



DEFENSE LOGISTICS AGENCY

AMERICA'S COMBAT LOGISTICS SUPPORT AGENCY



Defense Supply Center Columbus

*“Inventory Management Excellence
and Acquisition Agility”*

2012 Land & Maritime Supply Chain Business Conference

Mr. Milton Lewis
Acquisition Executive
June 11-13, 2012



Guiding Principles

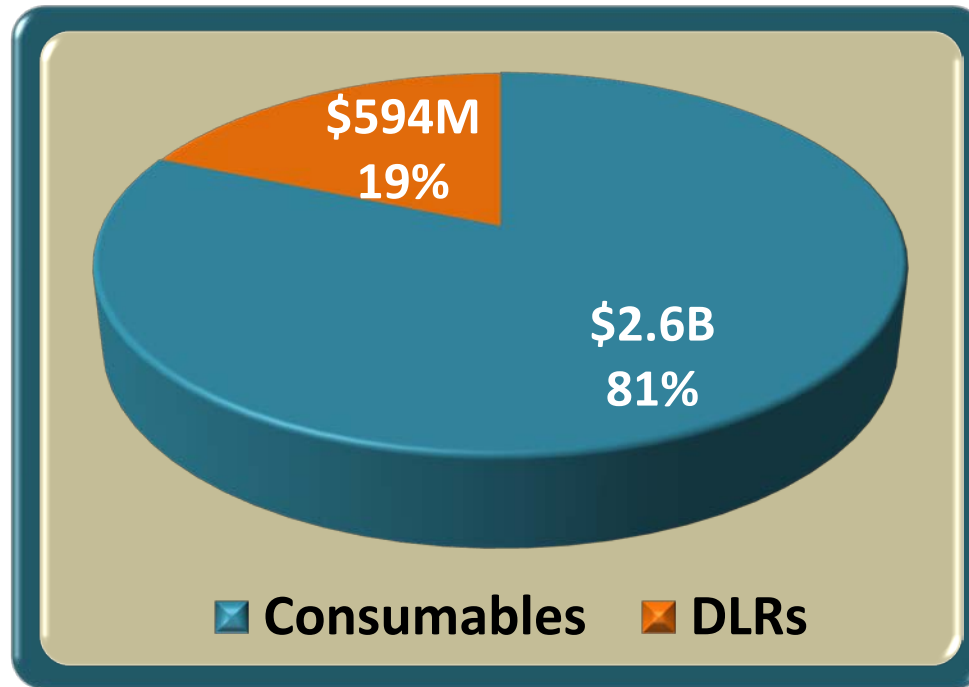




Land and Maritime Total Spend



Total Spend: \$3.19B



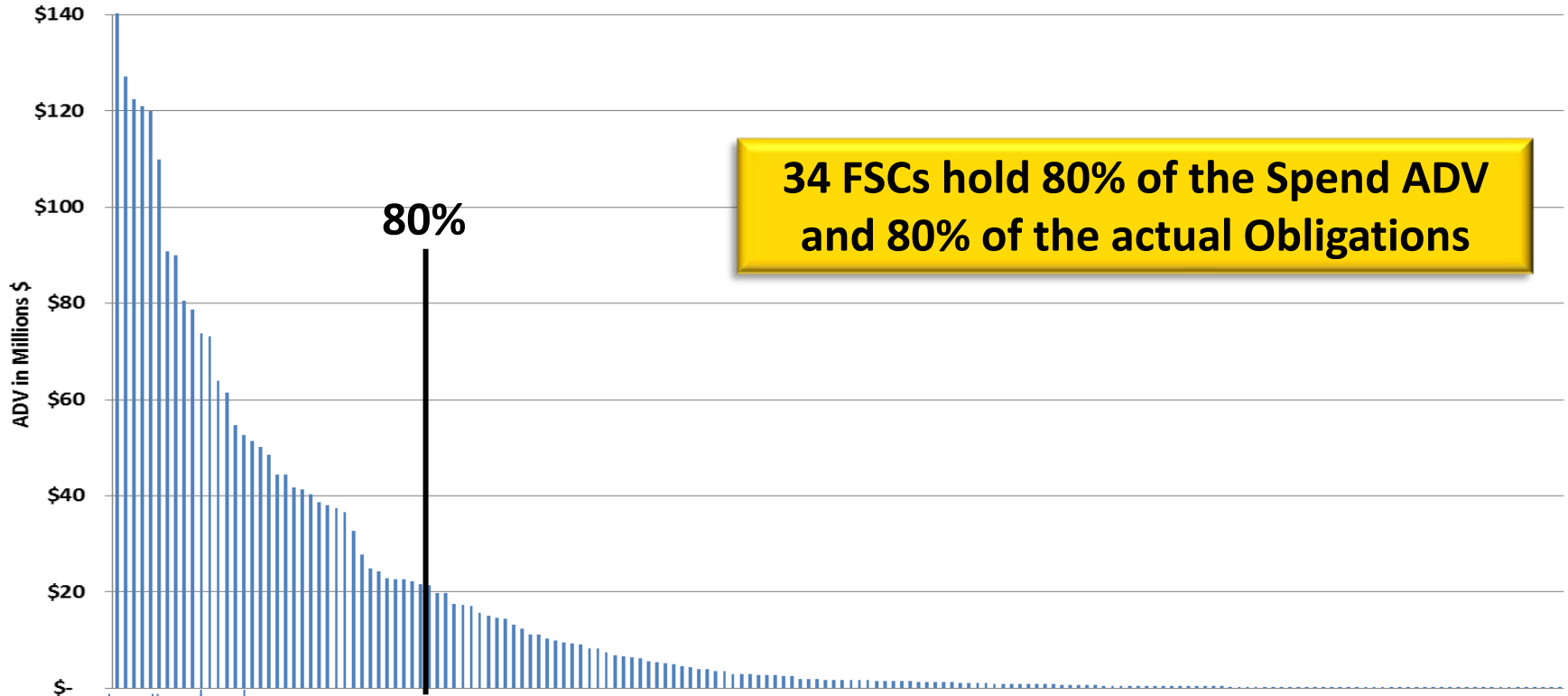
