



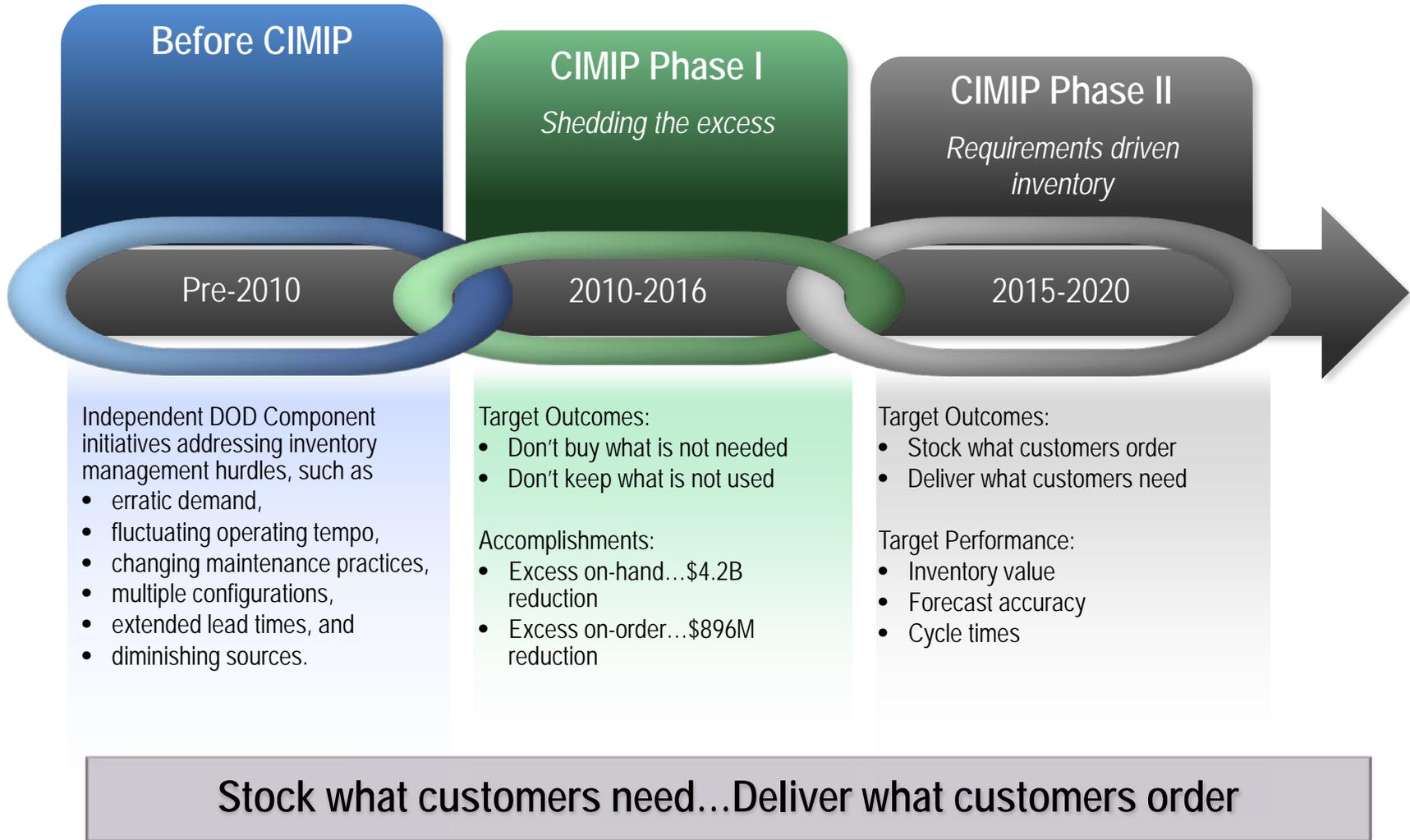
CIMIP Phase II

Development Update



Comprehensive Inventory Management Improvement

Supporting warfighter materiel readiness with prudent investment and management of resources.





