

# DIFFERENTIATED SERVICE LEVELS IN SPARE PARTS SUPPLY

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## Differentiation is a complex undertaking when being applied consistently in a modern supply chain

- The supply chain from Wärtsilä **spare parts offers complexity**
- Various **customer groups** have different requirements
- Today we translate customer classification and order situation into a **priority level**
- The priority level leads to various **differentiations along the supply chain**
- Some differentiation cannot be done in the existing business model – but requires a **new business model**
- The implementation of the differentiation took **time**
- During the implementation we **learned** a lot
- Q&A

## The supply chain from Wärtsilä spare parts offers complexity

**Wärtsilä Corp.**  
 2015 sales of EUR  
 5,029 million with  
 an EBIT rate of  
 12,2%

**Wärtsilä Services**  
 2015 sales were  
 EUR 2,184 million

In one year:

We serve  
**12,000**  
 customers

**115,000** deliveries,  
 constituting more than  
**900,000** line items, packed  
 in **134,000** packages

**117,000**  
 unique  
 materials  
 stored

**16,300,000** kg  
 of parts, with a total  
 volume of **46,700** m<sup>3</sup>



**66,700**  
 export  
 declarations

Around **106,000**  
 transportations making use  
 of roughly **150** carrier  
 modalities

We maintain  
 knowledge  
 and skills for  
**350** different  
 product types

...One promise  
 to the customer:

We offer expertise,  
 proximity, reliability and  
 responsiveness for our  
 customers in the most  
 sustainable way