Challenge: How do we reduce material costs by \$1.05B?



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

1 2 3 4 5 6 7

- 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**
- Group 7: 2930, 6105, 6625, 1095 – Electronic Motors, Engine Components, Testing Equip, Weapons**



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

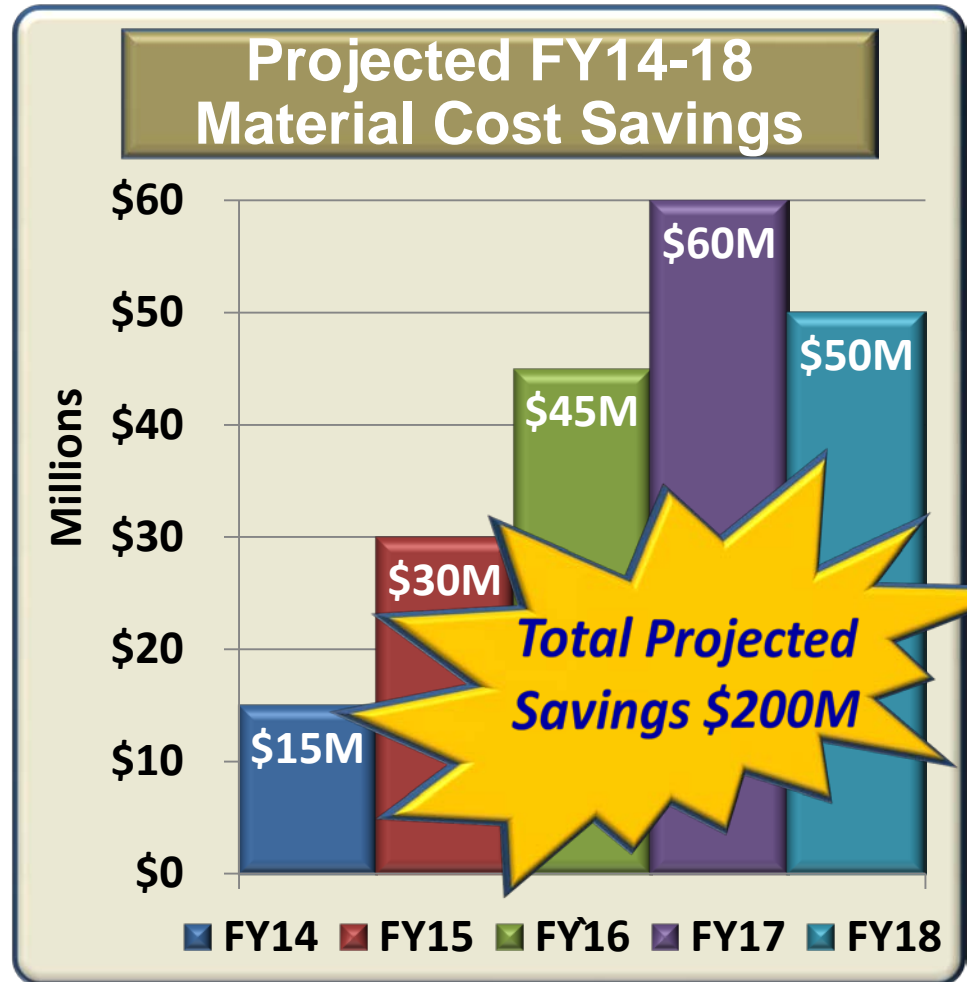
- **Reverse Auctions**
- **Reverse Engineering**
- Source Approval Request (SAR) processing
- **Automation**



