



# Military RFID Conference



## DLA Transformation

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**29 November 2007**



# Discussion Points

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- **Agency Business Model**
- **Transformation**
  - **2001 - 2006**
  - **2007 - 2012**
- **Wrap-up**

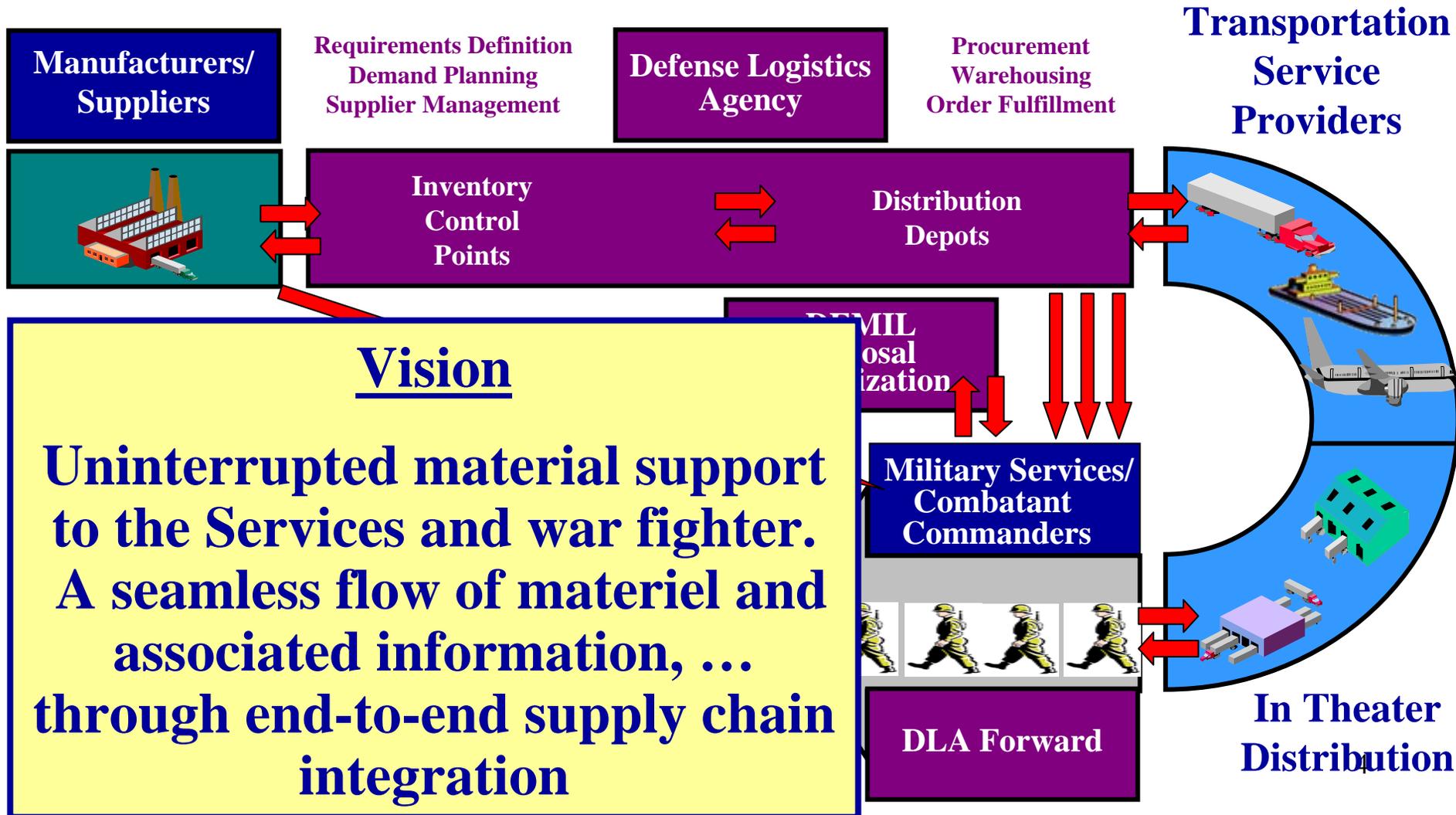
The background of the slide features a large, wavy American flag with stars and stripes. At the bottom, there is a silhouette of a group of people standing together. The text "Agency Business Model" is centered in a bold, blue, serif font.

