



DLA
DEFENSE LOGISTICS AGENCY
Established 1961



The Nation's Combat Logistics Support Agency

Industry Association Meeting

April 25, 2023



WARFIGHTER ALWAYS



DLA
DEFENSE LOGISTICS AGENCY
Established 1961



The Nation's Combat Logistics Support Agency

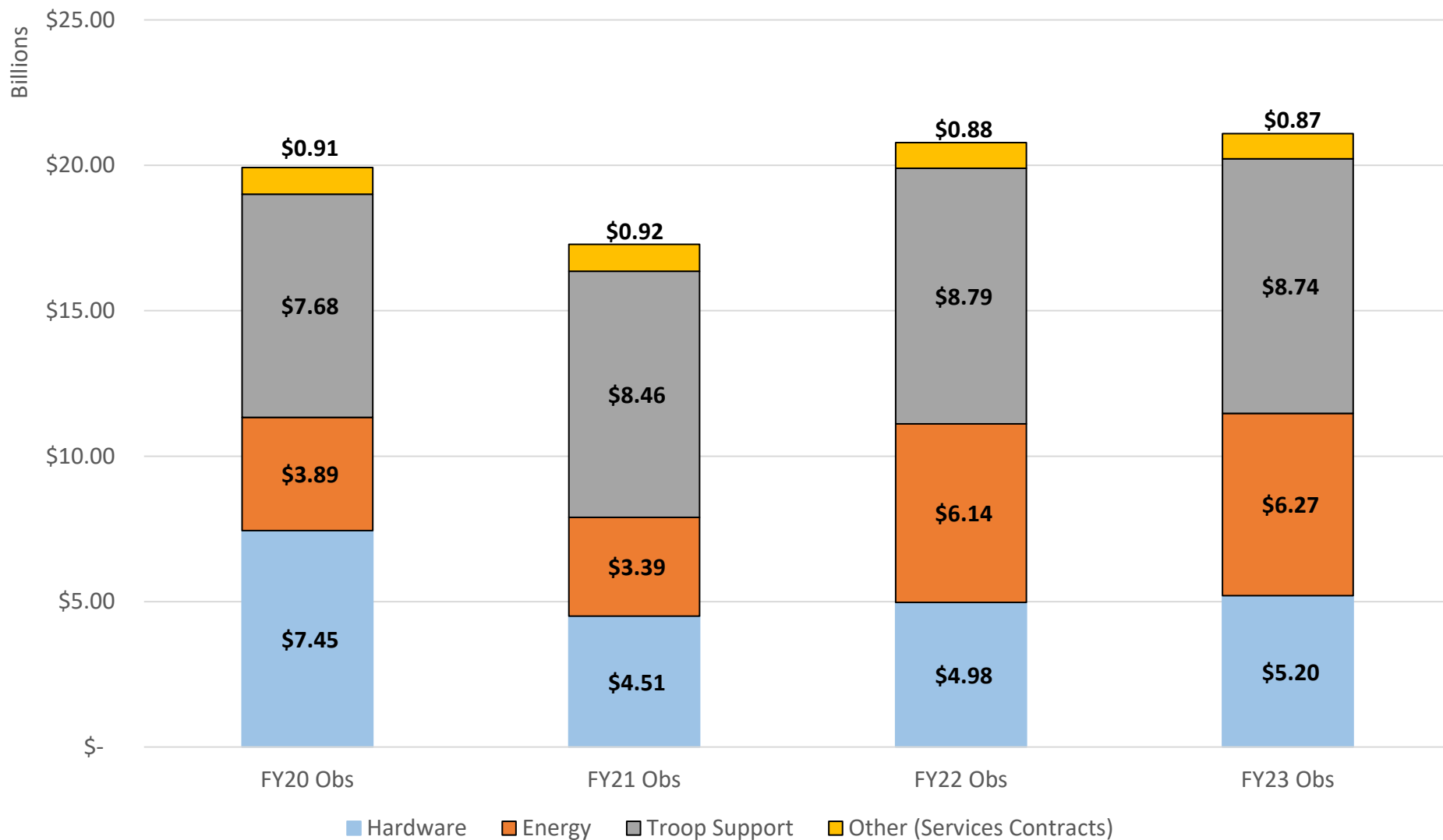
DLA FY23 Demand Forecast Update



WARFIGHTER ALWAYS



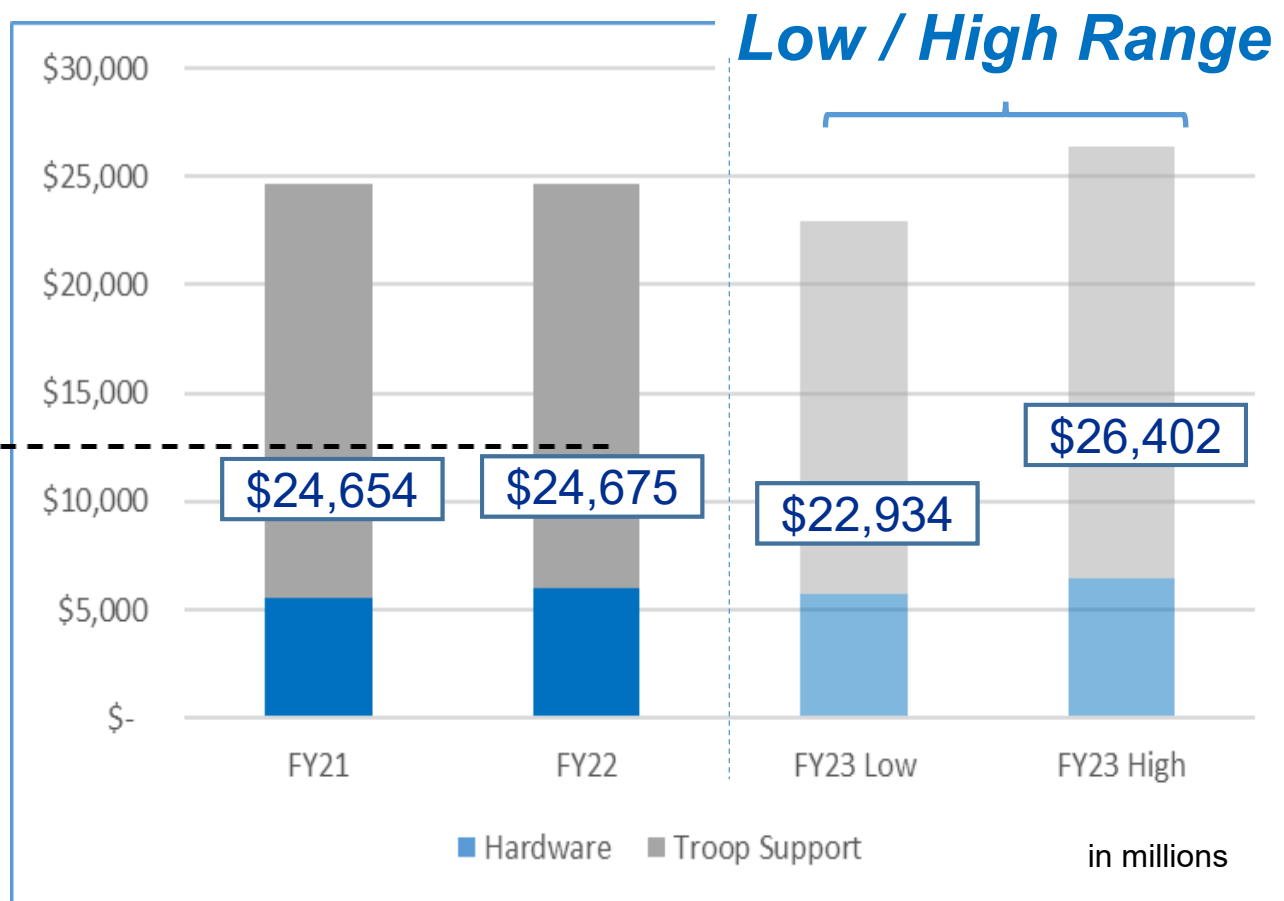
Cumulative DLA Obligations (October-March)