Long Term Contracts



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



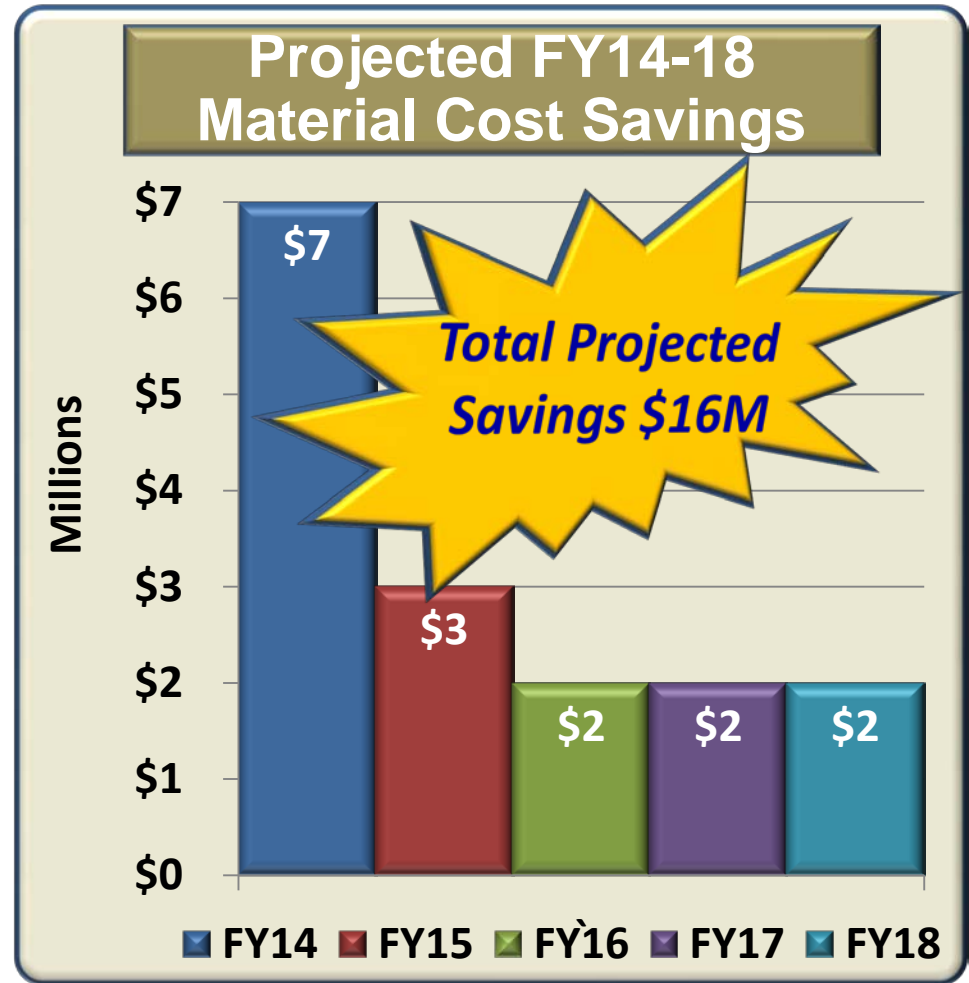
LTCs improve efficiencies and reduce material costs



