

# DOD Quantifies Payback From RFID

Alan Estevez, assistant deputy undersecretary of supply chain integration, describes some quantifiable savings RFID has brought the Department of Defense.

By Jonathan Collins

May 3, 2006—The U.S. Department of Defense (DOD) is already finding significant measurable benefits from its initial use of RFID across its huge supply chain. While the DOD continues to roll out RFID capabilities, it says ongoing trials are already proving the value of this technology.

One example was highlighted in a presentation to attendees at the RFID Journal LIVE! conference held this week in Las Vegas. U.S. Marines operating in Iraq are using data from RFID tags attached to their supplies to ensure that the most important supplies reach them as soon as possible (see RFID Aided Marines in Iraq).

Shipments are tagged in the United States, with RFID read points set up in Iraq at a logistics hub just outside Fallujah. Thus, soldiers stationed at the forward operating bases at cities across Iraq can see where requested supplies are in the DOD supply chain. This has necessitated a change in how the supply chain operates.

"Marines can see where critical items are, and that changes the dynamic," said Alan Estevez, the DOD's assistant deputy undersecretary of supply chain integration. "The dialog [between forward operating bases and the logistic hub] has changed from 'Where's my stuff?' to 'Why isn't my stuff moving?' to 'I want you to put my stuff on the next truck because I can see its there.'"

Implementing RFID in the Marine supply chain has cut inventory value in the chain from \$127 million to \$70 million. The military organization has achieved this largely by reducing unnecessary reordering whenever supplies have been delayed or when supply requests have been thought overlooked. "Because they have confidence [that] items are on the way, they don't reorder," explained Estevez. "Reordering takes up more inventory, more space on transportation and clogs the supply chain."

Additional benefits have also been recorded. Average delivery times have dropped from 28 days to 16 days, while the supply backlog of 92,000 shipments has fallen to 11,000.

The potential benefits for the DOD across its supply chain are expected to be significant. Annually, the department spends a total of \$120 billions for logistics, including \$42 million for supplies. It manages around \$80 billion worth of inventory and \$700 billion in assets.

The DOD expects to spend a total of \$500 million to implement RFID over a six-year period. According to Estevez, an internal U.S. government analysis of the DOD's RFID use in its supply chain predicted the department would save \$70 million over seven years. That figure was based on the most conservative estimation in the report; the most optimistic view estimated saving \$1.7 billion over the same seven-year period. "Either way, that's a significant payback to the American taxpayer, as well as greater payback in military operability," Estevez reported.