DLA Orders (Obligations) to Industry

FY23 Projections for Hardware and Troop Support



**Current
Prediction
\$24,029**

Note: does not include DLRs

Orders estimated to range between -7% to +7% compared to FY22



DLA
DEFENSE LOGISTICS AGENCY
Established 1961



The Nation's Combat Logistics Support Agency

DLA's Economic Assessment Working Group

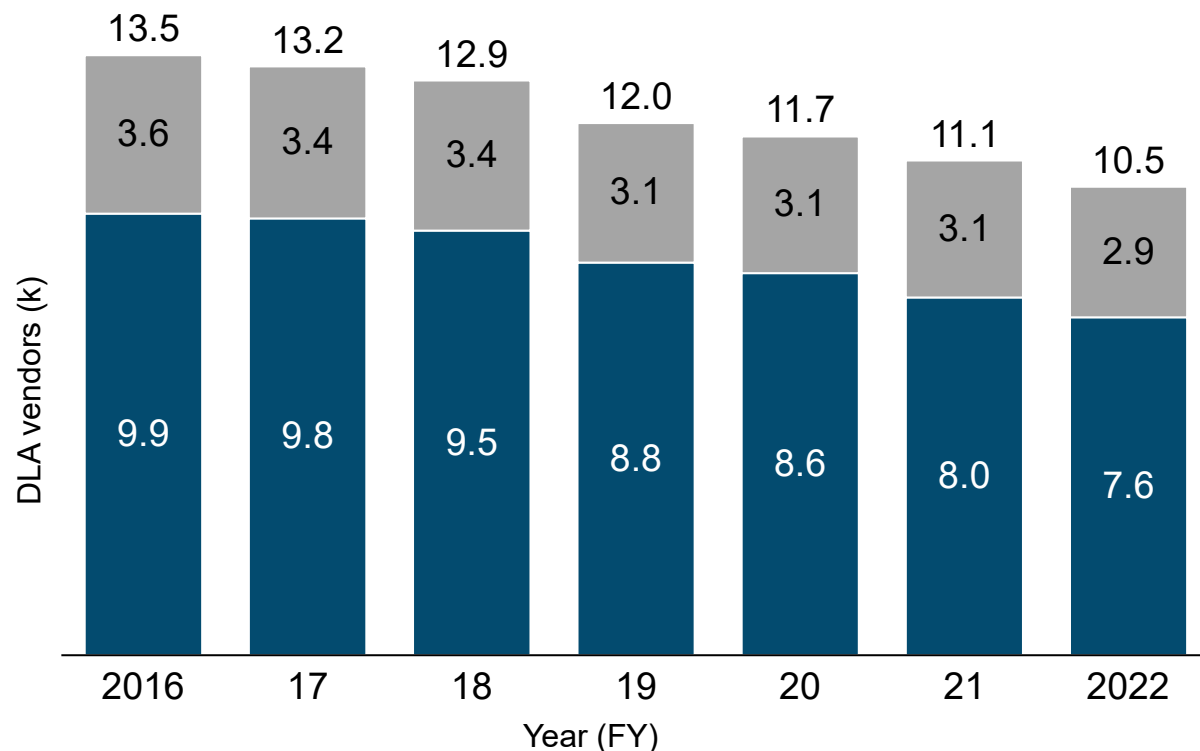




Declines Observed in Overall DLA Vendor Base

Count of Vendors with Obligations¹ FY16–FY22, *Thousands*

■ Non Small Business Vendors ■ Small Business Vendors



Key takeaways

DLA's overall **vendor base declined by 22%** from FY16 to FY22

Small Business vendors **declined by 23%**, a decline of 2.3k vendors, from FY16 to FY22

