Defense Supply Center Columbus

“Inventory Management Excellence and Acquisition Agility”

2012 Land & Maritime Supply Chain Business Conference

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Guiding Principles

- Enhance Warfighter Readiness
  - Ensure Availability and Responsiveness
- Protect the Supply Chain
  - Deliver Conforming Material
- Maximize Small Business Participation
- Efficient Use of Taxpayer Dollars
  - Drive Down Material Costs
Land and Maritime Total Spend

Total Spend: $3.19B

- $2.6B (81%)
- $594M (19%)

Consumables

DLRs

Challenge: How do we reduce material costs by $1.05B?
Spend by Federal Supply Class (FSC)

FSC Spend by ADV APR 12

34 FSCs hold 80% of the Spend ADV and 80% of the actual Obligations

Group 1: 1005, 2540, 2510, 6140, 4820 – Guns, Vehicle Parts, Batteries, Valves
Group 2: 5985, 4730, 2530, 3040, 5930 – Antennas, Fittings, Vehicle Parts, Switches
Group 3: 2590, 4720, 2541, 2610, 5935 – Transmission and Vehicle Parts, Hoses, Tires, Connectors
Group 4: 4810, 4320, 6135, 2620, 5965 – Pumps, Valves, Batteries, Connectors, Tires, Headsets
Group 5: 4710, 2520, 5945, 6110, 2910 – Filters, Pipes and Tubes, Engine Components, Relays
Group 6: 6130, 2815, 5998, 4330, 6145 – Convertors, Filters, Engine Components, Electrical Boards, Wire and Cable
Strategies to Achieve Material Savings

**Leverage Commercial Capabilities**
- Use Commercial Price Lists
- Customer Direct LTCs for Commercial-Off-The Shelf (COTS) items
- Cost effective methodology of supporting Non-NSN items

**Leverage Economies of Scale**
- Long Term Contracting (LTC)
- First Destination Transportation & Packaging (FDT&PI)
- Quantity Price Breaks

**Sole Source Cost Control**
- Strategic Supplier relationships
- Overhead Cost Analysis
- Forward Price Rate Agreements/Recommendations

**Enhance Competition**
- Reverse Auctions
- Reverse Engineering
- Source Approval Request (SAR) processing
- Automation
Long Term Contracts

- 3-5 years
- Increase coverage by approximately $1 Billion (Annual Demand Value) no later than FY15
- Commodity Group Projects

LTCs improve efficiencies and reduce material costs
Leveraging Commercial Capabilities

- Identify existing commercial supply chains
- Establish Customer Direct LTCs for Commercial Catalogs
- Utilize EMALL more efficiently for Non-NSN items

Projected FY14-18 Material Cost Savings

- $7 million projected savings
- Total Projected Savings $16M

Avoid duplication of commercial supply chains
Sole Source Supplier Cost Control

- Regularly monitor (Bi-Monthly) - What is company's ability to manage their costs? What is happening in their commercial and military business environments? Growth? Decline?
- Regularly monitor (Semi-Annually) - Where is company going in terms of indirect rates and control on those rates considering base & pool costs?
- Cumulative Price Trend Tracking by Sole source CAGE and NIINs (Semi-Annually)

Projected FY14-18 Material Cost Savings

- $5 $5 $5 $5 $5

Millions

Total Projected Savings $25M

Cannot afford higher prices with dwindling budget
First Destination
Transportation and Packaging

Apply DLA’s Economies of Scale to the Inbound Supply Chain

• Transportation
  – Convert inbound new procurement freight to FOB Origin
  – Consolidate shipments
  – Optimize inbound network

• Packaging
  – Expand use of “Commercial Pack” in supply chain
  – Simplify packaging requirements
  – Reduce packaging waste

Projected FY14-18 Material Cost Savings

Total Projected Savings $68M
Reverse Auctions

- Online Pricing Tool
- Increases Price competition
- Drives down material costs

Proven Best Practice in Private and Public Industries

Projected FY14-18 Material Cost Savings

Total Projected Savings $65M
Automation

- Minimize NSN exclusions to maximize use of automation
- Tighten pricing logic

Land and Maritime’s strategy is to fully leverage automated capabilities
Reverse Engineering

- Sole Source Break Out Effort
- Improve Source Approval Request (SAR) Process
- Sustaining Engineering

Land and Maritime is focused on enhancing competition
Other Initiatives

- Performance Based Logistics (PBLs)
- Purchasing Raw/Semi-Finished Goods
- Shelf Life Management
- Remanufacturing
- Industry/Commodity Market Analysis
Land & Maritime is committed to achieving material cost savings to support our Warfighters.

We can never be any better than the suppliers who support us.

Thank you for all you do!