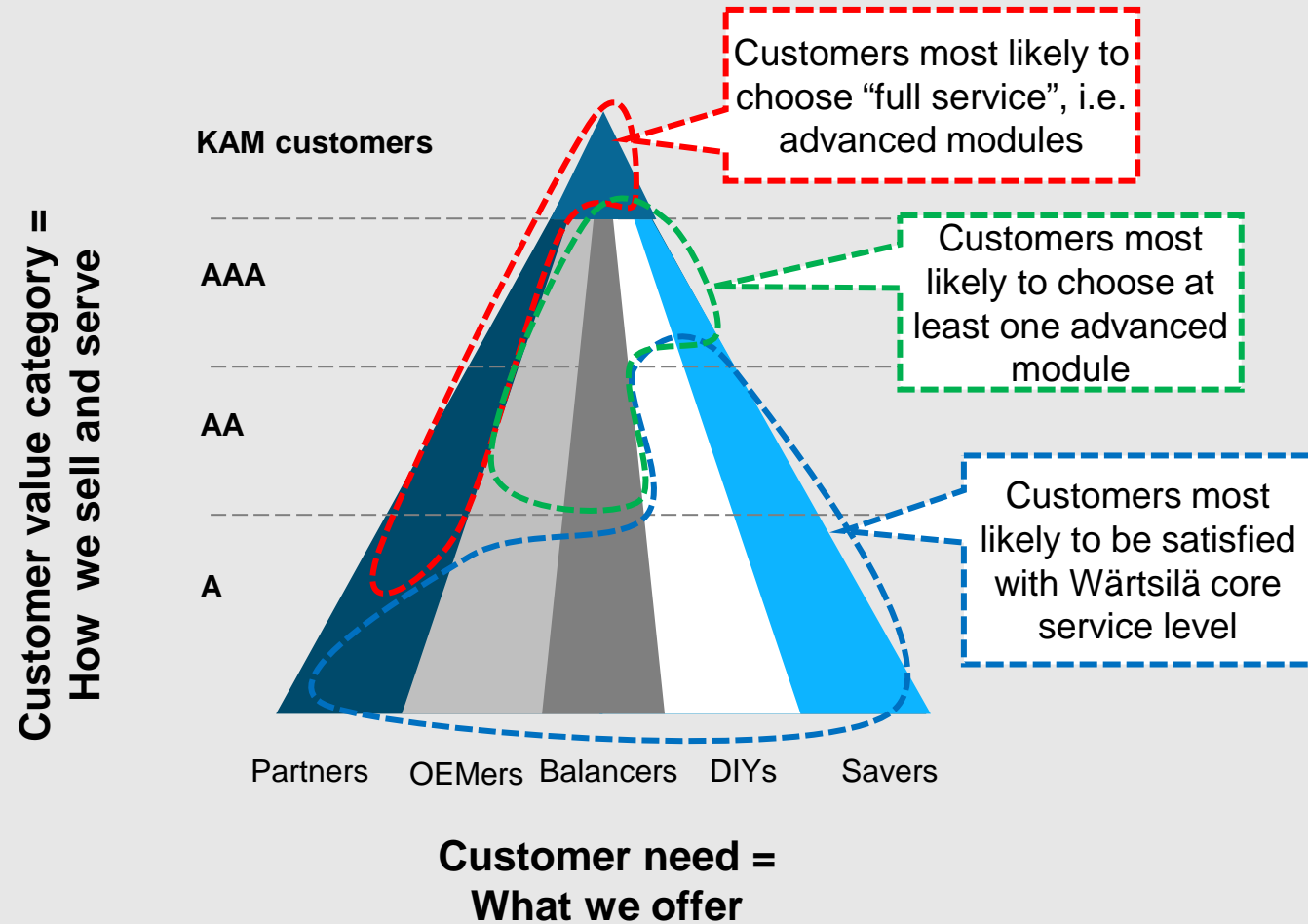
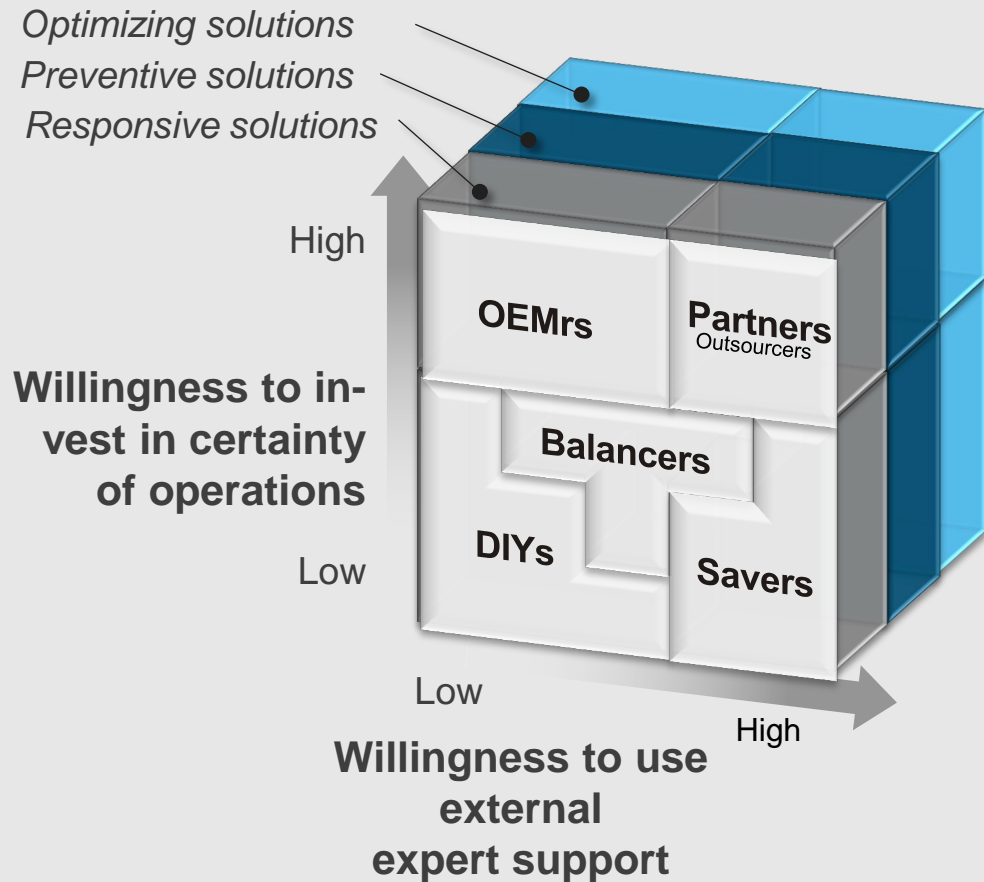
Our **3,600** field service  
 professionals perform  
**100,000** field services jobs



