Strategic Sourcing

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FY2014 Quarter 2

Overview

Goal Statement

o   Expand the use of strategic sourcing across Government to save money and improve the management of goods and services.

Urgency

o   Strategic sourcing – taking advantage of an organization's combined buying power to get better prices and service from vendors than would be obtainable by each part of the organization buying on its own – is a private sector best practice. However the Federal government, despite being the world's largest buyer of goods and services, still purchases as many small organizations. The result is contract duplication, different prices for similar goods and services, a lack of transparency into important procurement data, and ultimately, increased cost and inefficiency.

Vision

o   The Federal Government will deliver more value to the taxpayer and improve agency mission delivery through the use of best practices in acquisitions. We will accomplish this by better managing commonly purchased goods and services, including going out to the market as one large buyer, developing stronger supplier relationships, increasing transparency in procurement data, driving costs out of the entire supply chain (from creation of the product or service to delivery) and ensuring our workforce is well-trained and equipped to succeed. We will also continue to emphasize the utilization of small businesses in our strategic sourcing efforts.

Progress update

- Last year GSA's strategically sourced domestic delivery service program saved taxpayers more than $50 million. Hoping to build on that success, the General Service Administration (GSA) awarded the third generation blanket purchasing agreements for Domestic Delivery Services (DDS3) to UPS and FedEx in April 2014. Agencies will have greater visibility into data and detailed analysis to help them select the best delivery solution to meet their needs and to make smarter decisions about how the use their domestic delivery services.

- Earlier this year GSA awarded blanket purchase agreements to 10 imaging equipment service providers for print management. The goal is to streamline and drive savings through more effective lifecycle management of office-level imaging equipment. Historically, commercial entities have realized savings of up to 30% over their imaging spending by using managed print services. The government seeks to benefit from similar savings results, significantly reducing the approximately $1 billion in government-wide annual spend related to printers and copiers. In addition to costs savings, the print solutions enable agencies to meet several environment sustainability objectives as directed through several Executive Orders.

- In May 2013, GSA awarded new blanket purchase agreements to four leading service providers for wireless services, which is now available to both federal agencies and state and local governments. To date, savings have averaged 19% versus prior rates and government-wide average wireless expenses. Agencies that have conducted a further competition against the agreements received additional savings, with one agency achieving 36% savings compared to their previous prices.

Action Plan Summary

Sub-Goal	Actions to Achieve Impact	Key Indicators
Savings	• <u>Lower prices</u> and <u>administration costs</u> for federal agencies through increased competition, dynamic pricing (for reduced price variability), a streamlined acquisition process, and simplified contractual terms.	Savings achieved through implementation of the FSSI solution. Expressed as the sum of savings achieved through existing FSSI solutions.
Adoption – annual	• <u>Provide greater purchasing channel options</u> and <u>improved ease of use</u> for customers with standardized product descriptions for more efficient comparison shopping and inclusion of future channels including the requisition channel and the Fourth Party Logistics (4PL) channel	% of SSLC agency spending going through the FSSI solution. Is expressed by legacy solutions (those in place for longer than one year) and new (those in place less than one year) to allow time for agencies to transition to new solutions. Captures progress in how much targeted spending is moving through the FSSI solution.

Small Business – number of solutions meeting small business expectations as outlined in OMB M-13-02	• <u>Design initiatives to maximize small business participation and fulfillment of socioeconomic goals</u> by creating:
	   o More preferences for small businesses
	   o Targeted set-asides that promote specific socioeconomic categories
		% FSSI solutions meeting or exceeding prior small business spending in an area. For each solutions, small business participation is assessed pre and post solution implementation. The reported figure represents what percent of those solutions are meeting small business expectations.

Reducing duplication and optimizing solutions	• <u>Agency commitments</u> to utilize SSLC developed FSSI solutions	Increased efficiency by optimizing the FSSI solutions. Currently represented by the amount of reduction in contract duplication. (Is the sum of all duplication as assessed one year after the start of an effort.)