Leveraging Commercial Capabilities



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



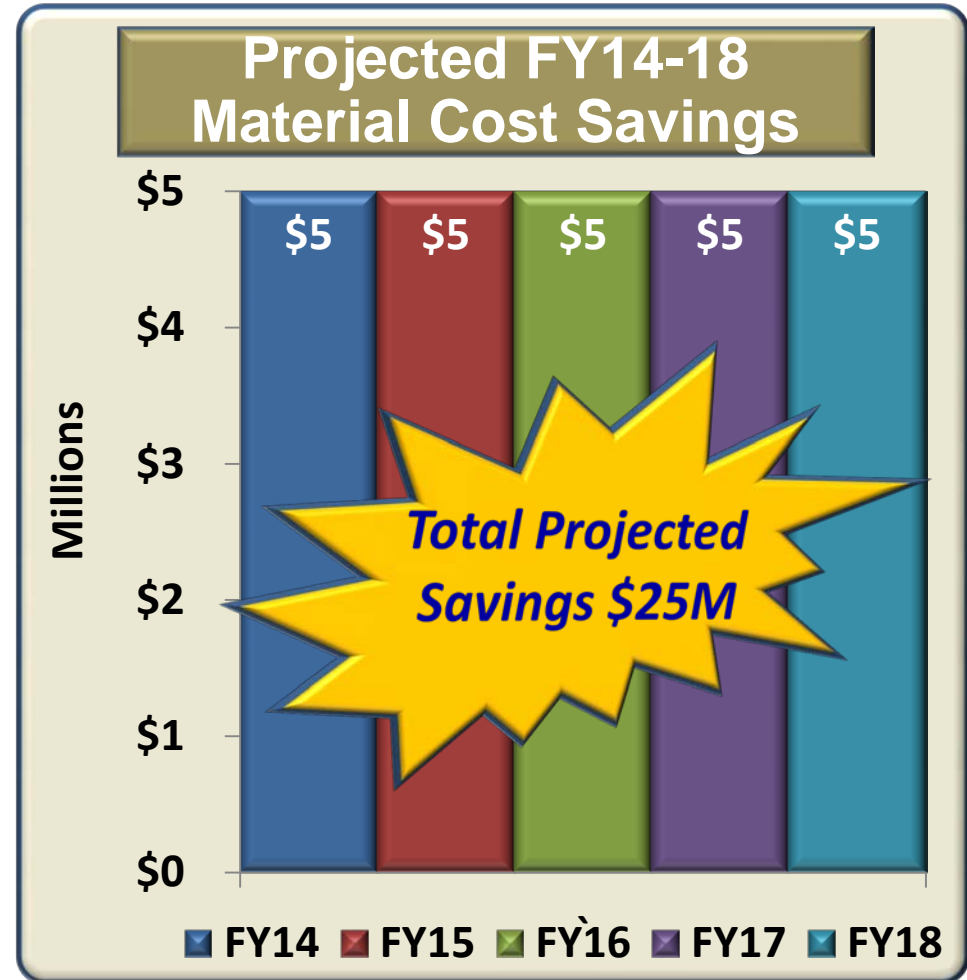
Avoid duplication of commercial supply chains



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)



