



IBM Global Services

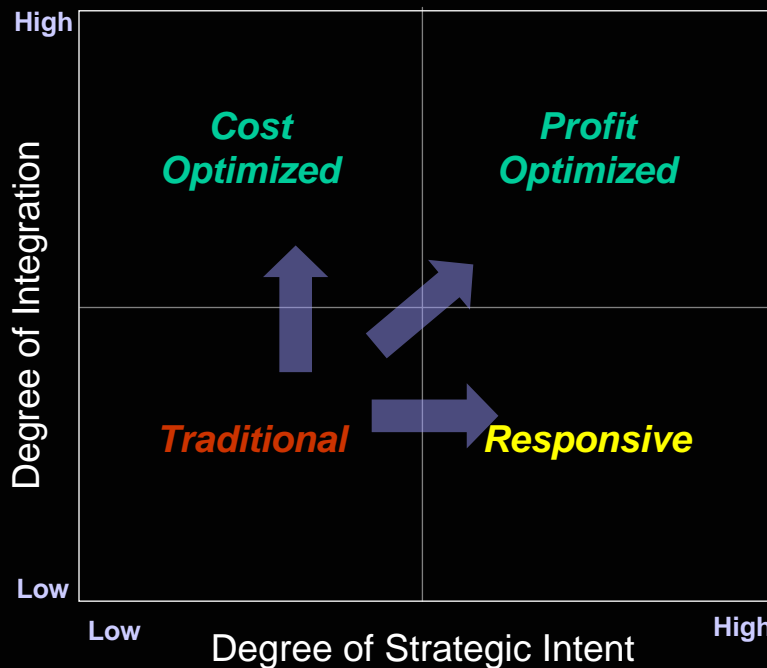
IBM Service Parts Management

Dr. Grace Lin, **Global Sense and Respond Leader**
IBM Business Consulting Services
Member, IBM Academy of Technology
VP Practice, Informs
Email: gracelin@us.ibm.com

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Several forces are challenging the sustainability of the traditional model of service management