Governance: Strategic Sourcing Leadership Council

o The Strategic Sourcing Leadership Council (SSLC), established in December 2012 and made up of the largest agencies by total spending, including the Defense Department, NASA, and the Department of Homeland Security, is helping to drive strategic sourcing across government.

o Since its inception, and working in partnership with the Chief Acquisition Officer and other government-wide councils, the SSLC helped to identify new strategically sourced contract vehicles, appointed agencies to serve as "executive agents" to lead the development of those solutions, proposed plans and strategies to improve compliance of existing vehicles and the successful implementation of new vehicles, provided guidance on measuring and tracking savings, and ensured strong small business participation.

o The SSLC uses the core principles of Federal strategic sourcing to lead the effort, include maximizing small business participation, collecting key data and conducting an analysis of the commodity area, driving volume based reductions in pricing, and assessing agency needs and market capabilities.

o Each effort is managed through a collaborative interagency process, including agency representation on each commodity team, to ensure that customer needs are being met. A full list of agency efforts can be found at www.strategicsourcing.gov.

o The SSLC is looking to build upon its past success to implement government-wide category management – a technique often used in the private sector. Through strong management of commonly purchased goods and services, or categories, the federal government will improve information sharing, broaden and strengthen its interagency collaboration, reduce duplication, ensure metric and data driven decisions and deliver greater value and savings.

Work Plan

FSSI Effort	Status	Lead Agency
Office Supplies	Solution in place and implementation underway	GSA
Domestic Delivery Solutions	solution in place and implementation underway, planning for next generation underway	GSA and DoD
Information Retrieval Services	Solution in place and implementation underway	Library of Congress
Wireless services (management approach)	Solution in place and implementation underway	GSA
Workstations	Request for industry comment on standard configurations, terms and conditions issued May 20, 2014 closing June 6	NASA leading interagency group
Maintenance, Repair, and Operations Supplies	Award under protest	GSA
Janitorial and Sanitation Supplies	Responding to protests, moving to technical evaluation	GSA
Launch of Prices Paid Portal for Federal agencies	Summer 2014	GSA with OMB
Launch Category Hallways for Information Technology (hardware & software), Administration, human resources (training)	Fall 2014	GSA with SSLC

Upcoming Milestones:

Key Milestones	Milestone due date	Status
Office Supplies: Award New Contract (OS3) *Convene Strategic Sourcing Leadership* Council *Hold Government Team & Vendor Meetings for All Commodities (Mtgs per Commodity)* *Launch first government-wide Hallway for IT**	July 2014 Aug 2014 Quarterly Fall 2014	
* A Hallway is defined as a bringing all the dollars spent under a similar commodity area, like IT, under stronger management. While many agencies will continue to award their own contracts, the "commodity manager" leading the hallway will develop a team of experts to offer guidance and best practices, to ensure pricing transparency, and common standards.		

Key Indicators

Key Implementation Data						
Metrics	**Source**	**Baseline**	**Target?**	**Frequency**	**Latest data**	**Trend**
Savings	Agency Data from 7 Participating Agencies	Varies depending on category	N/A	Quarterly	*$14M Quarter 3 $25.8M for FY14to date*	TBD
Adoption – annual	Agency Data from 7 Participating Agencies	Varies depending on category	N/A	Annual	*51.1% for FY2013 (legacy solutions)*	TBD
Small Business – number of solutions meeting small business expectations as outlined in OMB M-13-02	Agency Data from 7 Participating Agencies	Varies depending on category	N/A	Annual	*100%*	TBD
Reducing duplication and optimizing solutions	Agency Data from 7 Participating Agencies	Varies depending on category	N/A	Annual	*45%*	TBD

Measures are reported for SSLC agencies – the Departments of Defense, Energy, Health and Human Services, Homeland Security, NASA, GSA, and SBA. OMB M-13-02 available at http://www.whitehouse.gov/sites/default/files/omb/memoranda/2013/m-13-02_0.pdf