Cannot afford higher prices with dwindling budget



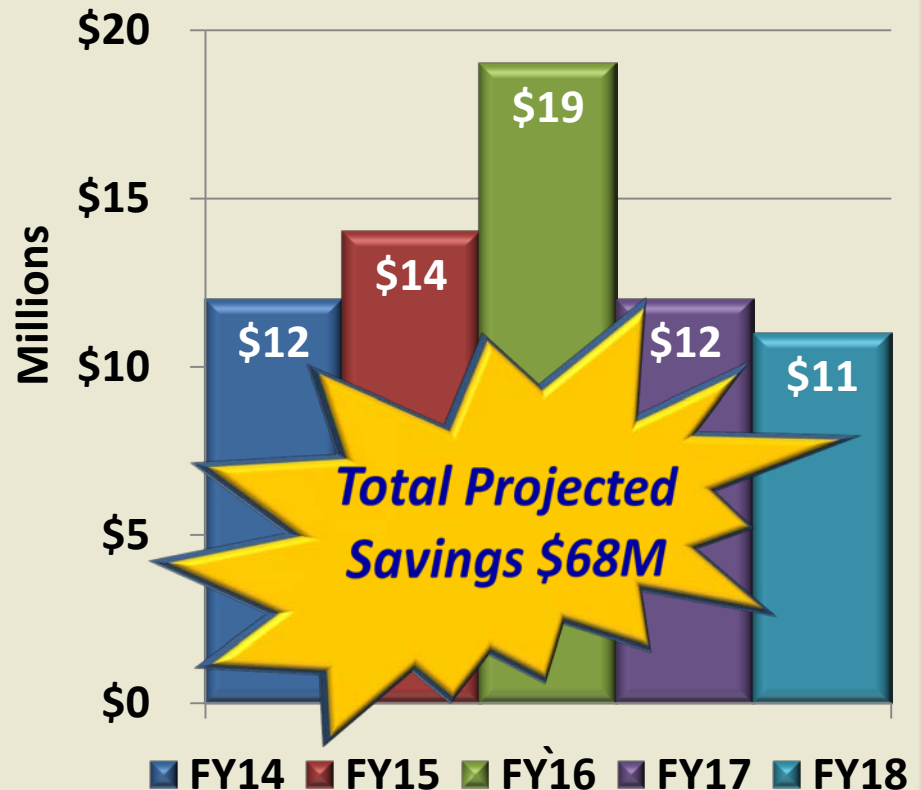
First Destination Transportation and Packaging



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



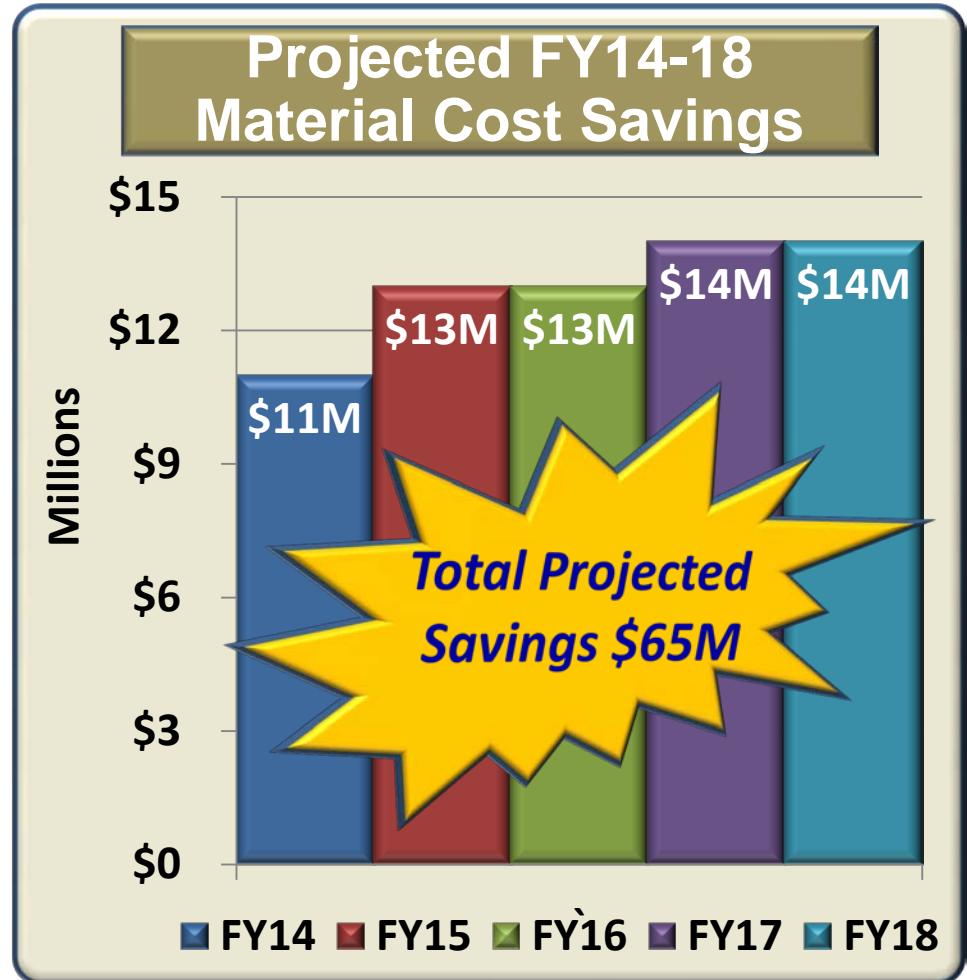
Implement Proven Commercial Best Practices to Drive Supply Chain Efficiencies



