

CASE 12-2

Jetstream Aerospace

Jetstream Aerospace is a world leader in the design and manufacture of innovative aviation products and services for the regional, business, and amphibious aircraft markets. These product lines encompass such internationally known and respected names as Thrifty regional jets and Luxuria business aircrafts. Jetstream's global workforce of over 20,500 associates delivered 532 aircrafts in 2009, generating over \$9 billion in sales and creating a remarkable \$11.7 billion order backlog.

The company also provides aftermarket support for its aircraft. When an airplane breaks down or a critical part needs to be replaced, the clock begins ticking, eating valuable time and profits as the aircraft sits idle. Therefore, Jetstream's customers need fast response when an aftermarket service part is needed. Speed, in many cases, is more important than cost to the customers, who want their aircraft flying instead of sitting on the tarmac.

Unfortunately, Jetstream has struggled to provide the level of delivery service demanded by its customers. After a series of acquisitions, the company's service parts business was fragmented and disjointed, resulting in declining service quality and a threat to customer loyalty. Also, the customer base has become much more global, meaning that the company has to quickly deliver service parts to nearly every region of the world.

The topic of aftermarket service received great attention during the quarterly update meeting of senior management. Jetstream's CEO opened the discussion with, "Folks, I'm getting pretty tired of answering emails and calls from our major customers about planes being grounded because a \$75 repair part wasn't in stock or couldn't be tracked during delivery. We need to figure out this problem and fix it fast. The goal is to regain our number one ranking in customer service by restoring market confidence in the Jetstream aftermarket support capabilities. Now get busy!"

The brainstorming session among the senior managers became very animated. They quickly outlined a set of goals: improved service quality, improved aftermarket parts velocity and responsiveness, and sustained sales growth and profitability through cost containment.

Next, a heated discussion ensued about how to accomplish the goals. A few managers advocated the idea of centralizing all customer service operations in Amsterdam at the company's distribution center near Schiphol International Airport. The rationale was greater inventory availability and better control of order fulfillment. Others wanted to set up a network of company-owned regional distribution facilities in Jetstream's major market areas. They felt that this arrangement would reduce distance to customers and improve order cycle times. A lone dissenter brought up the idea of hiring a 3PL to help manage the aftermarket business. Her justification was simple: "Jetstream is a great manufacturing company but is challenged in the service parts area. Why don't we bring in a company with logistics expertise to optimize our service parts business?"

The response was immediate and negative from the other managers. They felt that Jetstream was highly capable and didn't need outside help. "A few tweaks here and there are all we need," said the Director of Customer Relations.

Some of the most interesting cases in the book are those that show how companies have used 3PLs to reduce costs and improve service. These cases are: The Souths, Wal-Mart, Fed Ex, etc.

CASE QUESTIONS

1. Discuss the pros and cons of using third party logistics for Jetstream's aftermarket services.
2. What potential risks exist with outsourcing the aftermarket services to a 3PL?
3. What transportation and logistics activities should be considered for outsourcing in this situation? Should Jetstream obtain these services on a tactical or strategic basis?
4. What type of 3PL service provider is best suited to meet Jetstream's aftermarket service goals? How should they go about finding a capable 3PL service provider?