

BY CARLTON RILEY SMITH

# From the Black Hole to the Wild Blue Yonder

How do you procure for the Air Force's largest civil engineering group and clinic, as well as for 1,200 facilities and 8,000 housing units? Hopefully, not one item at a time.

First, imagine that you are the director of public works for a city of 30,000 people. And like any city of modest size, you're required to manage the infrastructure of its roads, housing units, water and sewer functionalities, airport runways,

construction sites, lighting and anything else associated with its mandatory, day-to-day operations. And because the universe tends toward chaos, it's inevitable that, at times, water mains will burst, HVAC systems will malfunction and streetlights will dim to

darkness. But, imagine the level of frustration when logistical circumstances force you to wait an average of eight months for replacement parts.

Such a scenario might seem antiquated in today's world, where instant response time can almost be taken for



Air Force photo courtesy of Tech. Sgt. Vince Parker © 2001

**Master Sergeant Kevin Shavnore, superintendent of material acquisitions, knows that, even in peace time, having supplies delivered on time is crucial to the efficiency of Kadena Air Force Base.**



**Without an e-procurement system in place, Kadena Air Force Base had to wait up to one year for supplies to reach its shelves. Today, it's 30 to 35 days "req-to-check."**

granted. Yet, until about two years ago, such was the everyday reality of supply chain managers for Kadena Air Base in Okinawa, Japan. For Master Sergeant Kevin Shavnore, superintendent of material acquisitions, and David Gannon, infrastructure chief, life was like a shell game of patch-fix repairs while waiting for the proper supplies to arrive.

"Way out here in the Pacific, we felt like a red-headed stepchild waiting nine months for materials, but that was life, and you had to get used to it," Gannon says. But as one of the largest Air Force bases outside the United States, Kadena is a crucial hub of the armed forces. Spread over 5,000 acres, Kadena is the Air Force's largest civil engineering group and houses the largest clinic in the Air Force, as well as 1,200 facilities and 8,000 housing units, carrying a stock of 8,000 line items valued at \$11 million.

Until just two years ago when Kadena installed a maintenance, repair and operations (MRO) system from SupplyCore.com, the base operated from a second-generation military system known as CEMA (Civil Engineering Materials Acquisitions). Gannon was relegated to transacting with multiple

interfaces and weeding through thousands of items in search of what he needed, which was like sending a distress signal up to an empty sky.

"There were too many different interfaces working against each other, and the requisition process was very long because there were thousands of transactions going back and forth," Gannon says. "A lot of the time, you weren't sure if you were getting the materials or not."

Even worse was that if a mistake was made during requisition, it would usually go undetected until it was far too deep into the process. When it would eventually come to the attention of Kadena, weeks had already passed.

### The Black Hole

The culprit in the logistical morass was a consolidation point in Lathrop, Calif., affectionately dubbed "The Black Hole." Before shipments could be sent to Pacific services, each container had to be unpacked, then delivered to base supply to be processed into the computer system, then repacked and sent to its final destination.

Since most members of the armed services frequently move from station to station, most commanders are posted at Kadena an average of two years,

according to Shavnore. Every commander wanted to complete his or her project before moving on, yet, with the speed of their supply chain moving at a snail's pace, many commanders were deployed elsewhere before they were able to finish a project.

"It was a very difficult, cumbersome and broken down logistics system," Shavnore says. "Some of the managers and craftsmen would leave on three-year tours before they even got the materials necessary to complete their projects."

In a last-ditch effort to bypass "The Black Hole," Kadena instituted BPAs (Blanket Purchase Agreements), which allowed it to purchase directly from suppliers in the States. But it proved to be a temporary fix, since Shavnore and his stock control clerks found themselves behind on orders and wading through a shoreless sea of paperwork.

"It turned out to be a paperwork nightmare," Shavnore says. "All the new administrative tasks ate up my man hours. We basically ended up becoming a procurement agency."

But just two years later, things are running as efficiently as any stateside military base because of an Internet-based commerce system put in place by SupplyCore. Now Kadena averages



Air Force photo courtesy of Tech. Sgt. Vince Parker © 2001



**Airman 1<sup>st</sup> Class Carmen Frazier, material acquisitions clerk, and Master Sergeant Shavnore inspect Kadena's supplies: The e-procurement system the Air Force Base installed has created cost-savings of an estimated 20 percent.**

30 to 35 days from “req-to-check” on an order to the United States, where before it might have taken 9 to 12 months. In emergency situations, items can be delivered in as few as seven to 10 days; and global purchases can be delivered in just one.

### From One Room to Worldwide

When Al Provenzano founded his purchasing and logistics company in 1987, it was under the name Pro Technical Products Inc. Assisted by his wife, the company's operations consisted of a one-room office in Rockford, Ill. Early last year, the company changed its name to SupplyCore.com to reflect a new corporate identity.

Selecting from a pool of 5,200 supplier bids, the Department of Defense (DOD) signed its first \$59 million

prime supplier contract to SupplyCore in 1998, covering military bases in the north central region of the United States. Just a year later, the DOD was pleased enough with SupplyCore's work to award the company a five-year, \$36 million per year contract for (MRO) supplies to all military bases in Japan, including Okinawa.

### Snowballing Efficiency

After SupplyCore signed the prime supplier contract with the DOD, Kadena was anxious to outsource its

purchases. The integration with the CEMA system was seamless, and to further free up man hours for more of the base's “mission-critical” activities, SupplyCore staffed four full-time employees on-site. Recouping implementation expenditures was not a consideration, since SupplyCore installs its online-ordering systems at no upfront costs to the customer.

In earlier days, when Shavnore needed staple supplies, he was forced to buy from Japanese suppliers. Because of the monetary conversions required, the markup was staggering — the cost of a street lamp light bulb was \$140. Now, it's boiled down to one supplier, one invoice. Sometimes necessity still requires buying from local suppliers, and, in these cases, SupplyCore's on-site buyers negotiate

for more reasonable prices, such as savings of \$19.95 per light bulb.

And rather than stocking enormous amounts of inventory, Kadena can control its levels based upon delivery time. To further eliminate the base's redundant inventory, Shavnore consolidated the base's 15 material acquisitions points into one Home Depot-like facility named Eagle Hardware. Stock levels and fill rates are monitored by the CEMA system, which then places an order to the SupplyCore system when, for example, a bin of widgets dwindle to a minimum level. As a result, duplication of inventory is no longer a problem, and the base can divert more of its spend toward stocking specialized items. It has further minimized the storage excess and freed up 58,000 square-feet of warehouse space.

Though Kadena has not measured its cost-savings since implementation, SupplyCore estimates the cost-savings to be upwards of 20 percent. Yet, to Gannon and Shavnore, the savings pale in comparison to the improvements in quality of life. “We've made a lot of changes to the base in the last two years because of that system,” Gannon says. “It's snowballed into getting us more efficient in other areas.”

Despite the savings in dollars and labor, Kadena believes it can realize more economy of scale by further consolidating its buying power through requisition consolidation, perhaps with other branches in the Armed Forces. Currently, Shavnore is putting together an illustrated online catalog for the Air Force's sister services.

“Our goal is to get requisitions consolidated with the Army, the Navy, the Coast Guard and the Marines,” he says. “Our goal is to try and bring them in so we can all reap some of the savings.”

---

*Carlton Riley Smith is a freelance writer based in Birmingham, Ala.*