Reverse Auctions



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



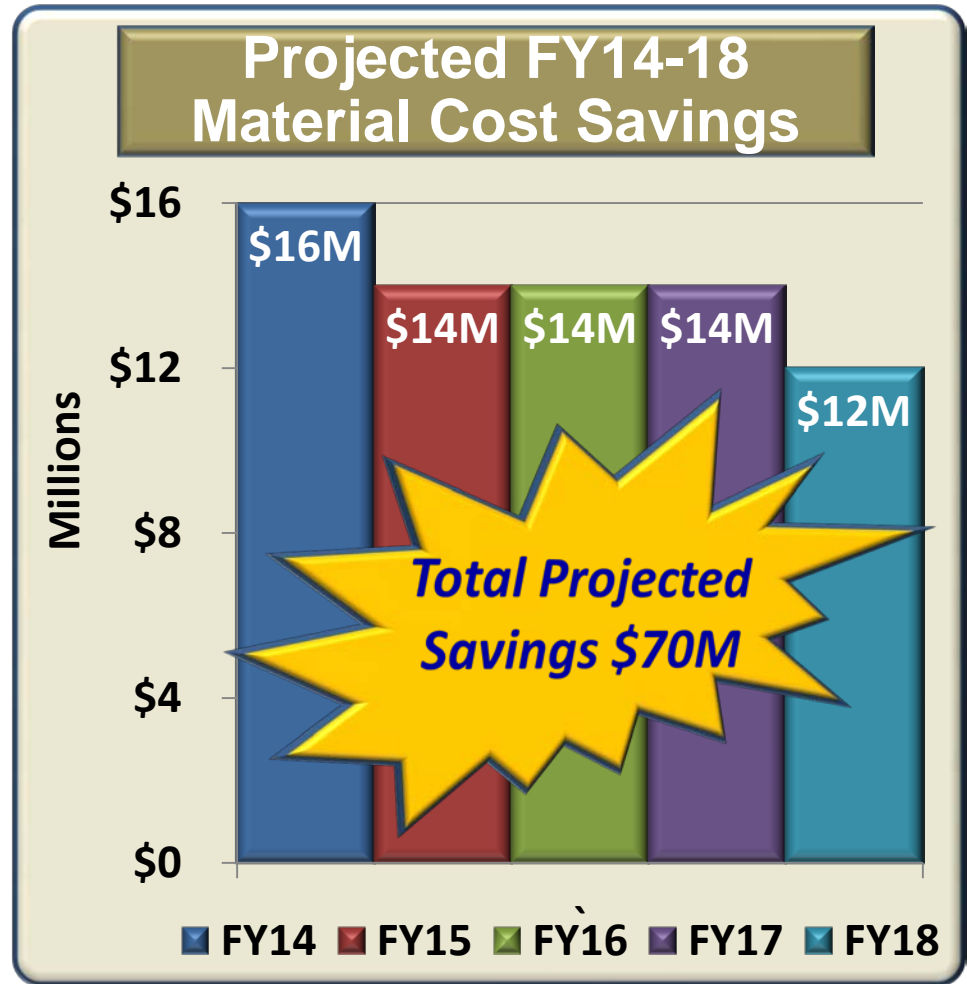
Proven Best Practice in Private and Public Industries