CIMIP Phase I

What We Accomplished

CIMIP Phase I

Shedding the excess

2010-2016

Target Outcomes:

- Don't buy what is not needed
- Don't keep what is not used

Accomplishments:

- Excess on-hand...\$4.2B reduction
- Excess on-order...\$896M reduction

Achieved reductions in inventory:

- Reduced overall inventory by \$8.4B since 2012
 - Reduced government-managed inventory by \$14.7B since 2012
- Reduced On-hand excess inventory by \$4.2B since March 2012
- Reduced On-order inventory with no future planned consumption by \$896M since 2010

Improved inventory systems and oversight:

- Reduced higher level review of on-hand excess inventory from 12 months to 3 months
- Reduced disposition cycle of excess inventory from 6 months to 1 month
- Increased recording of government owned contractor managed inventory in government inventory systems by \$6.3B
- Established semi-annual reviews of Department inventory levels
- Conducting Senior level reviews of inventory decisions



Don't buy what is not needed...Don't keep what is not used



CIMIP Phase II

Where We're Going Next

CIMIP Phase II

Requirements driven inventory

2015-2020

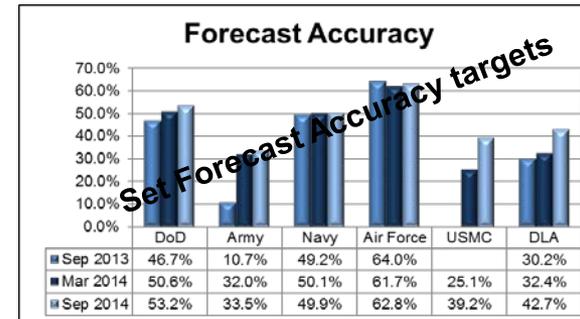
Target Outcomes:

- Stock what customers order
- Deliver what customers need

Target Performance:

- Inventory value
- Forecast accuracy
- Cycle times

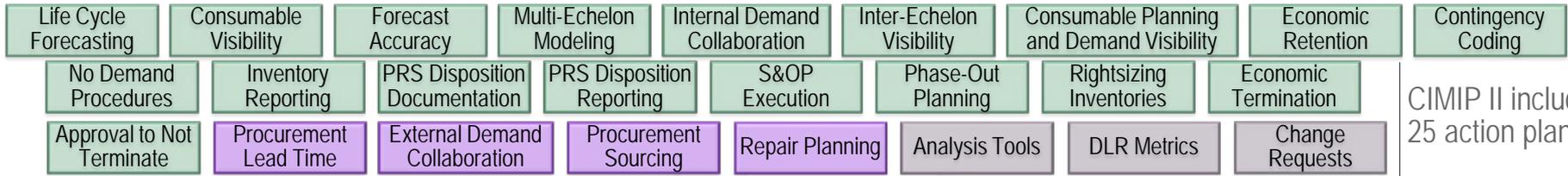
- CIMIP II expands the scope to include how inventory management interacts with procurement and maintenance management
- Actions, milestones and measures:
 - Developed by CIMIP working groups
 - Build on CIMIP I actions
 - Include actions to support future needs
- Draft CIMIP Phase II under review by working groups



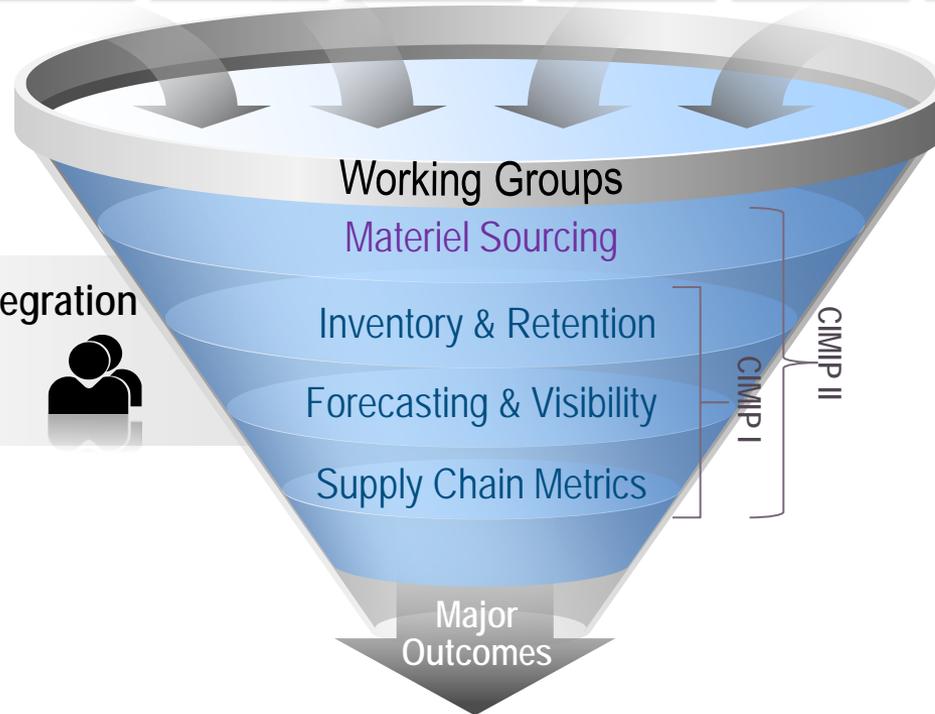
Stock what customers need...Deliver what customers order



