
New Business Practices

Introduction

DLA has been shifting to commercial practices, where appropriate, and converting DLA to a value added broker of supplies and services. This is pulling our agency out of its traditional role as part of the process, to a new position of facilitating the process, based on the best of all commercial practices in supply change management. Our plans for this change are based on, to the extent practical, buying commercial products, using commercial distribution systems where they exist, and buying in accordance with commercial practices.

Some of the types of contracts DLA is using are:

Long-Term Contracting

Long-term contracting allows us to increase productivity by reducing the number of routine contracting actions required. Long-term contracting can shorten Administrative Lead Times, thus increasing our ability to react swiftly to increasing or decreasing demand, and thus increasing our supply availability and decreasing potential supply excess. Long-term contracts reduce the contractor's administrative burden and result in stable production runs, thereby incentivizing contractors to do business with the Department of Defense (DoD). In our efforts to better serve the customer, we are seeking the methods which enable us to buy quality and value. Used properly, long-term contracting can complement these efforts and are not necessarily beyond the capabilities of small business.

Prime Vendor/Virtual Prime Vendor

This a long term contract with a commercial distributor, Original Equipment Manufacturer (OEM) or third party logistics provider for integrated logistics support that may include forecasting, inventory management, distribution, engineering support, technical services or other services to support our customer's needs. These type contracts normally include performance metrics.

Prime Vendor incorporates Electronic Data Interchange trading partnerships with commercial distributors of market-ready or commercial products. Supply centers arrange for pricing and distribution arrangements or corporate/long-term contracts to provide the products. Under Prime Vendor, regionally-grouped customers place their orders via an electronic catalog which is transmitted directly to the Prime Vendor. Order confirmation is received in minutes and routine delivery occurs within 24-48 hours. Special arrangements for expedited delivery can also be made.

Virtual Prime Vendor is the natural evolution of Prime Vendor. Under Prime Vendor, DLA partners with a quality contractor to furnish a broad range of items in a particular commodity group over a given geographic area for direct vendor delivery to customers. Virtual Prime Vendor relies on integrated supply chains to address an even wider-spectrum of customer support needs and crosses traditional commodity lines. This mirrors industry developments and allows DLA to take advantage of state-of-the-art commercial business solutions and emerging technology to provide total logistics support for weapons systems. In short, the Virtual Prime Vendor's job is to anticipate customer needs and have supplies or services immediately available when and where customer need arises.

Small businesses can participate in Prime Vendor programs. Interested businesses should review the source selection and evaluation criteria in the solicitation. The criteria may include best value and other socio-economic factors.

New Business Practices, Continued

Strategic Supplier Alliance (SSA)

Strategic Supplier Alliances (SSAs) address and incorporate new and better ways of doing business which consolidate our efforts across the supply chain. This involves long-term partnerships between DLA and key suppliers that establish relationships to accomplish mutually compatible goals. SSAs involve true corporate-wide arrangements that entail identifying process changes beneficial to both parties, aligning purchasing with manufacturing, and establishing performance-based objectives. Planning is collaborative and provides more information on future demands. This improves industry efficiency and reduces the number of contracts required. The overall goals of the SSA approach are improved availability, reduced customer wait time, reduced inventory and reduced total prices.

Strategic Materiel Sourcing (SMS) Program

Strategic Materiel Sourcing (SMS) is DLA's umbrella initiative that encompasses all of the Agency's "Shift to Commercial Practices" initiatives for hardware Class IV and IX items, e.g., Strategic Supplier Alliances and other long-term agreements. The initiative is based on expanding DLA's successful adoption of commercial practices for energy and troop support items by developing and applying similar corporate strategies and techniques to the hardware commodities. SMS targets a relatively small subset of the total DLA managed hardware items based on those NSNs that drive the Agency's business and/or have the most potential impact on readiness.

A significant key to program success is recognition that SMS can best be accomplished by changing acquisition strategies from the traditional "arms length" adversarial relationship to the more partner-driven integrated supply-chain management concept now found in the commercial sector. Utilizing commercial acquisition practices represents the Agency's largest target of opportunity for reducing logistics response time, inventory value, and operating costs while supporting DLA's Combat Support Agency mission.

Small businesses are an important consideration when SMS or "market baskets" are developed as recommended groupings for long-term contracts. In fact a number of these market baskets are specifically targeted to small business.

Business Systems Modernization (BSM)

DLA is upgrading all of its major mission-critical logistics systems over a five year window beginning in FY 00. It is anticipated that by FY 05, DLA will have completed significant strides in replacing two major mission-critical materiel management legacy business applications with commercial alternatives.

Business Systems Modernization, as it is being called, will enable DLA to reengineer by fielding best practices and improve customer service by collaborating with customers and suppliers. We will move from a product or item focus to a focus on customers so we can better satisfy their needs.

- **Planning:** In the planning process, we will have closer collaboration with customers for demand planning, and the ability to track and improve the accuracy of that forecast.
- **Order Fulfillment:** Under the order fulfillment process, we will be able to identify customers more specifically and provide online account visibility.

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New Business Practices, Continued

Business Systems Modernization (BSM), continued

- **Procurement:** Procurement will focus on supplier performance and management, getting the tools to manage suppliers which impact better contractor performance and having regular supplier meetings in which we will review their performance on contracts against set metrics established by supplier level agreements.
- **Financial:** Financial practices will have near real time data for better business decisions. Logistics and financial data will be resident in one integrated system with minimal interfaces and no manual reconciliation. Quicker data, better business decisions, integrated processes, more financial accountability.

How Can Small Business Participate

The purpose of these new business practices is to leverage the capabilities of you in the private sector, so DoD can maintain its performance as it down-sizes.

These new business practices present opportunities for small business. They represent a steady flow of business to the successful bidder, which makes it possible to plan better and make better use of resources. However, they also require more planning and work up front. Often before a solicitation is issued under new business practices, the buying activity will hold an “industry day,” where interested companies can come in to learn about the proposed procurement, and express any concerns they may have. If you hear about such an industry day for products that you supply, it would behoove you to attend. It will help you get a better understanding of the Government’s requirement. It will also give you a chance to make recommendations to the contracting officer on how the procurement can be structured to make it easier for small businesses to bid. If you can’t go to the industry day, you can still bid when the solicitation is issued.

Once you receive the solicitation under these new business practices, you may find that it covers more items of supply than you have bid on at one time in the past, if you are used to competing for individual purchase orders. In addition, you may find the Government asking for direct vendor delivery in response to individual delivery orders, with fairly short delivery times. Don’t Be Intimidated by this! Small businesses have competed and performed successfully under these new business practices.

It is necessary to understand the Government’s requirements, and then plan and establish the supplier relationships you need to be able to respond to that requirement. If you are a manufacturer who doesn’t want to perform third-party logistics functions, you may want to partner with a commercial distributor, either as a prime or subcontractor. If you’re a distributor, you probably are already performing functions called for under the new business practices; it may be just a matter of formalizing relationships with your suppliers so that you can respond quickly to delivery orders under your contract on a consistent basis.