# **Agency Business Model**



# Supply Chains

*Basic Repair Parts and Troop Support Business Model*





# A Single Supply Chain Enterprise...

Worldwide Reuse, Recycle & Disposal Solutions



Defense Reutilization & Marketing Service  
Defense Logistics Information Service

Synchronization, Integration & Dissemination of Logistics Information

Land & Maritime Supply Chain



Defense Supply Center Columbus

DOD's Distribution Command  
26 Distribution Depots Worldwide



Defense Distribution Center

DOD Manager for Printing & Duplicating, Automated Information Products & Service



Defense Supply Center Philadelphia



Troop Support Supply Chains

Defense Supply Center Richmond



Aviation Supply Chain

Headquarters  
Defense Logistics Agency  
Defense Energy Support Center Fort Belvoir



Headquarters  
Defense National Stockpile Center

7 OCONUS Depots

DLA Europe  
DLA Central  
DLA Pacific



...Part of the DOD Logistics Enterprise



# The DLA Enterprise as of August 2007

**FY03 Sales/Services: \$25B**  
**FY04 Sales/Services: \$28B**  
**FY05 Sales/Services: \$31.8B**  
**FY06 Sales/Services: \$35.5B**  
**FY07 Sales Projected: \$34.7B**  
**FY08 Sales Projected: \$33.5B**

- **Land/Maritime: \$3.2B**
- **Aviation: \$3.3B**
- **Troop Support: \$11.9B**
- **Energy: \$12.6B**
- **Distribution: \$1.3B**
- **Other: \$1.2B**

- **~95% of Services' repair parts**
- **100% of Services' subsistence, fuels, medical, clothing & textile, construction & barrier materiel**

## Foreign Military Sales

- **Sales: \$1.02B**
- **Shipments: 520K**
- **Supporting 126 Nations**

## Scope of Business

- **54,000 Requisitions/Day**
- **8,200 Contracts/Day**
- **#61 Fortune 500 – Above Intel**
- **#3 in Top 50 Distribution Warehouses**
- **26 Distribution Depots**
- **5.2 Million Items – eight supply chains**
- **25M Annual Receipts and Issues**
- **1411 Weapon Systems Supported**
- **134M Barrels Fuel Sold**
- **\$14.6B Annual Reutilizations/Disposals**

## People

- **20,805 Civilians**
- **519 Active Duty Military**
- **754 Reserve Military**
- **Located in 48 States/28 Countries**

The background of the slide features a large, wavy American flag. The stars are visible on the left side, and the stripes flow across the frame. At the bottom, there is a dark silhouette of a group of people standing together.

# **Transformation**

*2001 – 2006*



# Transforming Our Supply Chains

## *All of the Pieces*

Manufacturers/  
Suppliers

Requirements Definition  
Demand Planning  
Supplier Management

Defense Logistics  
Agency

Procurement  
Warehousing  
Order Fulfillment

Transportation  
PODs/POEs



Aviation  
Maritime  
Land  
Subsystems  
Medical  
Clothing  
Construction  
Fuels

- ✓ Supplier Relationship Management
- ✓ Distribution Planning Management
- ✓ Global Stock Positioning
- ✓ Executive Agency

- ✓ Business Process
- ✓ Integration
- ✓ Customer
- ✓ National
- ✓ Production
- ✓ Reutilization Modernization Program

- ✓ Fuels Automated System
- ✓ Workforce Transformation
- ✓ Base Realignment and Closure

***\$2.1 Billion Investment***

***\$4.8 Billion Savings  
to the Services thru FY11***



In Theater  
Distribution



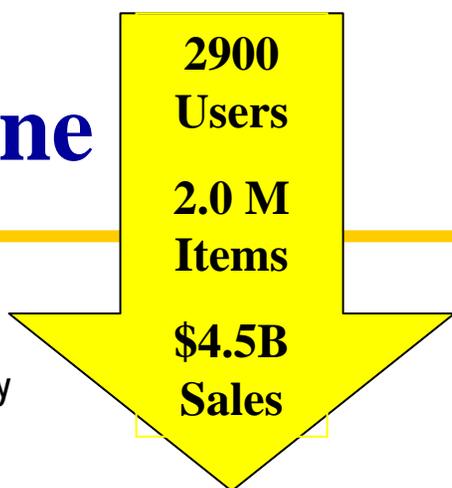
# **Business Systems Modernization (BSM)**