Forces of Change

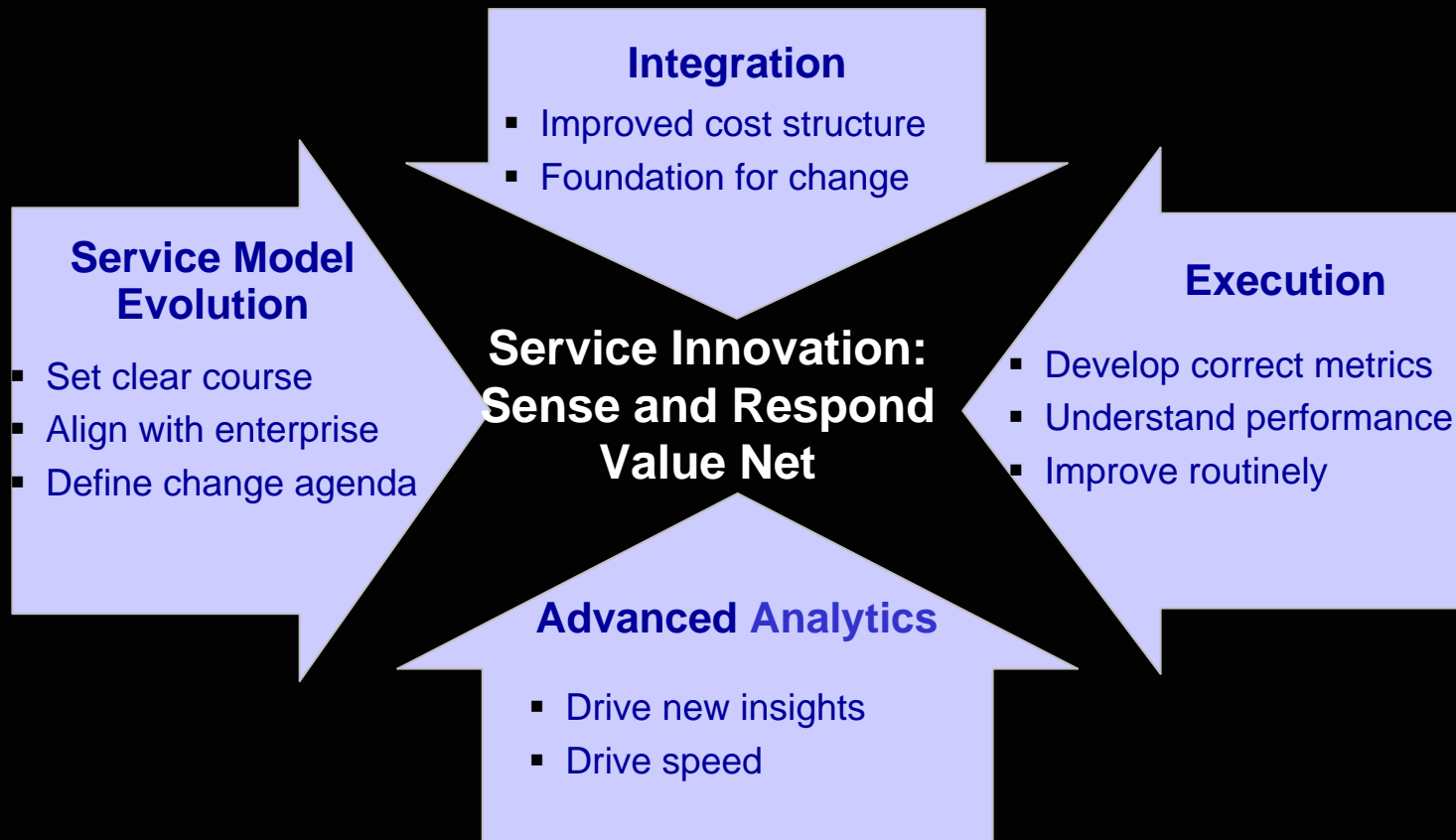


- Warranty impact
- True expense to revenue
- Missed profit potential
- “Service” and the Competitive Equation
- Customer satisfaction
- Rich target for optimization

