

What is a “Prime Vendor?”

The Relevancy of the Prime Vendor Concept of Support

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Summary. TWI’s identity and positioning as a company is very much associated with the concept of logistics support known as “prime vendor.” In fact, it can be said that our business strategy has evolved around enhancing this concept and expanding it into a full range of procurement and supply chain management services. Through our strategic intent and as a result of economic forces at work in our market space, TWI continues to play a pioneering role in our customers’ increasing reliance on prime integrators of supplier and service provider networks.

Background. The prime vendor concept of support is part of a transformation in the U.S. Department of Defense (DOD) acquisition strategy that began in the 1990s. This transformation focused on outsourcing non-core competencies and increasing competition to gain efficiencies. It included other concepts of support like commercializing base support activities; multiple award, task order contracts (MATOC); and civilian augmentation programs like LOGCAP. As DOD adapted proven outsourcing techniques to streamline the Department’s numerous worldwide supply chains, flag officers and senior executives were detailed to companies like Wal-Mart and FedEx to observe “just-in-time” delivery, in-transit visibility, and other best practices. Many of these practices eventually became known to military logisticians in terms of “velocity management” and “performance based logistics.” Concurrent with the process transformations, massive physical inventories were being cut or eliminated in favor of vendors competing to provide on-demand, supply solutions for a full spectrum of commodities ranging from food to medical products, and eventually facility management and construction (or “MRO”) supplies.

Recommendations for utilizing prime vendors were central to the Defense Reform Initiative Report of 1997. The initiative’s authors described the “revolution” in DOD business affairs that was possible by implementing concepts like prime vendor in this way:

The prime vendor process takes full advantage of private sector distribution capabilities and electronic data processing to supply DOD customers.



A single vendor (the prime vendor) buys inventory from a variety of suppliers and the inventory is stored in commercial warehouses. The customer orders supplies from the prime vendor, using electronic ordering systems. The supplier then ships directly to the DOD component, as needed, within a specific geographic area. This process reduces delivery time to the customer and, by using the private sector's storage and distribution system, reduces the Department's inventories and associated warehousing and redistribution costs.

The two page section describing prime vendor contracting is available online at: <http://www.fas.org/man/docs/dri/chapter1.html>.

Also in 1997 and as excerpted here, the U.S. Government Accountability Office (GAO) found that the Defense Logistics Agency (DLA) was already quite successful at engaging prime vendors to supply products directly to military facilities:

The consumable items under these vendor programs account for 2 percent of the consumable items DOD manages. DOD's prime vendor program for medical supplies, along with other inventory reduction efforts, has resulted in savings that we estimate exceed \$700 million. More importantly, this program has moved DOD out of the inventory storage and distribution function for these supplies, thus emptying warehouses, eliminating unnecessary layers of inventory, and reducing the overall size of the DOD supply system. Also, service is improved because DOD buys only the items that are currently needed and consumers can order and receive inventory within hours of the time the items are used.

The complete GAO report Outsourcing DOD Logistics is available at: <http://www.gao.gov/archive/1998/ns98048.pdf>.

For more information on the design and success of prime vendor programs, see the testimony given in March 1998 to the Senate Subcommittee on Acquisition and Technology at: <http://armed-services.senate.gov/statemnt/980318tm.htm>.

Once the sequence and significance of the prime vendor concept of support is understood within the context of the Government's broader logistics transformation, one can better appreciate the role that TWI continues to play in bringing that innovation to market in some of the most complex and challenging situations imaginable.



TWI's Pioneering Role. In 1998, TWI became the very first overseas prime vendor when we were awarded the Subsistence Prime Vendor (SPV) contract for Northern Europe. By virtue of our twelve years of exceptional performance on this contract, TWI is the longest-serving, most experienced prime vendor in the world. Over the last dozen years, our fill rate has averaged 98.7% while supporting what has become one of the longest cold supply chains spanning over 5,000 miles from the United States to Kyrgyzstan. After only a year on the contract, TWI was named Prime Vendor of the Year in 1999. Then in 2000, Defense Supply Center-Philadelphia (DSCP then, now DLA Troop Support) and TWI were the joint recipients of the Hammer Award from the National Partnership for Reinventing Government. The DLA-TWI Team was recognized for our innovative performance in implementing the prime vendor program overseas. Following that recognition, TWI went on to receive the Customer Service Award for the Middle East/European Region in 2000, 2003, 2006, and 2007.