Non-Small vendors **declined by 17%** or 621 vendors from FY16 to FY22

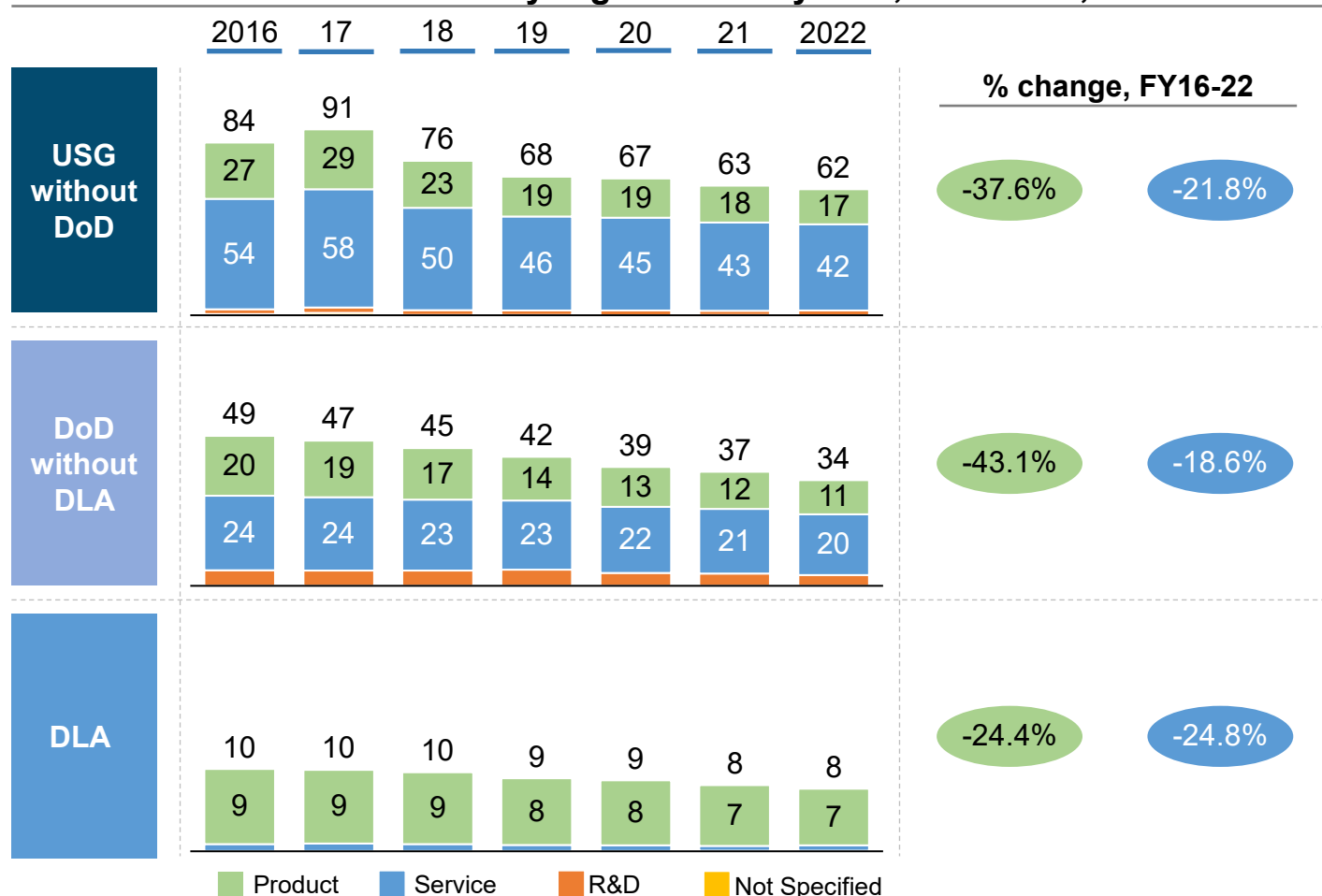
Note: Includes DLA Energy

1. Small Business is determined by NAICS classification for each industry



USG Losing Small Business Vendors

Small business vendor count by organization by PSC, 2016-2022, Thousands



Key takeaways

DLA is losing small business vendors for products at a lower rate than USG and DoD¹

- DLA's number of small business who provide products declined 24.4% between FY16 and FY22
- DoD's number of small business who provide products declined 43.1% in the same period

Note: Includes DLA Energy

1. For relevant PSC codes

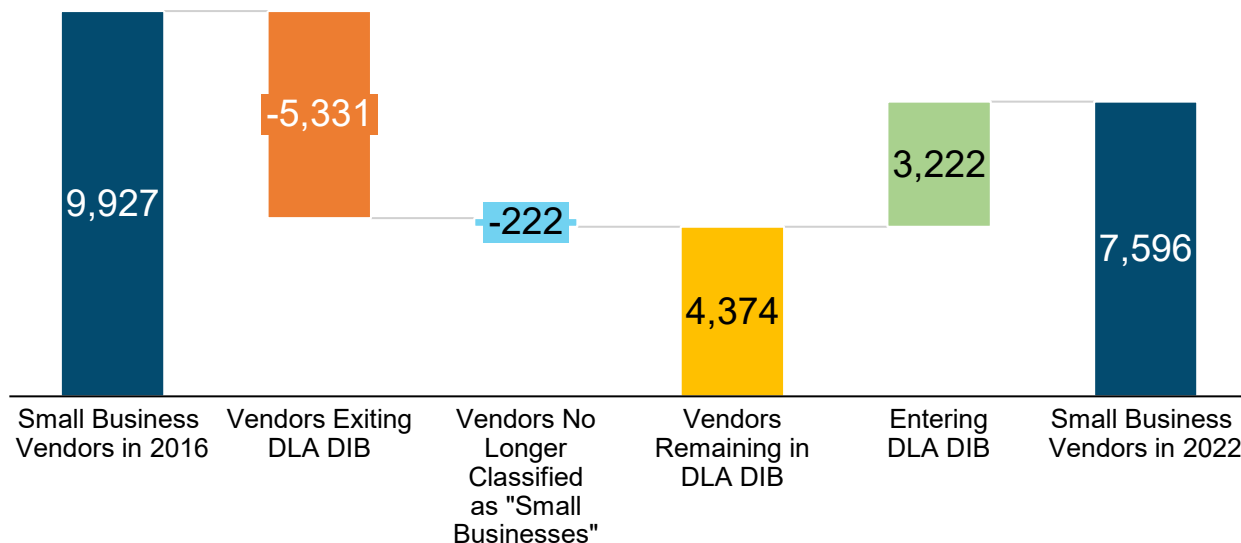
Note: Not to scale. Vendors that provide more than one type of contract (i.e., product, service, R&D) will show up in multiple contract categories