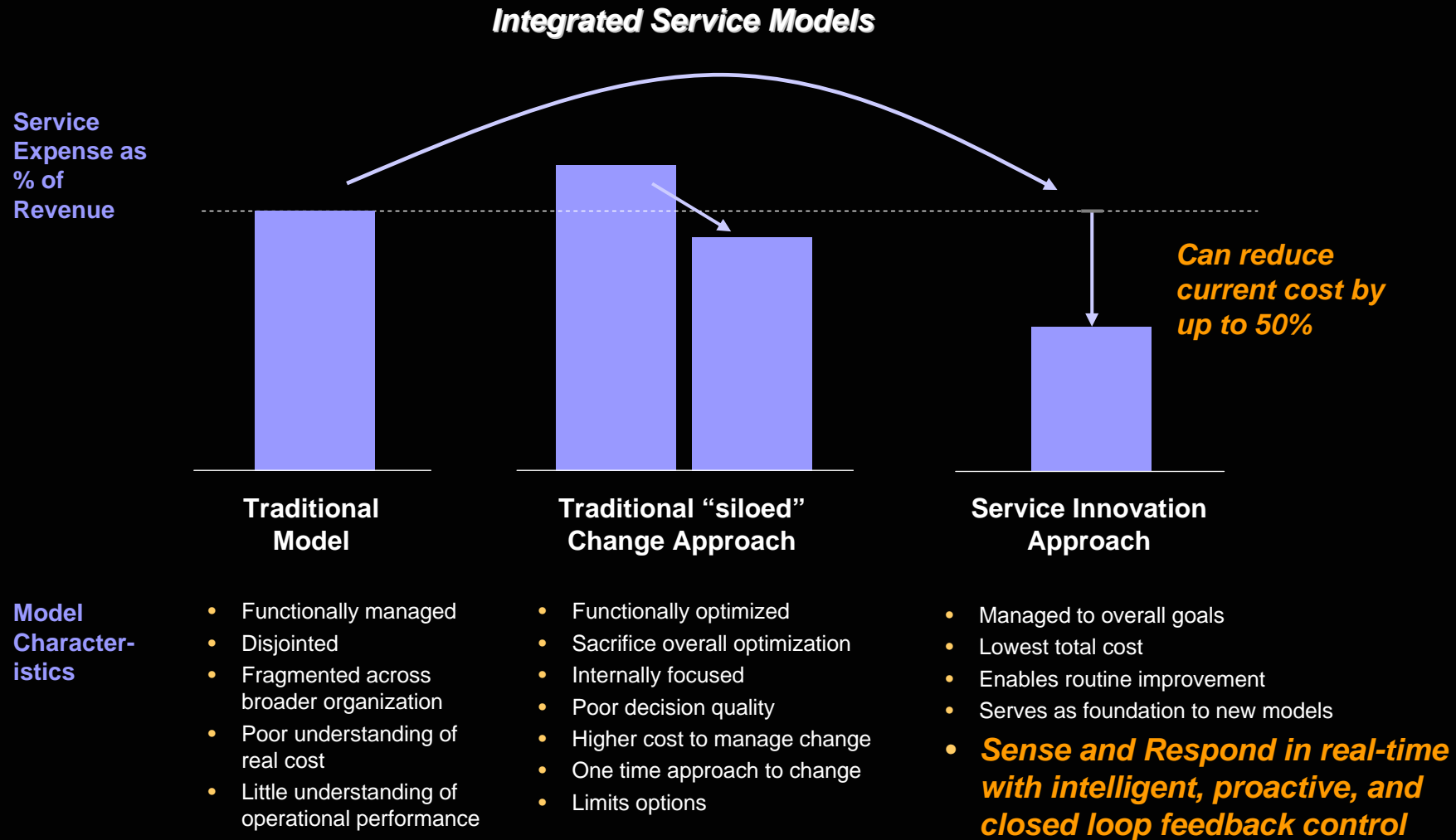


In many cases the traditional service model is impeding the CEO agenda

Service Innovation: The Path to Change



We have learned that applying innovation to the service function drives transformational change



IBM service business model is based on the tight integration of the core processes across the value chain including Spare parts management and customer supply chain, and closed-loop feedback mechanisms

Global characteristics

5 worldwide Control Towers and physical hubs
 300 main stock locations WW (170 IBM countries)
 Over 250.000 Service Part numbers for IBM and OEM
 Service ranging from: On site - 2/4hrs - Next Day
 Network availability 7x24x365
 Over 1400 WW parts suppliers
 One WW IT system and 2 GEO legacy IT systems
 Back-up for international discontinuity issues
 30 million movements a year both Forward and Reverse
 Network > 90% executed by Logistic Service Providers