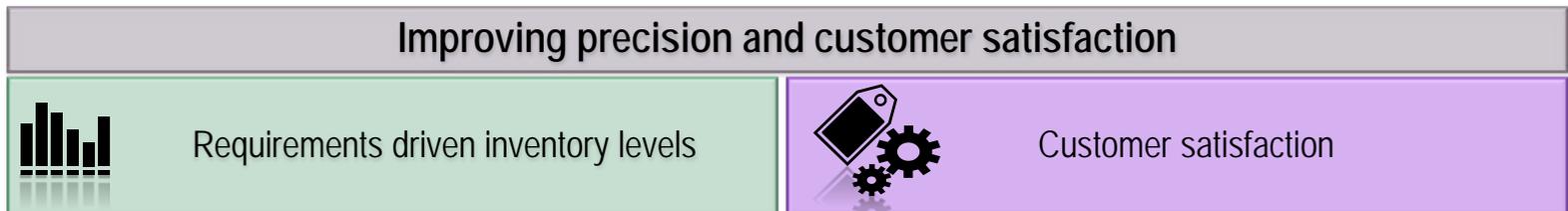
CIMIP Phase II Overall Approach



CIMIP II includes 25 action plans.



Advancing Supply Chain Integration
Cross-functional working groups make supply chain improvements using the action plans.



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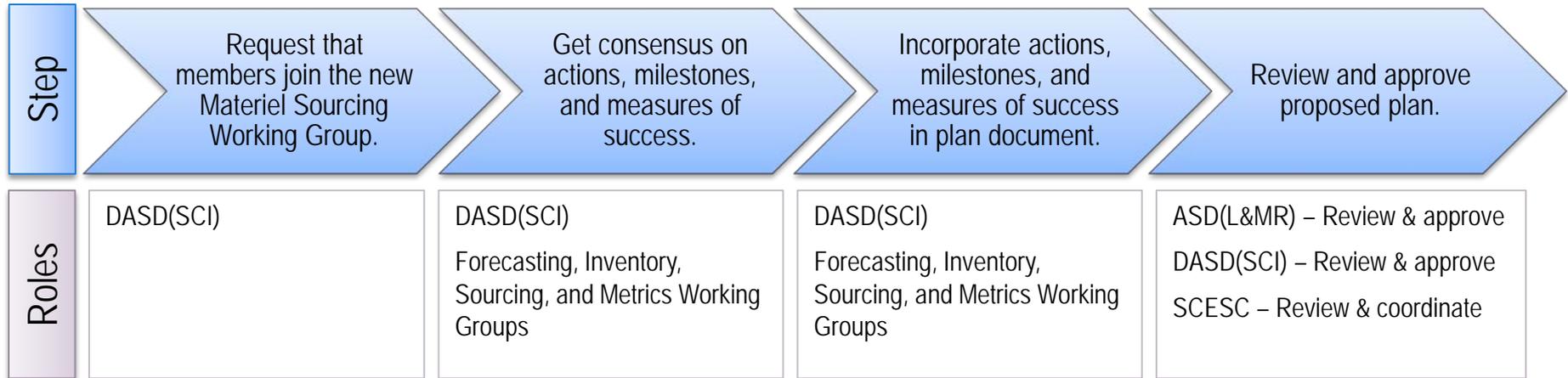
Pre-Decisional Working Paper