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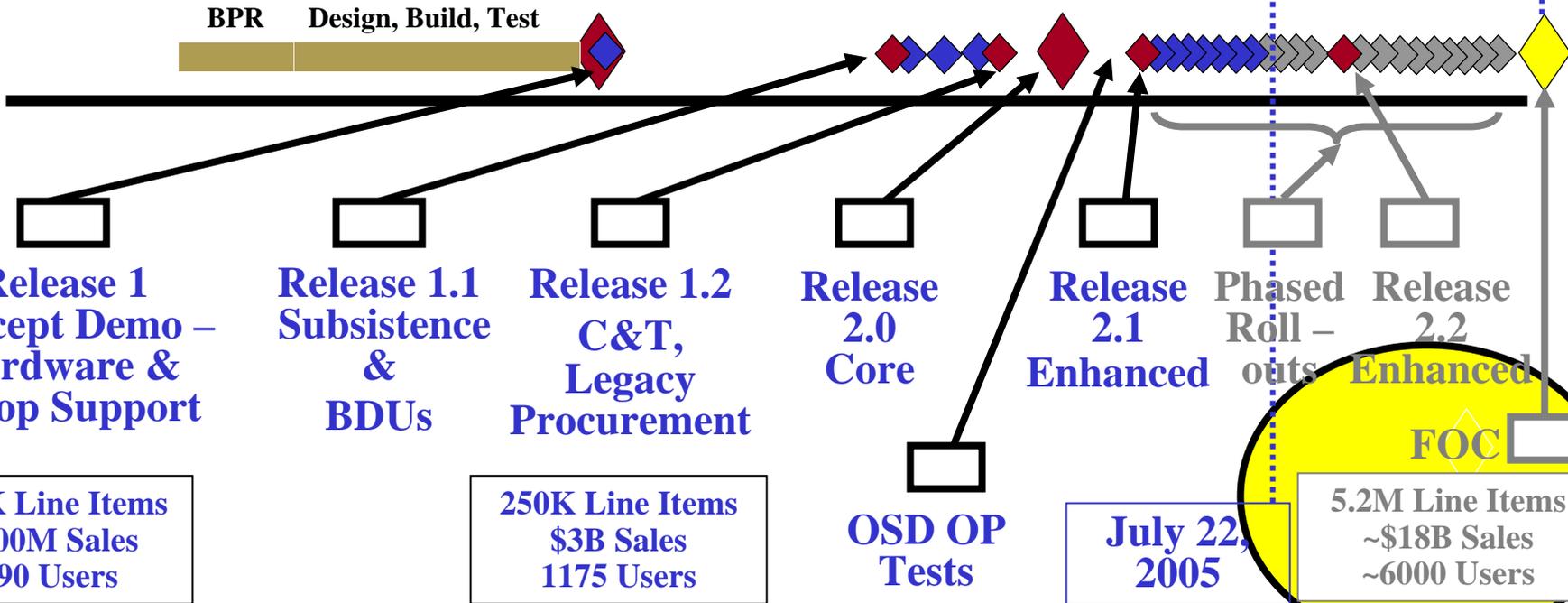
- **Enterprise Resource Planning (ERP) to manage the agency's 5.2 million items**
  - **Replaces numerous '60s & '70s systems with a single, Commercial-Off-the-Shelf (COTS) based system**
  - **Processes re-engineered to best practices**
  - **Improved war fighter support**
    - **Cycle times dramatically reduced**
    - **Joint interoperability**
    - **Better Demand Forecasting – by customer – through collaboration**
  - **Improved data integrity**
  - **Savings in inventory and personnel**
  - **Payback period 2009**
  - **“Clean Financial Opinion” in accordance with CFO Act**



# BSM - Timeline



◆ = System Functionality  
 ◆ = Users and Materiel  
 ◆ = Full Operating Capability





# Benefits...

- Improved stock availability
- Enables enhanced forward support
- Increased asset visibility
- Better demand forecasting capabilities
- Faster responsiveness
- Significant use of commercial supply chain processes and assets....and integration
- Reduced costs

