provider of Finnair Group
  - Wide capability: line, base, component, engine, 3rd party
  - Finnair fleet: 16 regional, 33 short-haul, 15 long-haul
- Problems with an ERP implementation
  - Without SPEC2000 from Dec 2007 until Nov 2009
  - Empirical data to compare email and SPEC2000 orders
  - A significant difference was discovered between the Lead Times of SPEC2000 and email orders

# Examples of Email and SPEC2000 purchase orders

✦ email order



✦ SPEC2000 order

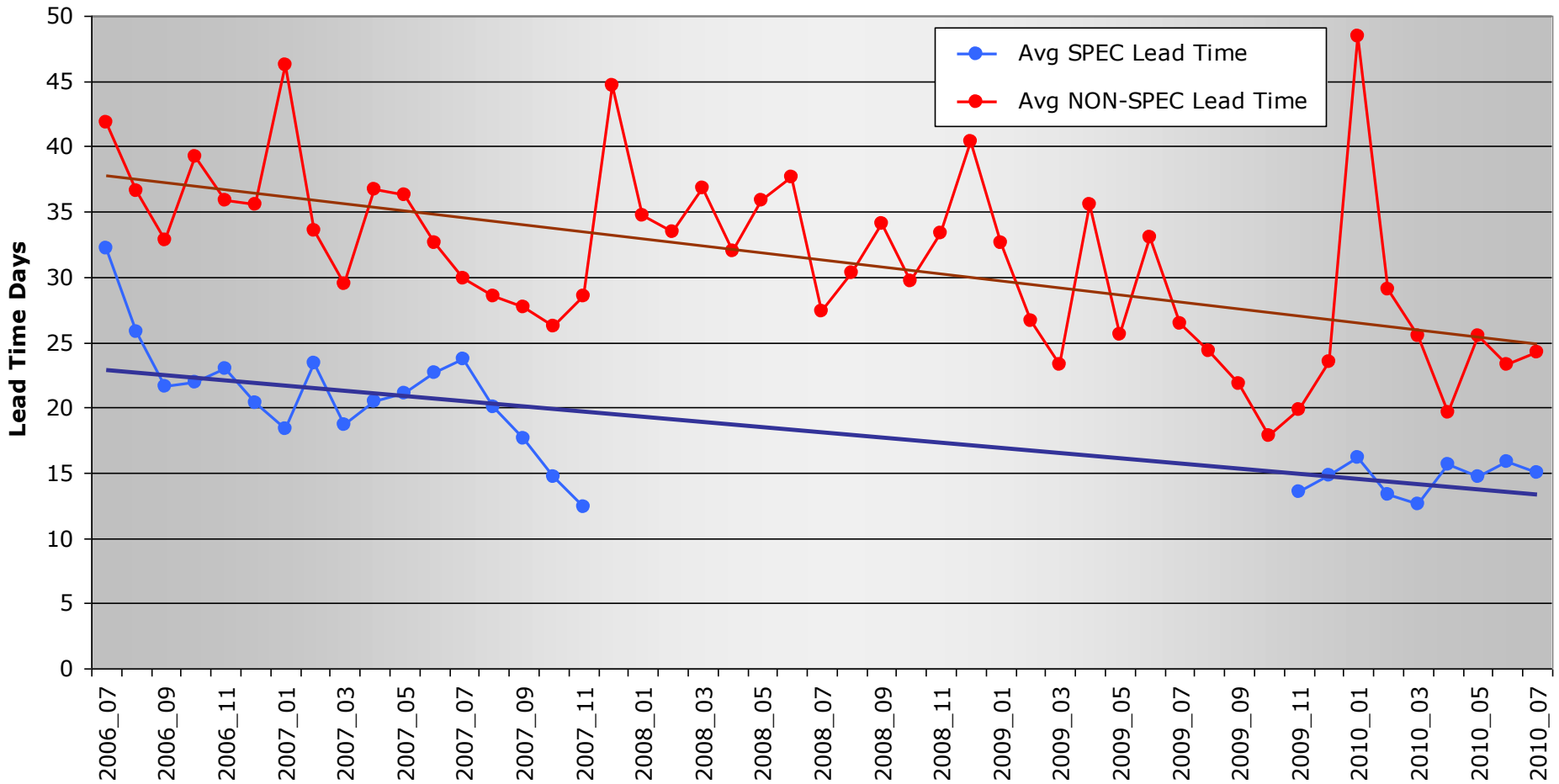
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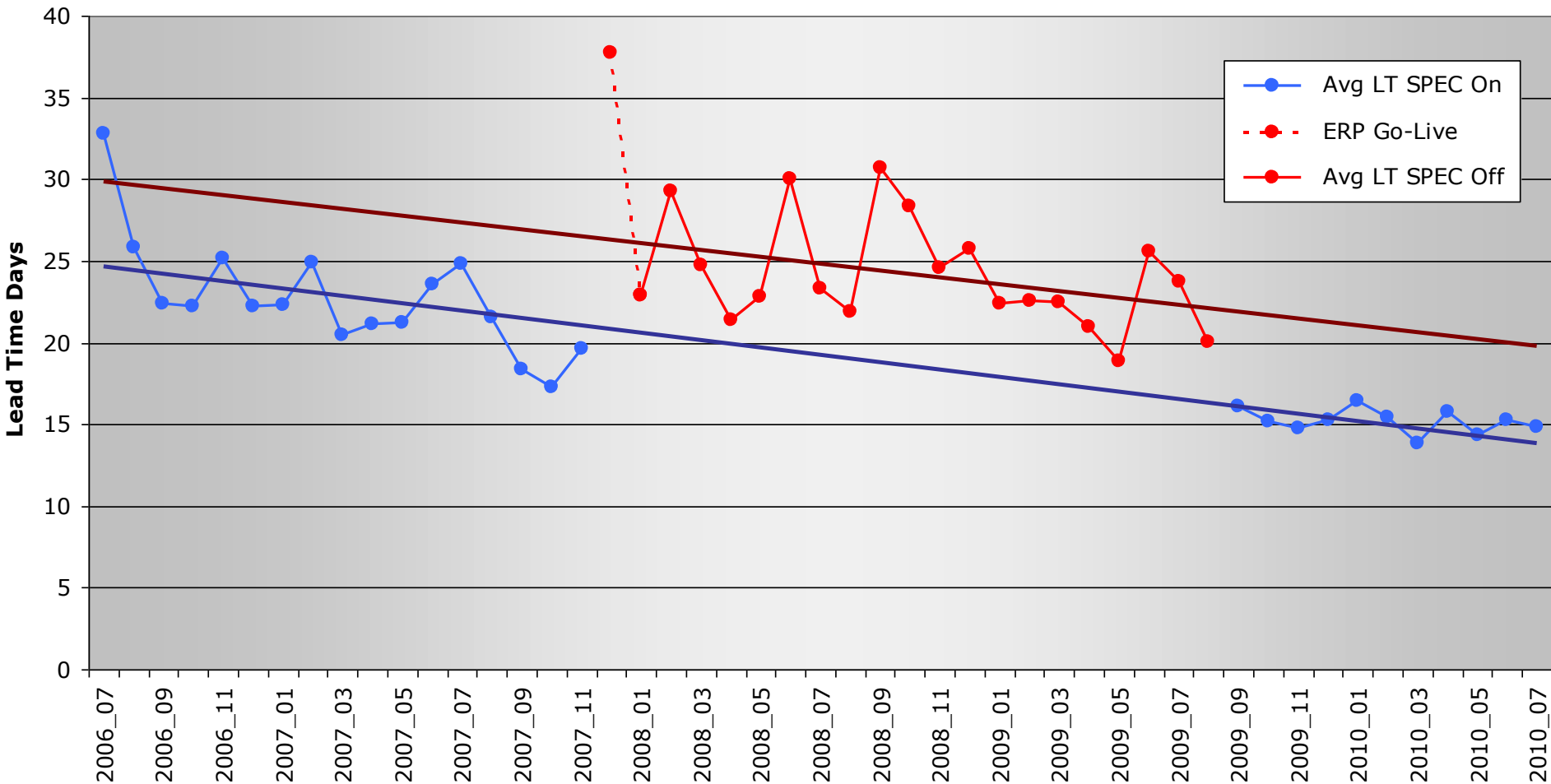
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340-256-501-0/100/EA/F/29051/PSN 11034/  
BOL 8888KUHNE/BLS 0/BLW 0KG/  
CAR DIV0000/BOX 56641550/  
SWT 26X20X18CM0.48KGM/MFR F0301/ICC 841191