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CIMIP Phase II

Next Steps for Plan Development



Next step: Stand up Materiel Sourcing Working Group



Back Up



Requirements driven inventory levels CIMIP II Outcomes and Actions



Plan	New in Phase II	Critical follow-on	Outcomes	Actions
LIFE CYCLE FORECASTING		X	<ul style="list-style-type: none"> Implementation of best practices from the life cycle forecasting data analysis Value added analysis validates forecasted v. non-forecastable items 	<ul style="list-style-type: none"> 4 actions Improve demand forecasting based on an item's life cycle
FORECAST ACCURACY		X	<ul style="list-style-type: none"> Ability to address forecast error quickly Use of forecast accuracy and bias metric to assess Component forecasting process Identification of attainable forecast accuracy and bias targets given external factors impacting demand 	<ul style="list-style-type: none"> 5 actions Fully implement demand forecast accuracy and bias metrics Establish feasible targets
INTERNAL DEMAND COLLABORATION		X	<ul style="list-style-type: none"> Improved collaboration processes within the DoD supply chain 	<ul style="list-style-type: none"> 5 actions Establish internal collaboration procedures that improve wholesale demand forecasting accuracy
CONSUMABLE VISIBILITY		X	<ul style="list-style-type: none"> Implementation of enhanced In-Storage Visibility (ISV) 	<ul style="list-style-type: none"> 2 actions Improve automated visibility of retail assets and requirements for DLA-managed consumable items
CONSUMABLE PLANNING AND DEMAND VISIBILITY	X		<ul style="list-style-type: none"> Shared consumable planning and consumption data across the Components that enables coordinated inventory planning and overall reduced inventory investment 	<ul style="list-style-type: none"> 6 actions Implement inventory strategies for DLA consumables to achieve performance at the lowest possible network costs



Requirements driven inventory levels CIMIP II Outcomes and Actions



Plan	New in Phase II	Critical follow-on	Outcomes	Actions
MULTI-ECHELON MODELING		X	<ul style="list-style-type: none"> Implementation of multi-echelon sparing models for targeted inventories 	<ul style="list-style-type: none"> 4 actions Increase total percentage of inventory using multi-echelon modeling
INTER-ECHELON VISIBILITY		X	<ul style="list-style-type: none"> Assets in disposition services are fully considered before a procurement is awarded Wholesale inventory availability data is available and usable by retail managers for operational planning 	<ul style="list-style-type: none"> 4 actions Close outstanding asset visibility gaps at wholesale and retail
ECONOMIC RETENTION		X	<ul style="list-style-type: none"> Established economic retention limits that are based on an economic analysis for all Components 	<ul style="list-style-type: none"> 4 actions Challenge and validated economic retention limits for all DoD Components
CONTINGENCY CODING		X	<ul style="list-style-type: none"> Consistent use of authorized reason codes for retention of contingency retention inventory across the Components 	<ul style="list-style-type: none"> 3 actions Ensure CRS codes are used consistently across all Components
INVENTORY REPORTING		X	<ul style="list-style-type: none"> Comprehensive rationale behind inventory decisions and improved inventory reporting and tracking of future improvements impacts 	<ul style="list-style-type: none"> 2 actions Update policy with new guidance on: <ul style="list-style-type: none"> Inventory stratification Supply System Inventory Reporting (SSIR) Inventory Management Reviews



Requirements driven inventory levels CIMIP II Outcomes and Actions



Plan	New in Phase II	Critical follow-on	Outcomes	Actions
S&OP EXECUTION	X		<ul style="list-style-type: none"> S&OP is used to better size future inventories and supply chain resource requirements 	<ul style="list-style-type: none"> 4 actions Ensure all Components have an S&OP-like process in place S&OP process produce demand and supply plans that align with strategic objectives
RIGHTSIZING INVENTORIES	X		<ul style="list-style-type: none"> DoD inventories are right-sized to satisfy the materiel requirements of anticipated future operations 	<ul style="list-style-type: none"> 5 actions Establish realistic targets for future minimum and maximum values of secondary item inventory
PHASE-OUT PLANNING	X		<ul style="list-style-type: none"> Improved configuration management leading to less excess DLRs in system due to item phase-out or end-item reduction 	<ul style="list-style-type: none"> 6 actions Improve collaboration between DLR item managers and program managers
APPROVAL TO NOT TERMINATE	X		<ul style="list-style-type: none"> Institutionalized policy on appropriate approval level to not terminate due-in long supply procurements Standardize reporting of reasons for On-order Retention and On-order Unneeded inventory 	<ul style="list-style-type: none"> 4 actions Reduce the percent of inventory on-order above requirements