We provide  
**20,000**  
 technical  
 answers

We maintain  
**450**  
 installations  
 under long-  
 term contract

# Various customer groups have different requirements



# Today we translate customer classification and order situation into a priority level

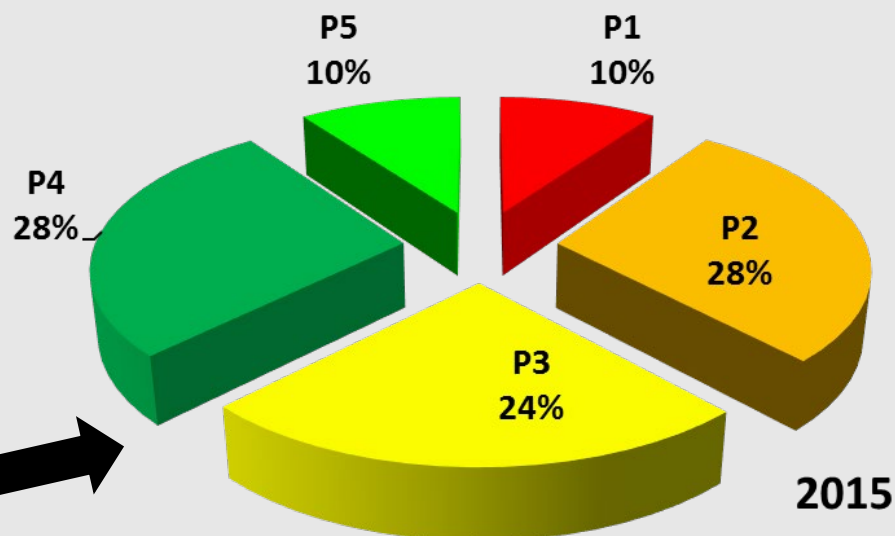
## Priority setting based on Customer Category and Delivery Service Level

### Spare parts orders

	Emergency (S1)	Accuracy (S6)	Open (S2-S4)	Unclear (S5)
KAM	P1	P1	P2	P3
AAA	P1	P2	P3	P4
AA	P1	P2	P4	P5
A	P1	P2	P5	P5
Other	P1	P2	P3	P4