***...DLA is the DOD Logistics Leader***

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**Transformation**  
*2007 – 2012*



# Remaining Performance Challenges

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- **Timelier capturing and use of demand signals**
- **Inventory visibility**
- **Forecasting**
- **Excessive inventory investment, ...\$ amount & layers**
- **Material availability**
- **Linkage of Supply/Distribution processes**
- **Customer Wait Time**
- **Customer-oriented Performance Metrics**
- **Efficient access to integrated logistics support information**



# New Business Model

2007 - 2012

- **War Fighter Driven**
  - **One Enterprise**
    - *Extending the DLA Enterprise*
    - *Connecting Demand and Supply*
  - **Supply Chain Excellence**

*Aligning the agency and our supply chains to the war fighter*



# Extend the Enterprise

*~2007 - 2011*

*Preserve wholesaler excellence, deliver on Agency commitments –  
move to the next level*

- **DLA Forward**

- **Align agency resources to customer operations, ... connect DLA capabilities to the Services**
- **Leverage core competencies up and down the supply chain, ... e.g. procurement/material positioning**

- **Base Realignment And Closure decisions**

- **Joint Regional Inventory Materials Mgmt**

- **National Inventory Management Strategy**



# BRAC

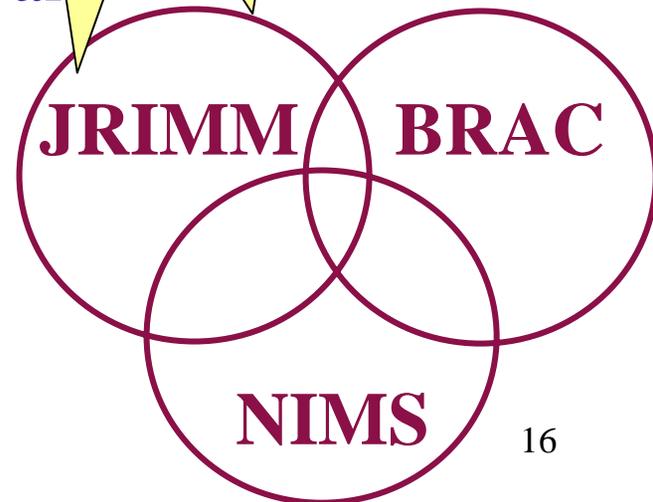
## *Maintenance Depot Supply and Storage Decision*

*Removing Complexity from the Joint Business Model*

*DLA to be the supply, storage and distribution provider for all maintenance depot requirements*

- Improve platform readiness
- Reduce cost Services pay to achieve
- Reduce inventory levels – make inventory management easier
- Reduce material touches – customer wait
- Collapse steps demand signals transit
- Improve requirements forecasting
- Improve supplier management
- Eliminate overlapping processes and IT systems
- Reduce infrastructure

Includes transfer of functions and personnel and use of warehouses and IT systems





# BRAC

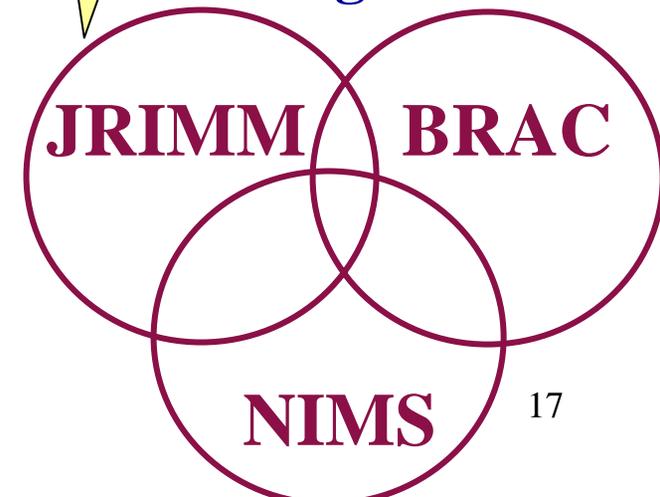
## *Depot Level Repairable (DLR) Procurement Decision*