Also in 2000, TWI became the first overseas prime vendor for the newly created MRO Prime Vendor Program. As both a SPV and MRO-PV in Europe, we shortly thereafter were tasked with executing prime vendor support in Central Asia and Iraq to supply the Global War on Terror. Since then, our Food Division has supported troops in Uzbekistan, Tajikistan, Georgia, and Kyrgyzstan, as well as a multitude of temporary support locations across Europe and Central Asia.

In 2003, DLA created the Iraq MRO Prime Vendor program and quickly awarded it to TWI to support the initial deployment of American forces to Kuwait and then into Iraq. Prime vendor support ultimately played a key role in the immense, "stretched" supply chains that are arguably one of the most demanding wartime logistics efforts ever undertaken by the U.S. military. By 2005, TWI had competed for and won the next generation MRO-PV, which by then had expanded into a multiple award contract supporting the entire U.S. Central Command (CENTCOM) area of operation from Egypt to Pakistan and from Kyrgyzstan to the Horn of Africa.

Throughout this period, DOD's reliance on outsourced logistics contractors frequently attracted scrutiny in the media and elsewhere for their supposed high costs and lack of accountability. Unlike that contracted support, TWI was already executing on a first-of-its-kind, multiple award contract that enabled open competition at the line item level and full Bill-of-Material (BOM) support delivered anywhere our war fighting customers operated. In retrospect, TWI was more than just executing; we were dominating our multiple competitors by maintaining win-ratios well over 60% on all solicited orders.



Expanding the Concept. While some in our industry continue to take a traditional, “trading company” approach to prime vendor support, TWI has turned the original concept into a game changing innovation in supply chain logistics. Our customers have come to expect that we will continue to show dramatic improvements in meeting their expeditionary procurement and distribution requirements. To meet those expectations, we rely on cutting-edge business systems, lean processes, and most importantly, TWI’s “been there done that” procurement and logistics professionals. Other organizations are taking notice and tasking us with the integration and acceleration of their supply chains.

In March 2010, the General Services Administration (GSA) awarded TWI its first ever overseas supply chain integration contract. On this program, we provide a full suite of acquisition management services directly to GSA and assist them in meeting their supply chain challenges.

The plain fact is that no other company can claim the same level of experience and firsthand insight into the markets where we operate. TWI has been here from the start, building and invigorating expeditionary supply chains from scratch. After more than a decade of helping transform a significant portion of DOD supply chains in both garrison and contingency environments, TWI is uniquely positioned to continue the innovation on our existing operations and on many new ones too. We are now actively engaged in enhancing and expanding our solutions to other governmental customers and prime contractors.

By thinking about TWI as an “expeditionary,” or emerging markets supply chain manager, and not solely as a DOD contractor, one can intuitively grasp the value proposition we offer by extending the prime vendor model to other industry sectors like infrastructure development, energy exploration, manufacturing, and diversified project logistics. We are also expanding the model for new products and commodity categories, including non-tactical vehicles, pharmaceuticals, and telecommunications equipment. TWI’s close association with the prime vendor concept means that our organizational “genetics” are rooted in the innovation we have so successfully implemented for the U.S. Government.

With many more transformations on the horizon and the exponentially increasing complexity of modern supply chains, the foundation of our strategy is sound and the opportunities for growing our business are real. In that sense, “prime vendor” has become much more than a concept. It is a TWI core competency that we take great pride in perfecting and promoting.



About Theodor Wille Intertrade (TWI)

TWI assembles the resources, capabilities and technology of our organization and others to integrate and accelerate expeditionary supply chains to some of the most remote areas in the world. With a reputation earned over 166 years of supply chain management and twelve years of pioneering performance as a DLA Prime Vendor of multiple commodities, TWI has successfully completed more than \$1.3 billion in supply transactions with the U.S. Government. We are an American owned company headquartered in Zug, Switzerland with operational hubs in 7 countries and capacity and knowhow throughout Europe, the Middle East, Africa, and Central Asia. For more information visit us at: www.twipv.com.