Other = Customers without category value and Wäartsilä companies

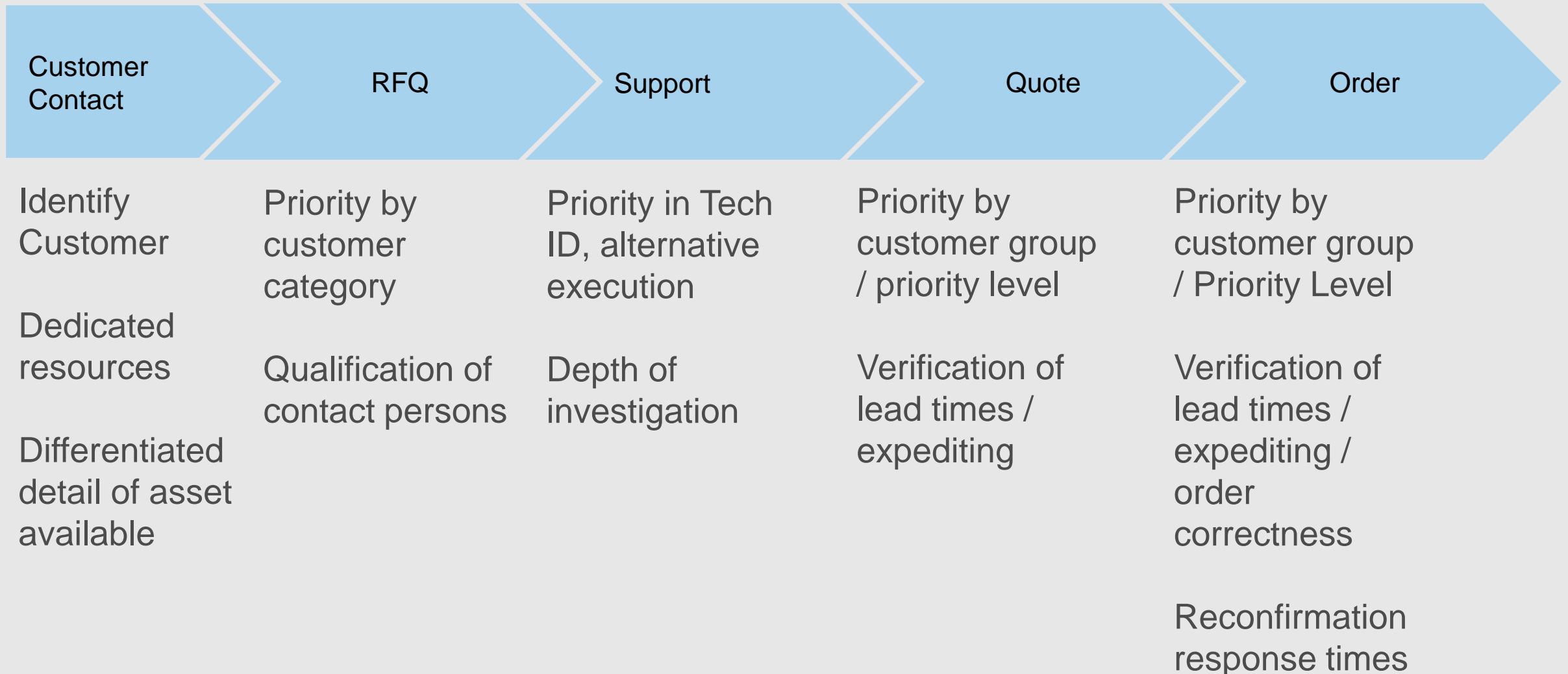
Based on analysis of Sales and history, this will result in following priority level split regarding part sales and deliveries