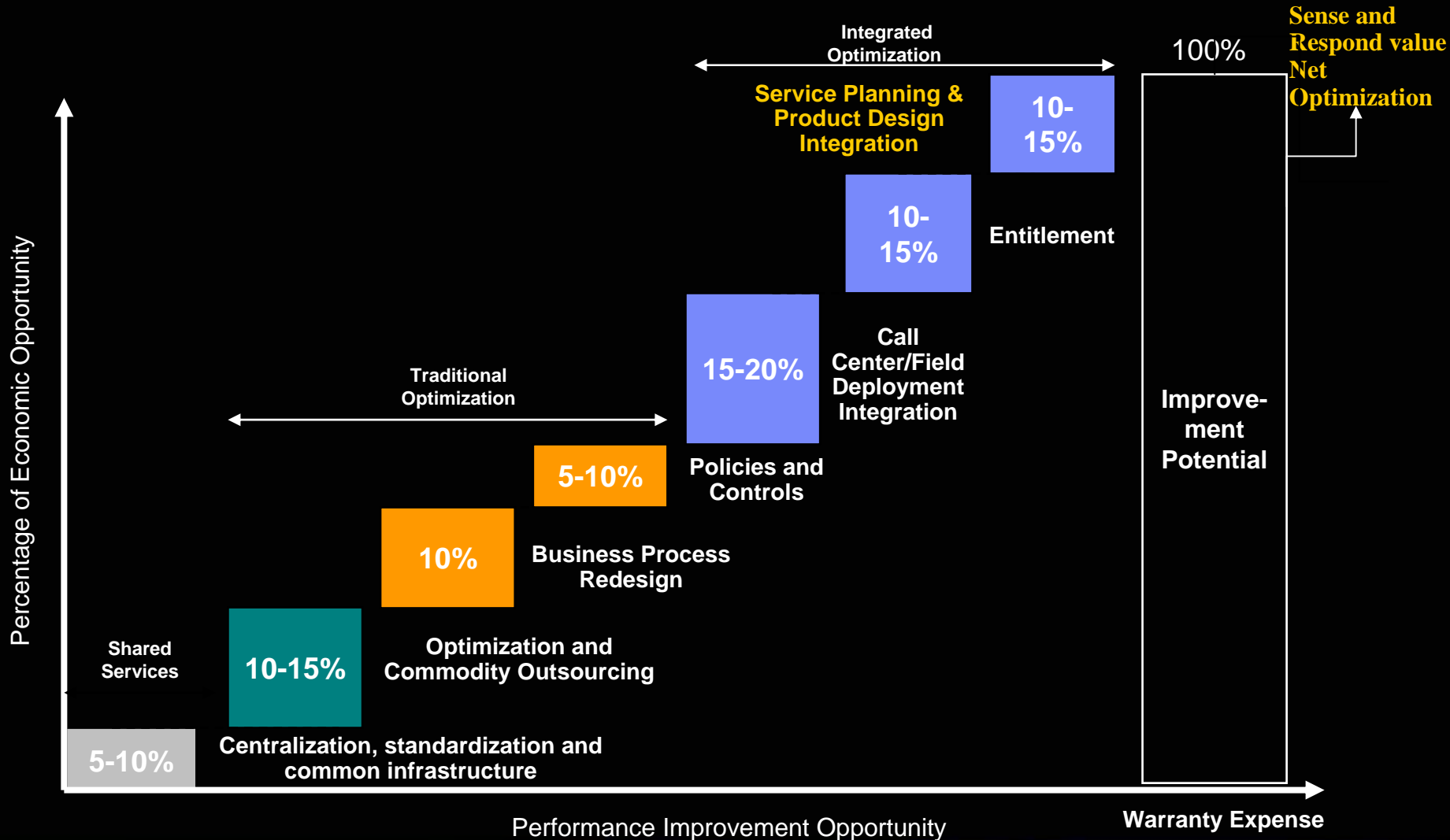


- Warehousing
- Import / export
- In- outbound transportation
- Customer delivery
- Customer returns