Small Business Vendors DLA 2016–2022

Unique DLA small business vendors, *Thousands*

Net change FY16 - FY22



Avg. obligations

FY16	\$329k	\$1.71m	
FY22		\$2.99m	\$877k

Note: 222 vendors designated as "Small Businesses" by SBA NAICS codes in FY16 no longer qualified as such in FY22, though they remained in DLA's vendor base

Note: Includes DLA Energy

Key takeaways

Average obligations have **increased** for small business vendors remaining in the DLA DIB by **~75% from FY16 to FY22**

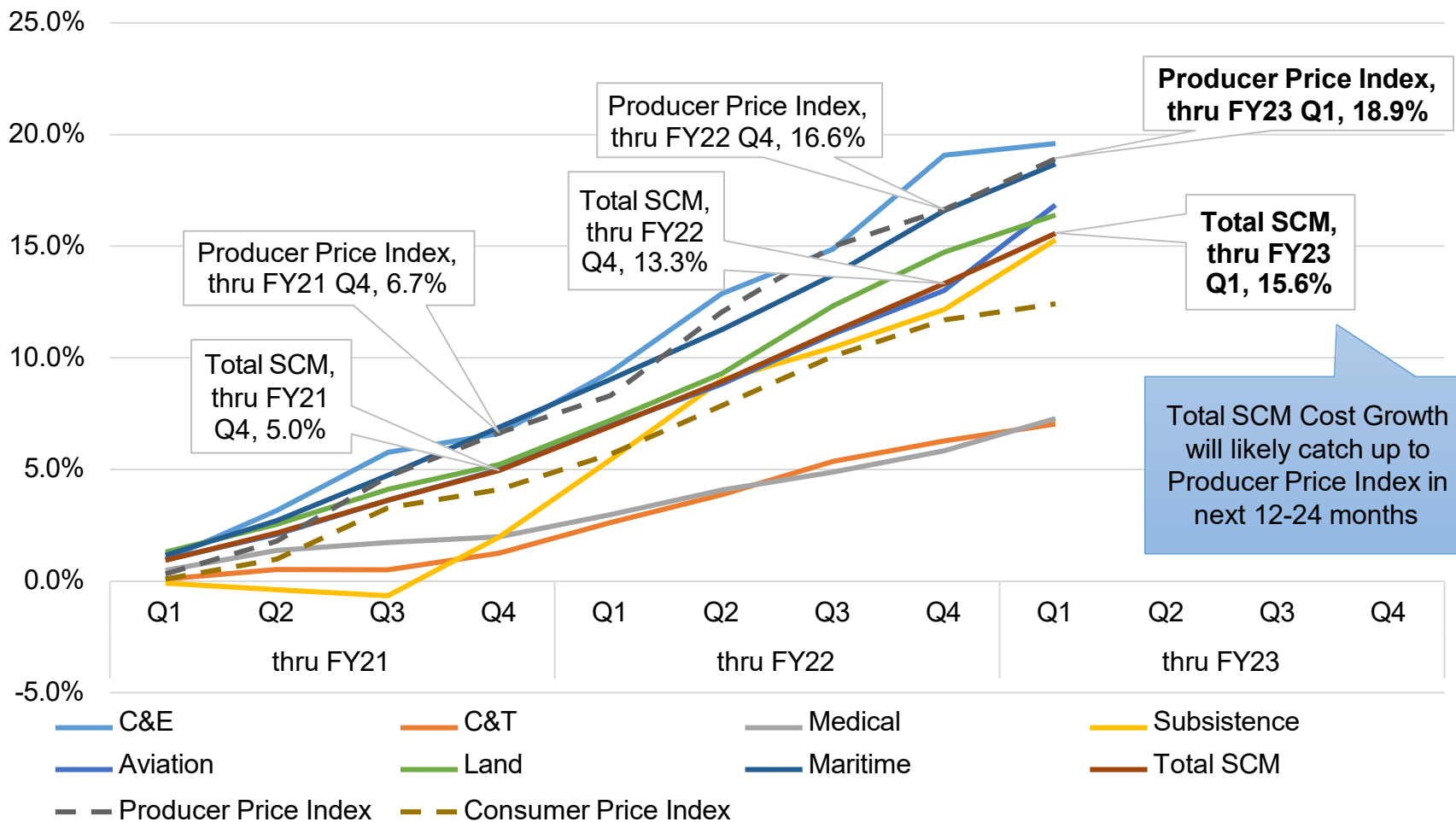
Vendors experienced mixed outcomes:

- **46% of small business vendors increased obligations since 2016**
- **54% of small business decreased since 2016**

Small business vendors on average saw increases in obligations



SCM Materiel Cost Growth (Cumulative Since EOY FY20)





Financial Impact

- Economy-wide Inflation has begun to slow
 - Inflation is typically reported in speeds, not cumulative figures.
 - Damage remains, *and will continue to worsen*, at a slower pace
- DLA SCM Cost Growth is 15.6% since FY20
 - Roughly equivalent to five normal years of growth in 27 months
 - This is 3.3% better than the Producer Price Index's 18.9%
 - DLA's long-term contracts have protected us temporarily
 - Expect SCM cost growth to outpace PPI for the next few years, as our costs eventually catch up to cumulative PPI
- DLA SCM Cost Growth has not yet started to slow
 - May begin to slow next quarter, but will remain elevated
- Largest impact is to our Pricing and Obligations

Inflation has started to slow, but DLA Cost Growth will remain elevated



MSC Atmospherics

- Material Availability (MA) is dropping. Main drivers include economy, labor, production capacity, and fiscal constraints.
- Due to demand uncertainty, suppliers are inclined to limit on hand stock. Vendors are also deleting items from their catalogs if pricing becomes unfavorable.
- Vendors are increasingly holding prices for short timeframes (e.g., 10 days), which outpaces the contracting process.
- Some contractors have indicated that they are less willing to provide proposals for long term contracts due to price uncertainty, whereas others are increasingly requesting no-cost cancellation or price increase clauses.
- Contractors have concerns with shortages on packaging materials for overseas shipping, which can impact delivery schedule.
- Inflation is creating industry staffing issues due to higher wages and challenges with recruiting and retaining talent, especially with smaller businesses.
- AbilityOne has raised some prices at higher rates than competitive pricing.

As prices rise, DLA and the Services must buy less material to remain within their Obligation Authority (OA)



DLA
DEFENSE LOGISTICS AGENCY
Established 1961



The Nation's Combat Logistics Support Agency

DLA's 3rd Biennial Supplier Survey Results



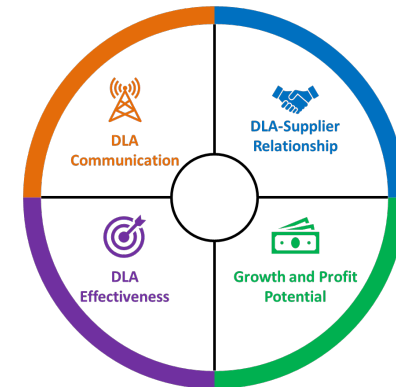
WARFIGHTER ALWAYS



BLUF

Survey Conducted 24 Oct 22 - 10 Feb 2023

- Overall survey score slightly down compared to 2020: 3.41 to 3.34 (-.07)
- Largest Decreases:
 - **Timeliness -0.11**
 - **Timely Resolution -0.12**
- External events have challenged DLA's systems
 - Inflation:
 - 99% stated they are experiencing impacts from inflation
 - 68% are experiencing Severe or Significant impact
 - Supply-chain disruptions:
 - 88% stated they are experiencing impacts from Supply Chain Disruptions
 - 42% are experiencing Severe or Significant impact
- Supplier Comments
 - 774 Comments Reviewed
 - Issue Resolution, Responsiveness and Communication seemed to be the biggest supplier challenges
 - 15% (113) made a positive remark



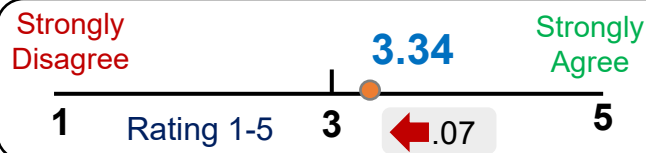
	2018	2020	2022
Number of Responses	2,999	2,853	2,507
Response Rate	38.4%	34.4%	38.9%
Overall Rating	3.30	3.41	3.34
Highest Rated Factor	Trustworthiness	Trustworthiness	Trustworthiness
Lowest Rated Factor	Innovation	Timely Resolution	Timely Resolution