Requirements driven inventory levels CIMIP II Outcomes and Actions



Plan	New in Phase II	Critical follow-on	Outcomes	Actions
NO DEMAND PROCEDURES		X	<ul style="list-style-type: none"> Annual systematic reviews of no-demand items detail associated disposal decisions rather than merely categorizing no demand inventories 	<ul style="list-style-type: none"> 8 actions Reduce inventory on-hand and on-order for items with extended periods of no demand
PRS DISPOSITION DOCUMENTATION		X	<ul style="list-style-type: none"> Full transparency into decisions for retaining PRS (On-Hand Excess) through a standard set of PRS disposition descriptions with related coding to document retention 	<ul style="list-style-type: none"> 4 actions Fully justify the retention of stock identified as excess (PRS)
PRS DISPOSITION REPORTING		X	<ul style="list-style-type: none"> Procedures that define the appropriate level of reporting by the Components on the retention of PRS. 	<ul style="list-style-type: none"> 4 actions Report PRS disposition decisions
ECONOMIC TERMINATION	X		<ul style="list-style-type: none"> Full implementation of economic termination models in place across all DoD Components to review buys for termination that may have on-contract order quantities above approved acquisition objectives (AAO) 	<ul style="list-style-type: none"> 3 actions Reduce the value of inventory on-order above requirements



Customer satisfaction CIMIP II Outcomes and Actions



Plan	New in Phase II	Critical follow-on	Outcomes	Actions
PROCUREMENT LEAD TIME	X		<ul style="list-style-type: none"> Improved predictability/reliability of procurement lead times that result in decreased backorders and reduced excess inventory. 	<ul style="list-style-type: none"> 4 actions Establish policy and procedures that reduce procurement lead times
EXTERNAL DEMAND COLLABORATION	X		<ul style="list-style-type: none"> Improved collaboration processes between DoD materiel managers and vendors. 	<ul style="list-style-type: none"> 5 actions Share demand information with vendors that provide sole or long-term support to the Department
PROCUREMENT SOURCING	X		<ul style="list-style-type: none"> Long-term contracting and strategic sourcing used to reduce inventory investments and provide for more agile supply chains 	<ul style="list-style-type: none"> 4 actions Maximize the benefits of strategic sourcing and long-term procurements
REPAIR PLANNING	X		<ul style="list-style-type: none"> More reliable and precise repair of DLRs 	<ul style="list-style-type: none"> 5 actions Ensure the optimal balance of push and pull scheduling in the repair planning processes