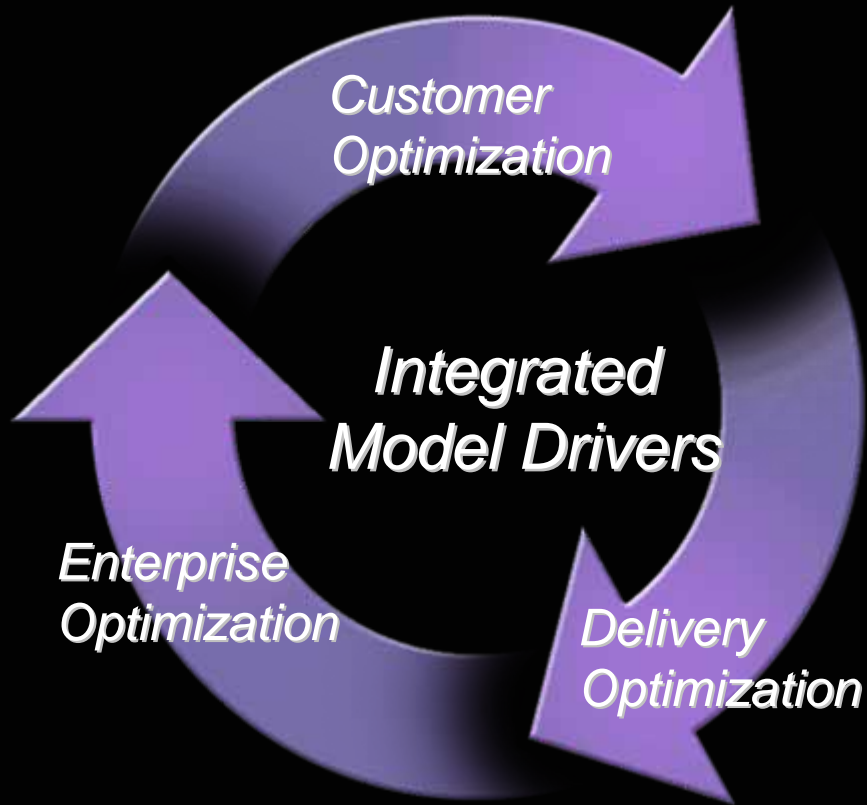
Current US Environment

More than 5000 IBM Field Maintenance Service Personnel
 Respond to >3.4M Customer Service Requests Per Year
 Receive 1.4M Calls Electronically Per Year
 IBM & Selected OEM Hardware Products
 Service 24x7, 365 Days Per Year
 350k Parts Stocking Units – 4.2M Parts Movements Per Year
 About 1500 Remote Support & Service Planning Personnel
 About 2M Calls Remotely Assisted Customer PD
 50% of the Problems Cleared Remotely

Over 50% of the opportunity will remain unaddressed if one simply automates the traditional model



Integrated Service Model Value Drivers



- **IBM Service Parts Solutions: Seamless e2e process leveraging IBM systems & process blueprint, Execution outsourced to multiple service partners**
 - **Inventory Initiatives**
 - **Integrated Product Development process**
 - maximizing parts and inventory management by building a common supply, warranty and reutilization plan at the earliest possible stage of product development
 - **Reverse Logistics**
 - **Single Global Parts System**
 - Data Management,
 - Time Based Field Planning. Field Forecast
 - Central Planning: Forecast
 - Order Management / Procurement

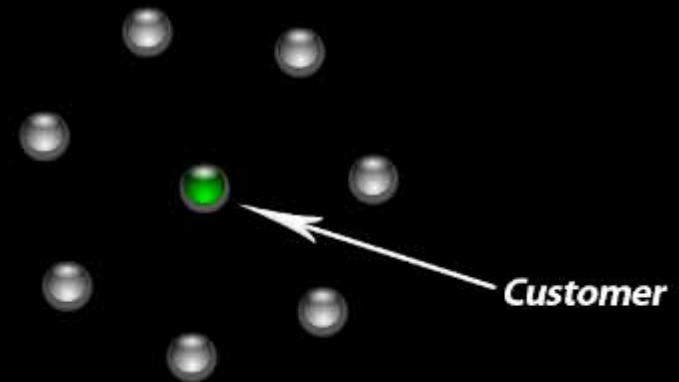
Inventory Initiatives

- Air Support Program
 - high dollar low usage parts
 - build 2 – 4 hour network
- Inventory Deployment Strategy
 - Network Neighborhood: Time based Inventory Optimization Proprietary Software
- OEM Direct Ships
- Commodity Logistics Center
 - IBM retains only same day inventory for high volume commodities
- Inventory and policy Reduction Program
 - Policy Reduction
 - Order Line Management
 - Excess Disposition
- Global Parts System