*Removing Complexity from the Joint Business Model*

**DLA to be the single DLR procurement management service provider supporting all S&M procurements**

**One acquisition manager and system**

- **Single face to industry for essential consumables procurement**
- **Suppliers maintaining a single procurement management strategic partnership**
- **Acquisition visibility resident in BSM**
- **DoD fully leveraging DLR and consumable buying power**





# Joint Regional Inventory Material Management

*Removing Complexity from the Joint Business Model*

Single physical distribution provider  
duplication of receive, stow & issue

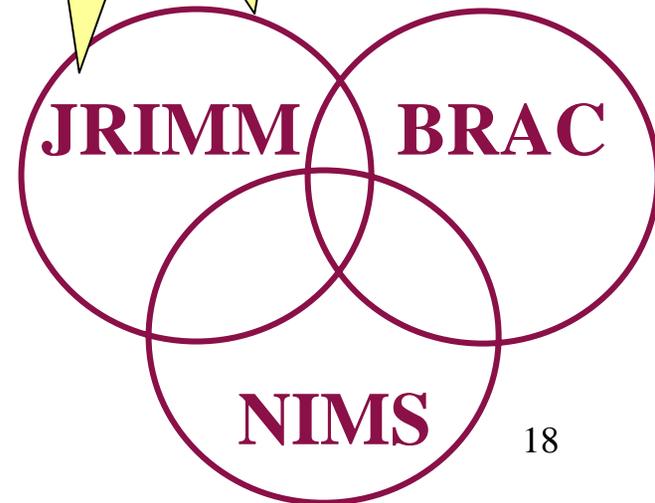
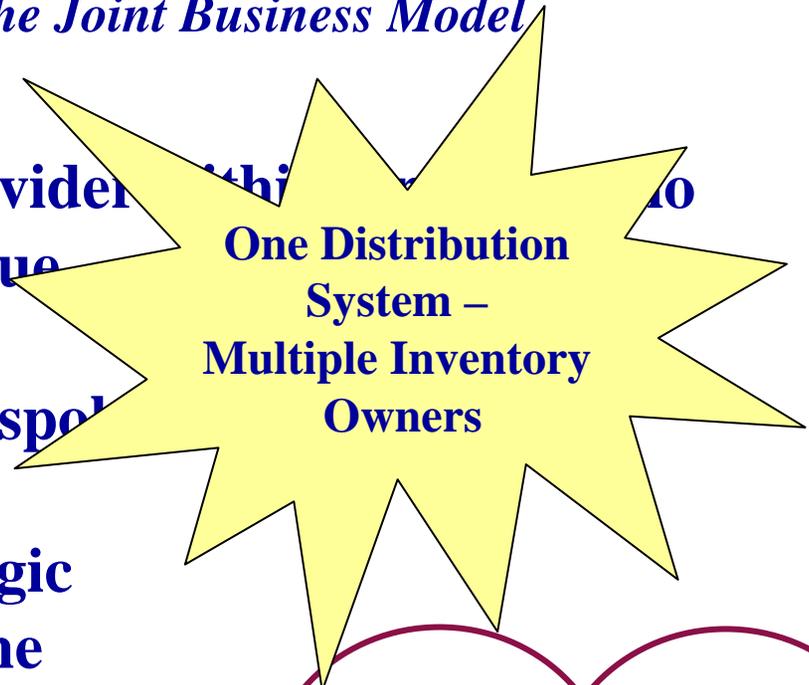
Regional distribution “hub”, ...spoke

Source the region from a Strategic  
Distribution Platform to the  
maximum extent possible

OAHU pilot (8600 NSNs)

Phase I (inventory consolidation)

Phase II (inventory ownership)





# National Inventory Management Strategy

*Removing Complexity from the Joint Business Model*

**Collaborative initiative to allow Services to manage the Inventory of Service owned/managed retail stocks**

**All consumable support from DLA at  
“national level”**

**Does not involve transfer of  
functions, personnel, space,  
warehouses or IT systems**

**Implemented at select Navy sites  
allows for process improvement**

**One inventory  
owner, manager, system –  
from supplier to  
ultimate consumer**

**JRIMM**

**BRAC**

**NIMS**



# Connect Demand with Supply

*~2007 - 2012*



*2012: Connecting Demand with Supply*

*1995: Managing Suppliers*

*1962: Managing Supplies*

- **Eliminate logistics support layers, redundancies, and gaps between supported activities and the American industrial base**

