

Enhancing Supply Chain Operations in Tough Times

XIO Strategies' survey reveals deployment priorities for 2009

by James Clark, COO, XIO Strategies



The DOD has made great strides in the past few years, building initiatives that significantly enhance supply chain and asset visibility through the use of technology. But recently, a question has been lingering: How will DOD programs be impacted by the current budget crisis in Washington?

Each year, XIO Strategies conducts an Automated Identification Technology (AIT) market survey to understand the current state of deployment within the DOD. For readers new to the topic, the term AIT refers to a suite of technologies used by the DOD and other organizations to facilitate streamlined processes through electronic data capture. This year, XIO focused on three technologies:

- Active RFID (aRFID),
- Passive RFID (pRFID), and
- Item Unique Identification (IUID)

But in November, the survey hit the streets at a particularly fascinating time. As people watched their retirement plans decline and organizations across the federal government held their collective breaths to await any budgetary impacts, responses to the XIO survey brought valuable insight into the 2009 outlook for technology deployment programs.

SURVEY DEMOGRAPHICS

More than half of the respondents work directly for DOD or a DOD contractor, with other major organizational types including manufacturing and logistics companies.

More than two-thirds of the respondents are "in the trenches" today, serving as program and project managers or technical staff supporting supply chain, logistics or transportation, with an additional 16% in the executive ranks. As is typical of DOD-oriented surveys, more than half were from organizations of greater than

1000 employees, but with some smaller companies weighing in as well.

OVERALL IMPRESSIONS

As indicated in Chart 1, respondents appear to be less daunted about typical AIT deployment challenges than they were in 2007, with fewer respondents across the board indicating that they anticipated a "major" or "moderate" challenge with the issues. And, because nearly two-thirds of the respondents indicated at least one AIT is currently being implemented or in use in their organization, the results show that the group is familiar with AIT and that

as to why IUID scored top marks for enabling Maintenance & Repair functions.

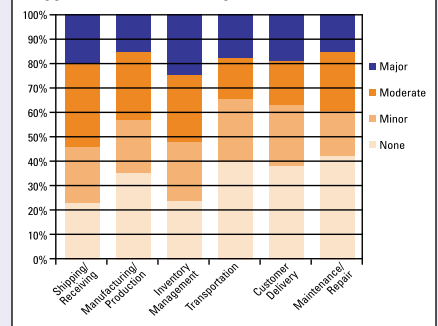
2009 OUTLOOK

Because many technology deployment programs span several years, the survey results indicated only moderate impact due to the financial crisis thus far. In Chart 2, respondents indicate that considerable levels of investment are expected across the supply chain, with Shipping/Receiving and Inventory Management being the main areas of focus, consistent with the transactional benefits enabled by AIT. When asked to indicate which technologies would be used

CHART 1. Respondents' Concerns about Deployment

Deployment Challenge	2007	2008	Change
Cost-to-Implement	77%	60%	-17%
IT Integration	69%	56%	-13%
Time-to-Implement	78%	52%	-26%
Human Resources	52%	42%	-10%
Data Management	53%	41%	-10%
Ongoing Equipment Costs	48%	36%	-12%
Change Management	45%	45%	-
Changing Standards	44%	34%	-10%
Maintenance Costs	42%	29%	-13%
Obsolescence of Hardware	42%	29%	-13%

CHART 2. Projected 2009 Investment in Supply Chain Process Improvement



adoption is proceeding. Cost, IT Integration, and Time-to-Implement remained the top three challenges in 2008.

The survey also confirmed how RFID and IUID are used to support supply chain, as well as functional operations. Respondents indicated that aRFID is used primarily in the Shipping/Receiving, and Transportation areas, while pRFID appears to be increasing as a tool for inventory management. Outside the supply chain, both aRFID and pRFID are used primarily for asset management, including for IT assets.

As expected, respondents indicated a broad use of IUID in Shipping/Receiving and Inventory Management processes. It is, however, encouraging to find that IUID part marking is being incorporated into the manufacturing process, which provides the greatest ability to leverage the Unique Item Identifier (UII) throughout the item lifecycle. And, this may be a contributing factor

to support the improvements, RFID and IUID were the overwhelming choices. Driving benefits through AIT adoption can help organizations address current financial pressures while improving long-term competitive advantage.

From the standpoint of improving functional support through AIT, respondents indicated that Asset Management, particularly for IT assets, will continue to be a key focus. However, Document Management and Facility Access/Security also garnered more than 20% of respondents in this area, further demonstrating that organizations are seeking to leverage AIT for additional business process improvements. **DTJ**

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