# Average Lead Time for PO Lines All Consumable Parts



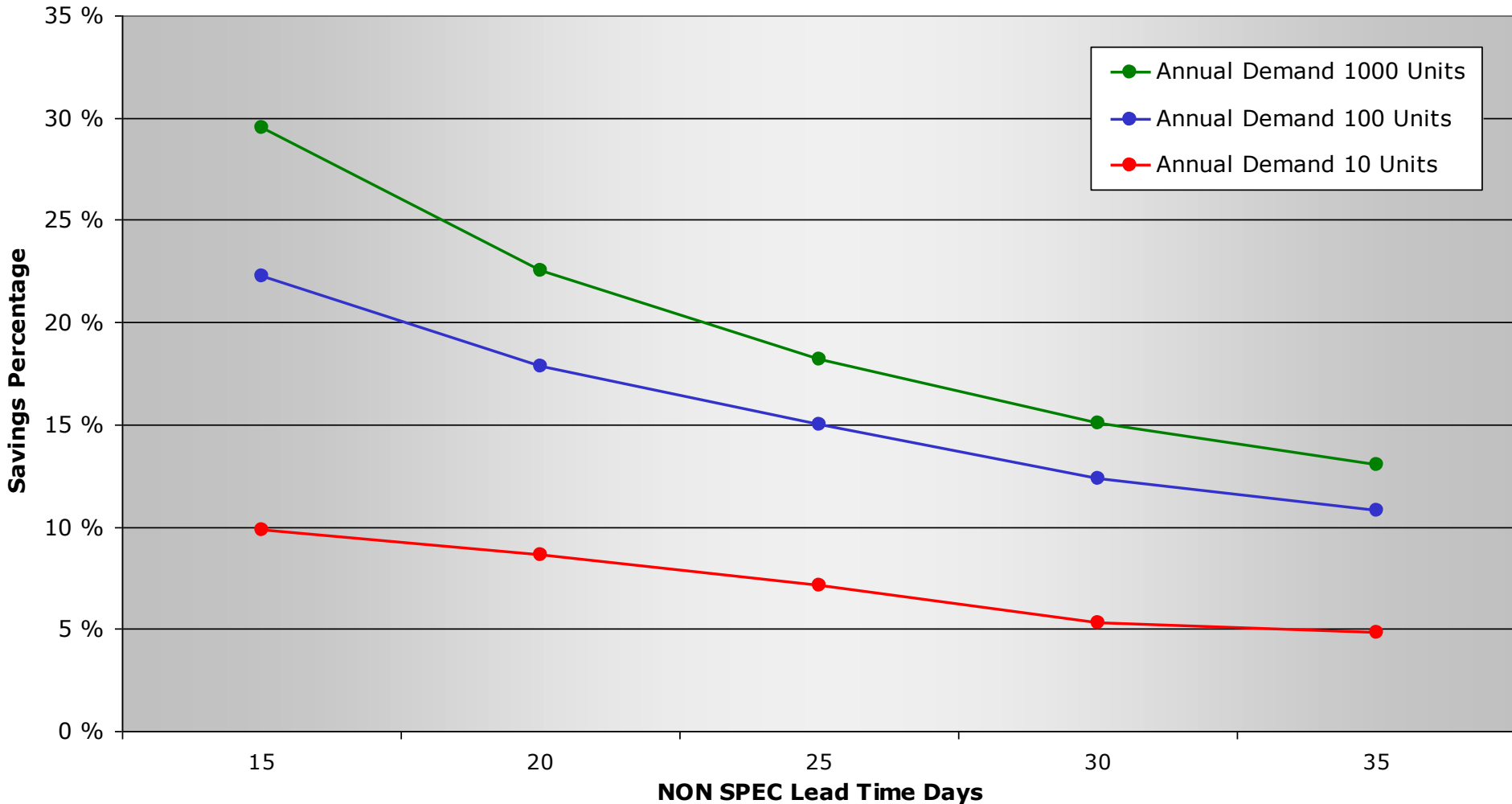
# Average Lead Time for PO Lines SPEC2000 Parts Only



# Factors behind the Lead Time Difference

- Direct data transfer from one system to another
- No delays
  - No preparation time before sending
  - No waiting in the vendor inbox
  - No typing in the vendor system
  - The same delays absent from the PO exceptions
- No typos between the systems
  - Typos happen from time to time
  - May be very time consuming, e.g. wrong P/N, need date
  - Increases average Lead Times and Lead Time variation

# Cost Savings of 5 Days Shorter Lead Time



# An Example of SPEC2000 Cost Savings

- ▶ Annual process savings of \$90k justify SPEC2000
  - ▶ 15000 PO lines per year
  - ▶ SPEC2000 coverage 40% of PO lines
  - ▶ Process savings of \$15 per PO line
- ▶ Annual savings of \$130k in Inventory Holding Cost
  - ▶ SPEC2000 cuts the PO lead times from 25 to 20 days
  - ▶ Annual Inventory Holding Cost 12% of the Stock Value
  - ▶ SPEC2000 coverage 40% of part numbers
    - ▶ Fast moving Stock \$5M, SPEC Savings 18% = \$43200
    - ▶ Moderately moving Stock \$5M, SPEC Savings 15% = \$36000
    - ▶ Slow moving Stock \$15M, SPEC Savings 7% = \$50400