- **Capture/process demand signals at time of creation**
- **Global inventory visibility**
- **World-class demand and supply planning**
- **Collapse inventory levels and inventory investment**
- **DLA's Enterprise Business System "retail" capability**
- **Reduced net IT & material investment**
- **Reduced wait times & material touches**

**Sales & Operational Planning – A Key Element**



# A Key Enabler...

## IDE/GTN Convergence (IGC)

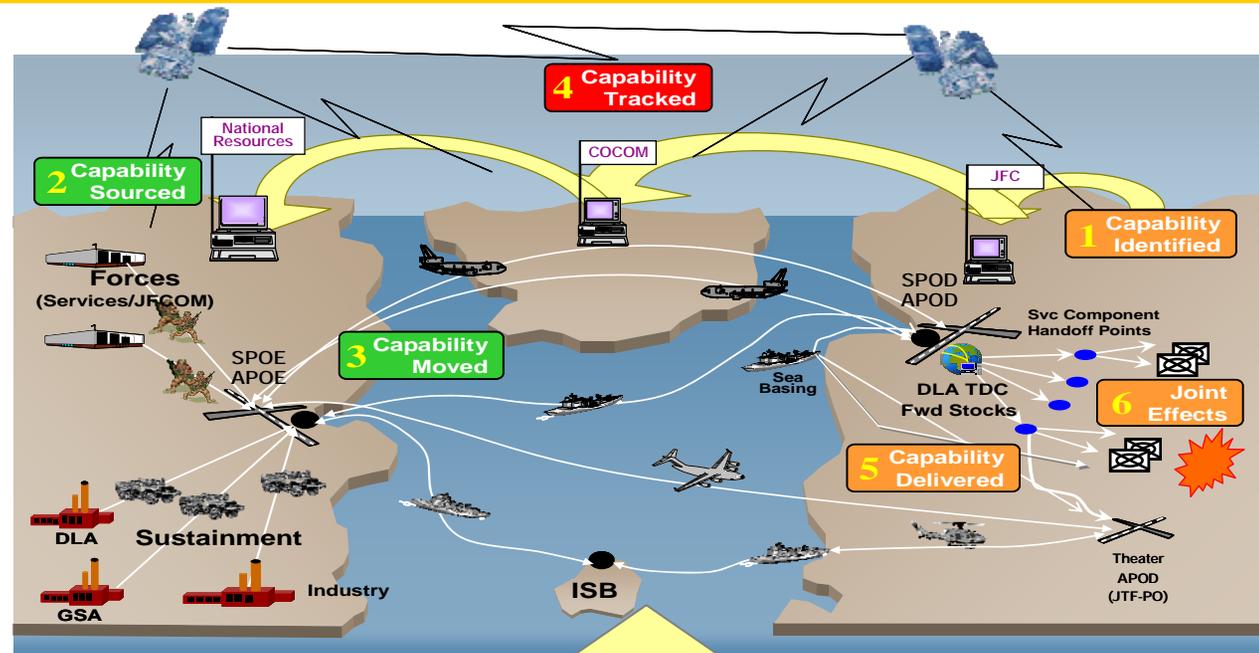
**Vision:** Provide common integrated data and application services enabling cohesive distribution solutions for the DoD

**Enables:**

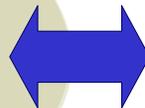
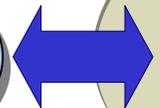
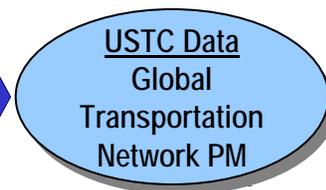
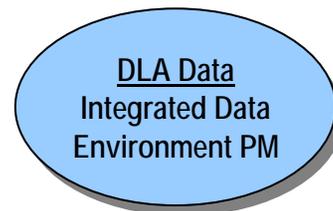
- Common logistics picture
- Distribution visibility
- Material asset & in-transit visibility

**Benefits:**

- Enhanced delivery of forces & sustainment
- Improved situational understanding
- Near real-time Enterprise Access to logistics and transportation data
- Improved trust and confidence