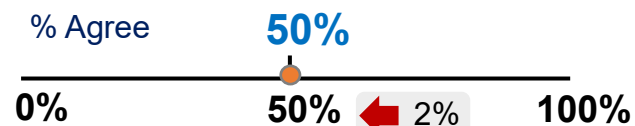
2022 Response Overview

Overall

Average Rating



Average % Agree¹



Category



**DLA
Communication**



**Growth and
Profit Potential**



**DLA-Supplier
Relationship**



**DLA
Effectiveness**

Avg. Rating

3.52 ↓ 0.09

3.29 ↓ 0.04

3.34 ↓ 0.08

3.28 ↓ 0.05

Avg. % Agree

60% ↓ 3%

49% ↓ 2%

51% ↓ 4%

43% ↓ 2%

Factor

Avg. Rating

Avg. % Agree

Highest → 3.89: Trustworthiness ↓ 0.04

75%: Trustworthiness ↓ 2%

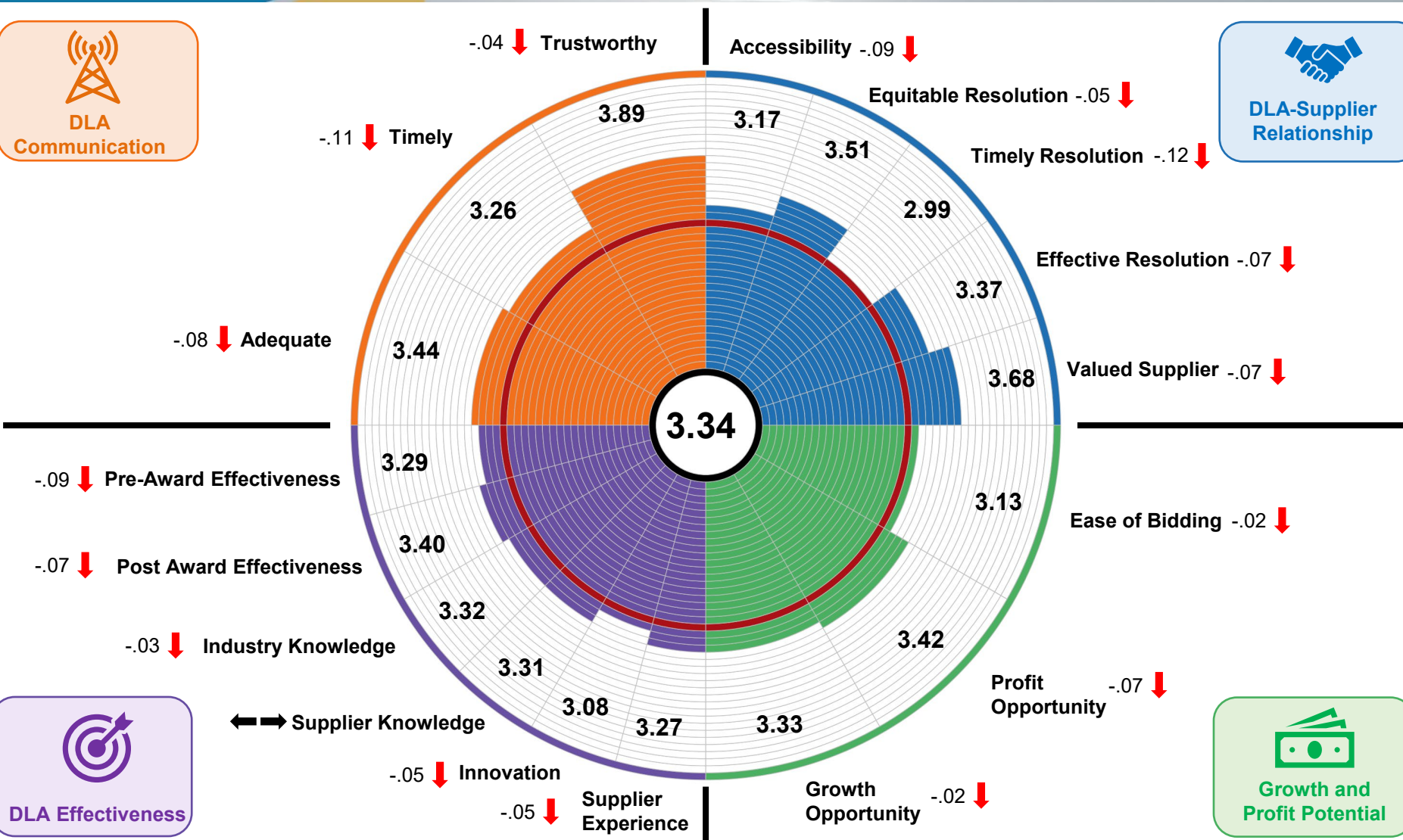
Lowest → 2.99: Timely Resolution ↓ 0.12

27%: Innovation ↓ 1%

¹ % Agree – Average percentage of respondents that chose “Agree” or “Strongly Agree”