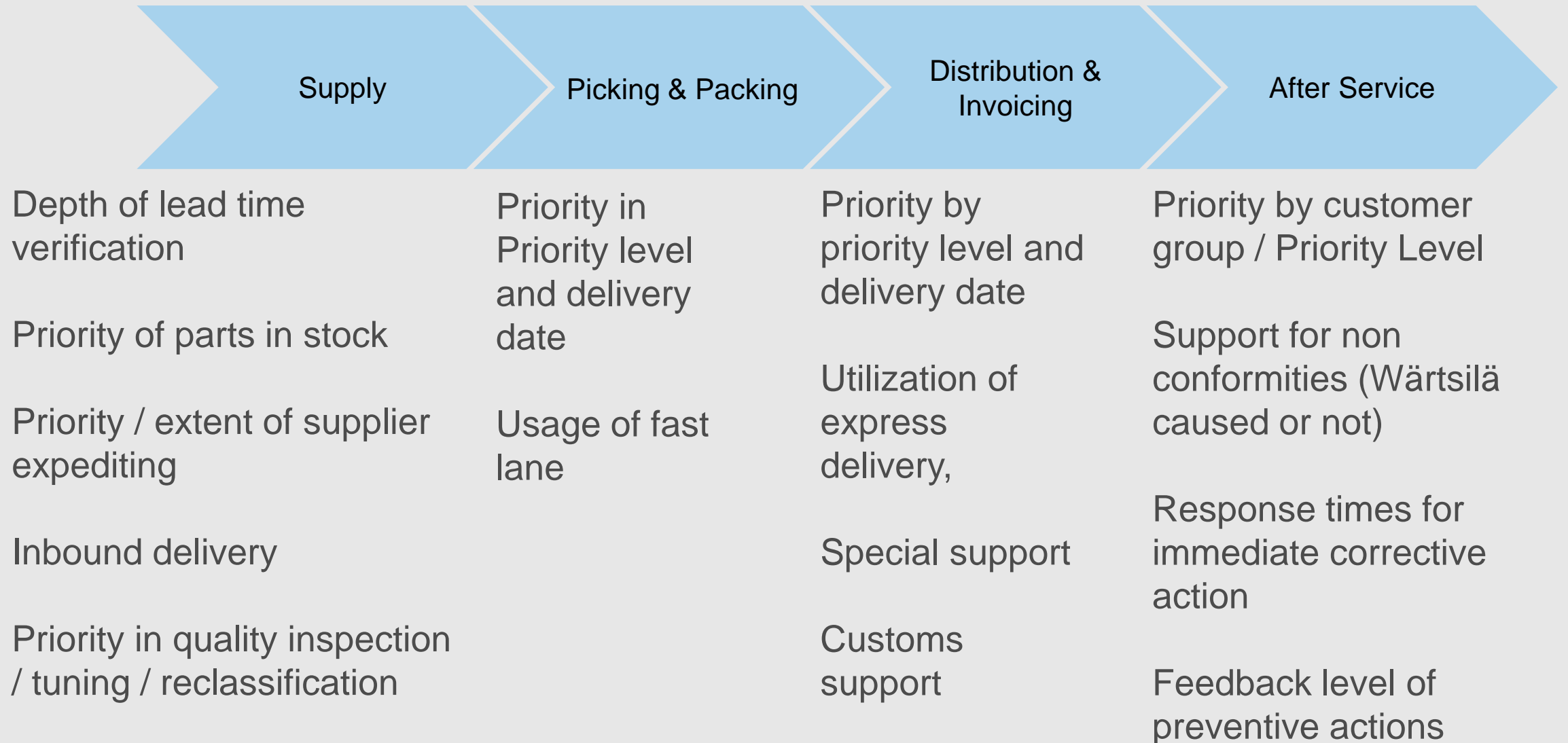
Quotations	
KAM	P2
AAA	P3
AA	P4
A	P5
Other	P3

Advanced Service Support	
KAM	P1
AAA	P1
AA	P1
A	P1
Other	P1

## The priority level leads to various differentiations along the supply chain (I)



## The priority level leads to various differentiations along the supply chain (II)



## Some differentiation cannot be done in the existing business model – but requires a new business model to fulfill those customer needs

- Old engine base require to maintain
  - Spare parts stockings
  - Technical competence
  - Sourcing competence
  - Manufacturing competence
- Old engine base do not offer
  - Volume
  - Similar margin (on average)
- Old engine base have the risk
  - Scrapping of old stock
  - Self alimentation of resources
  - Upsetting customer base