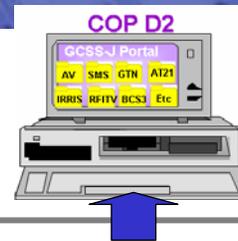
**IDE / GTN Convergence**  
**Unity Of Effort**



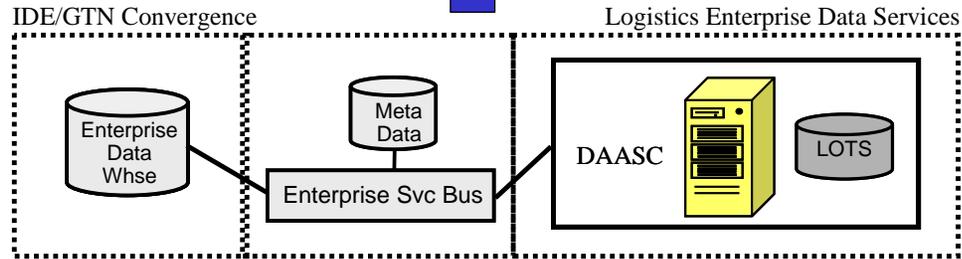


# Supply Chain Visibility...enabled by pRFID

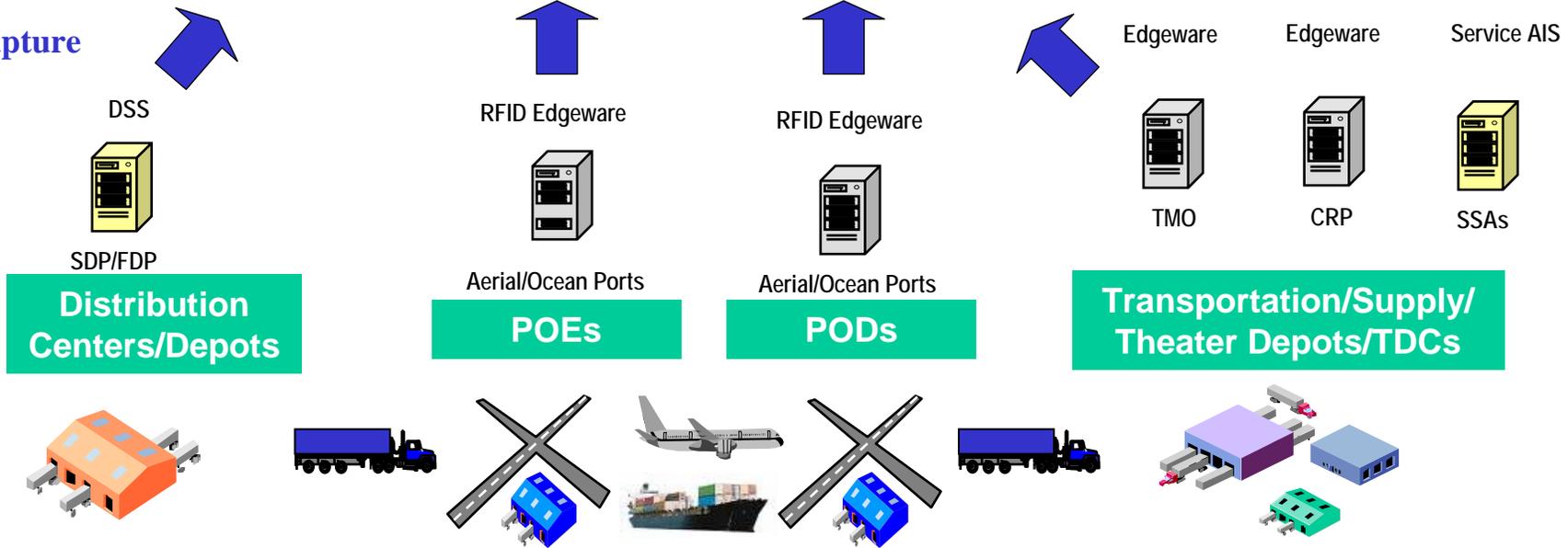
## Data Visibility



## Data Integration



## Data Capture



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# Wrap Up



# In Summary

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**2001 – 2006 Transformation Strategy well executed, delivering results, still deploying**

**2007 – 2012 Transformation Strategy now underway**

**Pace of change continues to accelerate**