2022 DLA Average Rating

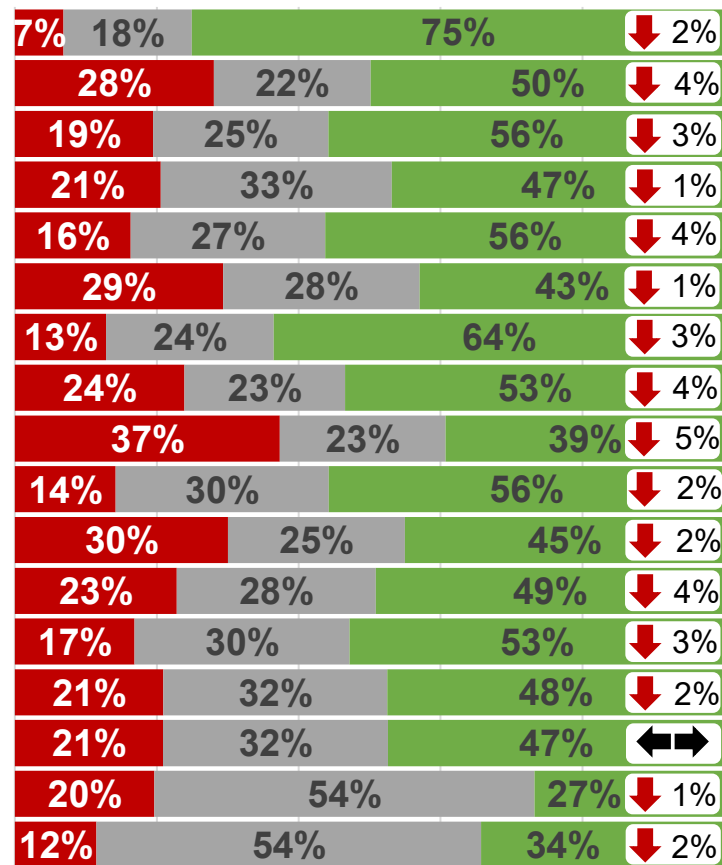




2022 DLA Overview by Factor

	Factor	2022 Average	2020 Difference
 DLA Communication	Trustworthiness	3.89	-0.04
	Timeliness	3.26	-0.11
	Adequacy	3.44	-0.08
 Growth and Profit Potential	Growth Opportunity	3.33	-0.02
	Profit Opportunity	3.42	-0.07
	Ease of Bidding	3.13	-0.02
 DLA-Supplier Relationship	Valued Supplier	3.68	-0.07
	Effective Resolution	3.37	-0.07
	Timely Resolution	2.99	-0.12
	Equitable Resolution	3.51	-0.05
	Accessibility	3.17	-0.09
 DLA Effectiveness	Pre-Award Effectiveness	3.29	-0.09
	Post-Award Effectiveness	3.40	-0.07
	Industry Knowledge	3.32	-0.03
	Supplier Knowledge	3.31	0.00
	Innovation	3.08	-0.05
	Supplier Experience	3.27	-0.05
	Overall Average	3.34	-0.07

Disagree Neither Agree nor Disagree Agree



Avg. of 50% agree across factors ↓ 2%



Key Supplier Survey Takeaways

- DLA is a trusted partner & values its suppliers
- CY22-23 was a tough business environment
 - Near universal concerns with inflation, labor and supply chain disruptions
- DLA needs more timely communication, responsiveness and forecasting
 - Targeted investments in the works
- DLA needs renovation in its bidding system
 - Ongoing study to upgrade DIBBS - includes industry perspectives
- Continued industry outreach & engagement
 - Updated Industry Engagement Plan last year
 - Updating Conference Engagement Strategy



MSC Industry Engagement Update

Upcoming DLA Industry Engagement Events

- DLA JETS Industry Day
 - DLA HQ April 26, 2023
- DLA Supply Chain Alliance Conference & Exhibition
 - Richmond VA May 3-4, 2023
- DLA Energy Supplier Summit
 - Alexandria VA May 24-25, 2023
- DLA Distribution Industry Day
 - Virtual June 14, 2023
- DLA R&D Collider Day
 - Virtual September 2023
- DLA Small Business Webinars
 - Ongoing



What Now?

- DLA Strategic Plan
 - <https://www.dla.mil/Info/strategicplan/>
- Learn how to business with DLA
 - <https://www.dla.mil/SmallBusiness/>
- Learn about DLA's Industry Engagement Program
 - <https://www.dla.mil/HQ/Acquisition/Business/Enterprise-Industry/>
- Opportunities will be posted at
 - <https://www.dla.mil/Info/strategicplan/IndustryEngagementPlan/DemandForecast>