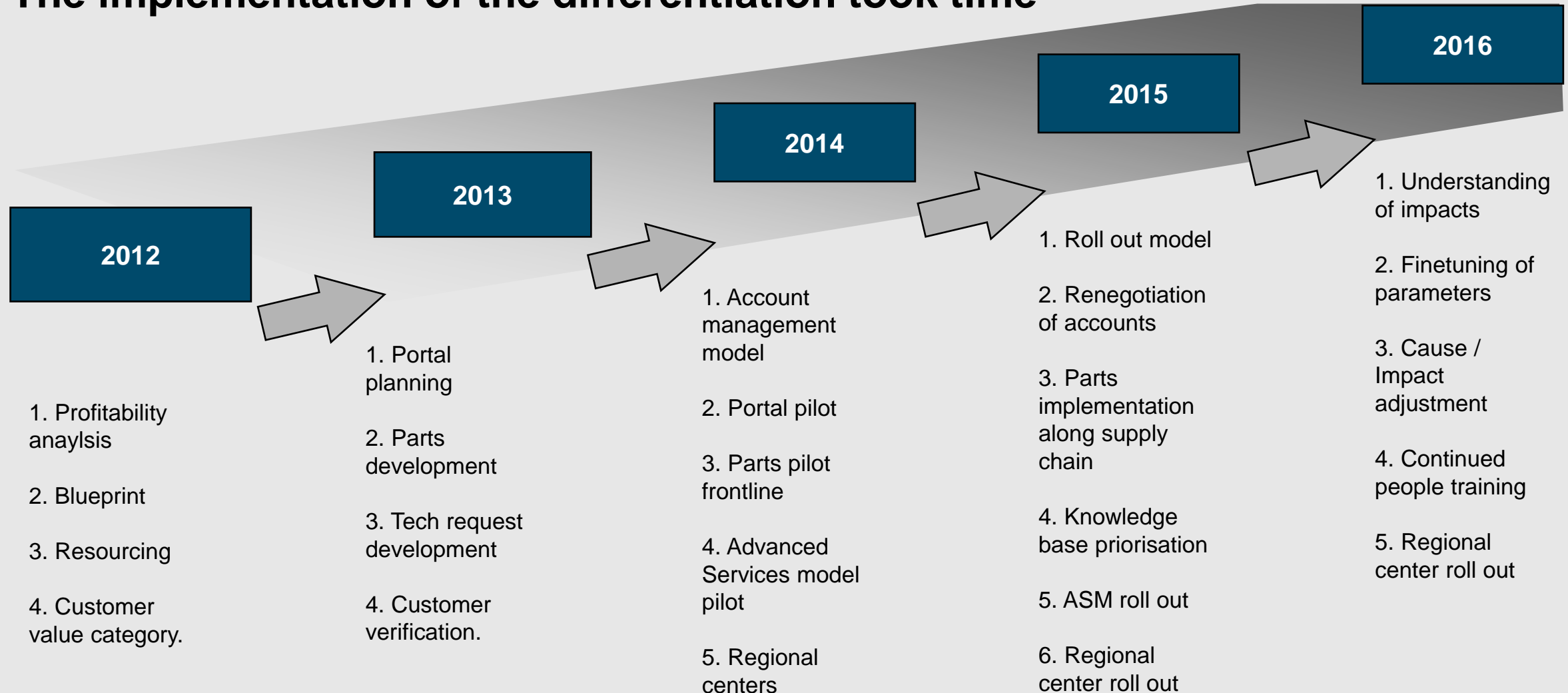


QuantiParts offers you  
OEM parts for classic  
Wärtsilä engines

The best technical know-how, 24-7 parts  
services and cost-efficient solutions.  
QuantiParts is here for you and your engine



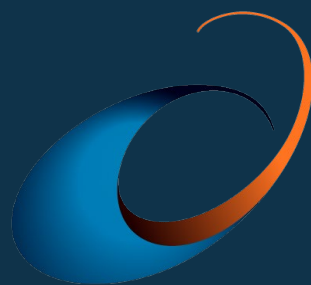
# The implementation of the differentiation took time



## During the implementation we learned a lot

- We spent quite some time on the market analysis, customer segmentation, getting commitment from the organization
- Once marketing has decided what to do – they expect to implement. However it is a long way from powerpoint bullet to a detail requirement definition of the systems, to the SAP implementation, to the people training / understanding
- Do not underestimate the impact of master data
- There is a clear difference on topics that customers claim to be mandatory and customers are willing to pay for (sales people are willing to charge their customers)
- Sometimes the effect of a differentiation is different to what one would expect to see. If you differentiate e.g. by customer you should not forget that also their ordering behavior is different – which may turn out disappointing results. Fine tuning is still a journey

Q & A



WÄRTSILÄ