Automation



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



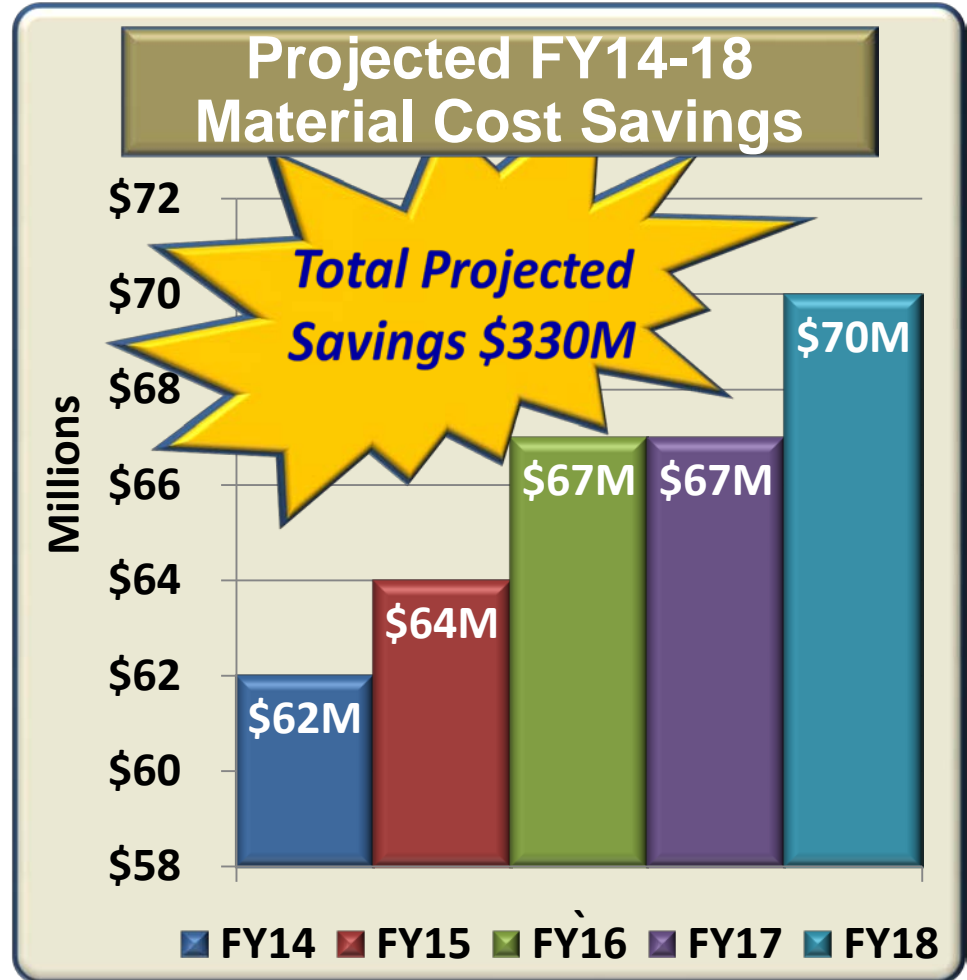
Land and Maritime's strategy is to fully leverage automated capabilities



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



Summary



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!

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WARFIGHTER SUPPORT

STEWARDSHIP EXCELLENCE

WORKFORCE DEVELOPMENT