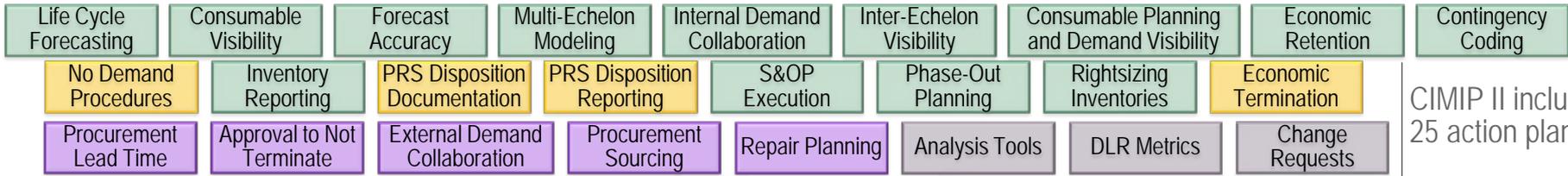
Support All Major Outcomes

CIMIP II Outcomes and Actions

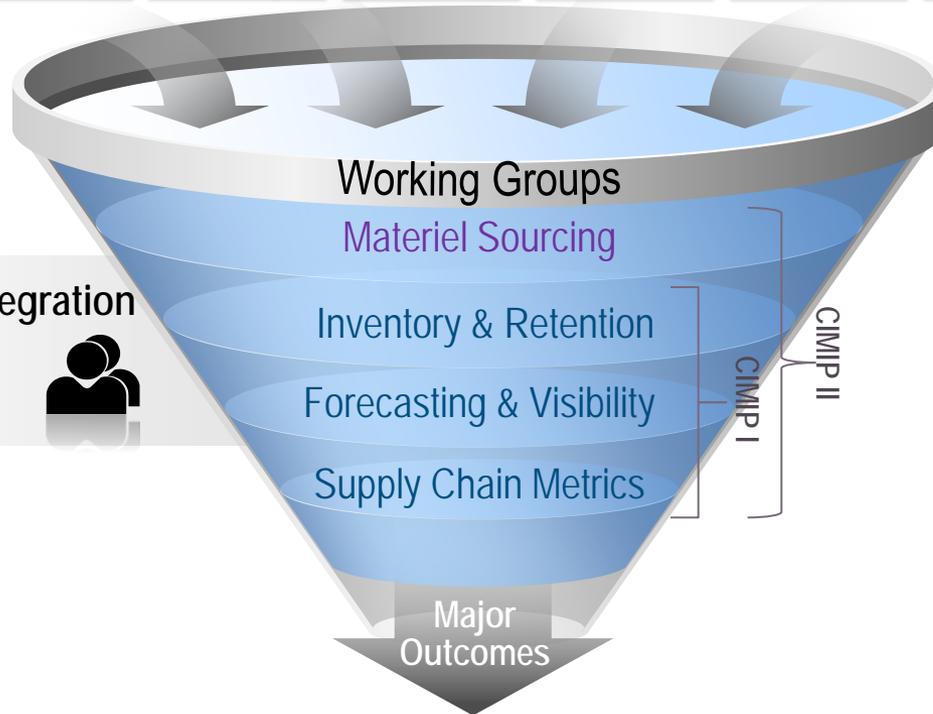
Plan	New in Phase II	Critical follow-on	Outcomes	Actions
ANALYSIS TOOLS		X	<ul style="list-style-type: none"> Metrics analysis capabilities for use by Components to assess inventory improvements and ensure actions are meeting the established Plan objectives, goals and targets without adversely affect customer support 	<ul style="list-style-type: none"> 3 actions Update policy on use of analytics to improve supply chain decision-making
DLR METRICS	X		<ul style="list-style-type: none"> Establishment of a refined inventory turn metric to account for DLRs as durable goods 	<ul style="list-style-type: none"> 5 actions Accurately portray DLR assets in supply chain metrics
CHANGE REQUESTS		X	<ul style="list-style-type: none"> Continued tracking of System Change Requests (SCR) through completion of CIMIP II 	<ul style="list-style-type: none"> 2 actions Document and assess required system changes that improve inventory management



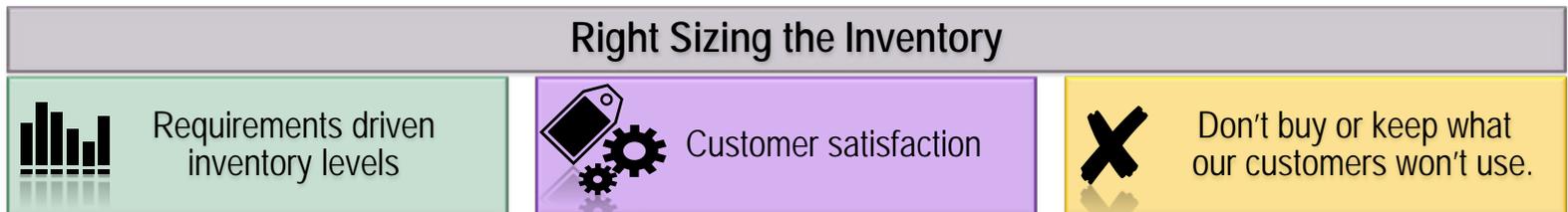
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