IBM Neighborhood Process

Service Regions are created around the Customer

Pass-up demand is converted to Pass-Along demand



Service Delivery criteria is Time-Based

Inv. Transport & Handling Costs Influence Stock Decision

Regional Containment is Improved

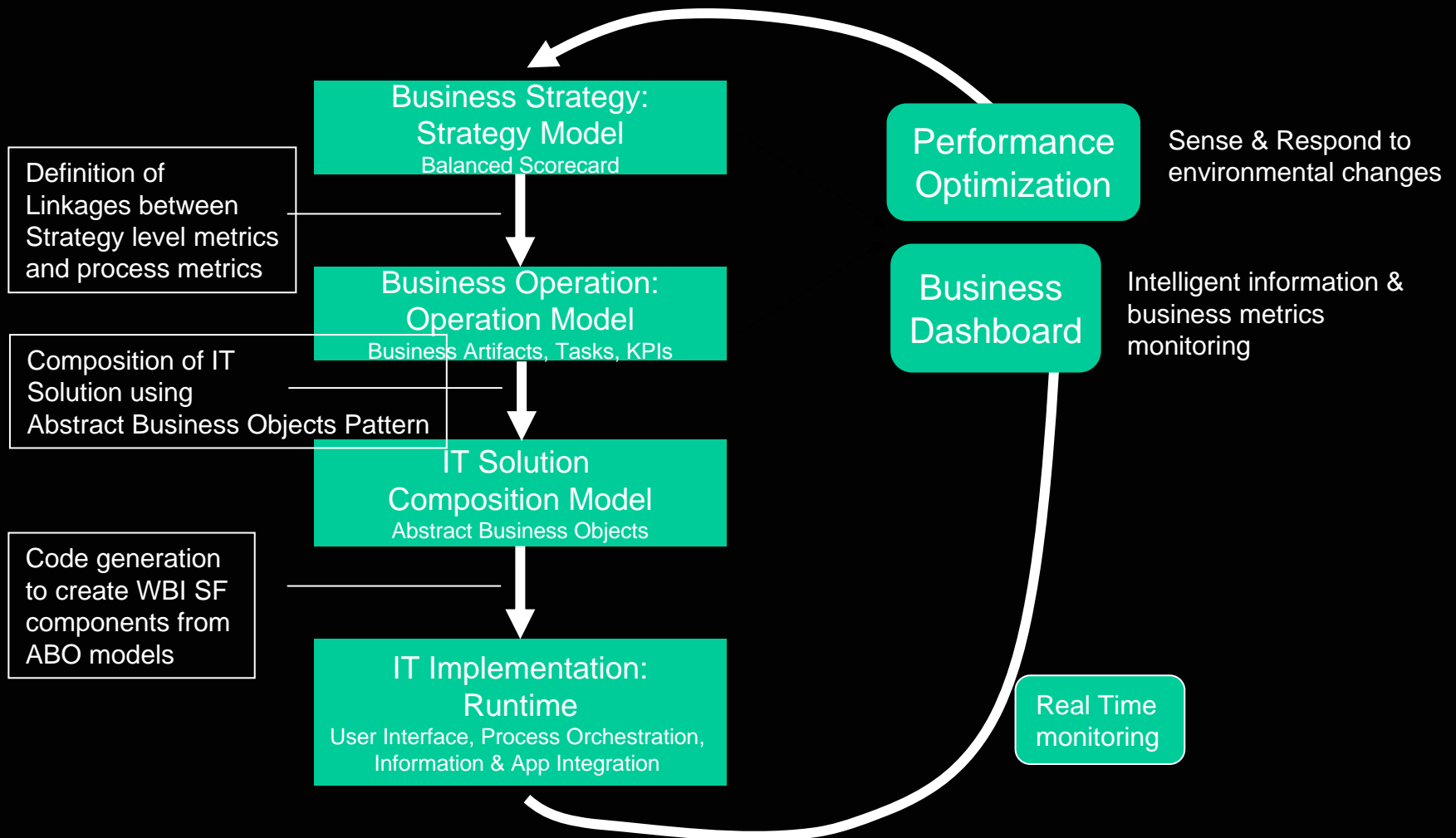
Business Critical Objectives

Engineering Vitality	Parts Delivery Time (PDT)				
	2 Hour	4 Hour	Same Day	Next Day	2nd Day
V1: Hard Down	85%	90%	95%	97%	
V2: Degraded		80%	90%	97%	
V3: Safety Impact				90%	97%
V4: Preventative Mnt.				70%	90%
V5: Non-Vital				50%	80%

Engineering classifications used to determine part failure impact on machine performance

Service Group

Sense and Respond Model Driven Business Transformation



Service Parts Management



➔ **Sense and Respond Value Net
Service Parts Management**