Category Management

Goal Leaders:

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FY2016 Quarter 1

Overview

Goal Statement

- Category management enables the government to eliminate redundancies, increase efficiency, and deliver more value and savings from the government's acquisition programs.

Urgency

- There is a critical need for a new paradigm for purchasing that moves from managing purchases and price individually across thousands of procurement units to managing entire categories of common spend and total cost through category management.

Vision

- Category management identifies core areas of spend, collectively developing heightened levels of expertise, leveraging shared best practices, and providing acquisition, supply and demand management solutions. Category management will increase in total savings, reduce new/renewed contracts select contracts, and increase the percentage of spend under management.

Progress Update*

In first quarter of 2016, we have made great strides to implement category management government-wide:

- Gained commitment from 8 agencies to lead Category Centers of Excellence. Agencies represented include the Office of Management and Budget (OMB), General Services Administration (GSA) , Department of Homeland Security (DHS), and Office of Personnel Management (OPM).

- Awarded two government-wide software agreements for application development services and geospatial software licensing.

- Awarded government-wide [Identity Monitoring, Data Breach Response and Protection Services Blanket Purchase Agreements (BPAs)](#) to give agencies access to a number of well-qualified contractors capable of providing credit monitoring services in response to the recent data breaches. The requirements for these BPAs were developed collaboratively by an interagency team of experts; an excellent example of category management at work to allow the government to buy and act as one.

- Driven 5,070 members of the workforce to GSA's new Acquisition Gateway, an online site for sharing important contracting information like prices paid, and will soon launch a public view of the site for our industry partners.

- Sought public comments on OMB draft policy on information technology software.

- Conducted second spend under management data call covering $150B in spend.

- Eliminated more than 700 professional services contracts resulting in an estimated five-year savings of close to $4 million, and sustained savings of $1.3 million annually thereafter.

Action Plan Summary

Sub-Goal	Actions to Achieve Impact	Key Indicators
Increase in information technology (IT) total savings (includes IT, strategic sourcing IT solutions and agency IT category management 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 IT total savings (includes IT, strategic sourcing IT solutions and agency IT category management savings)
Reducing duplication and optimizing solutions	• <u>Reduce total costs</u> that can be driven by purchase cost, demand/usage cost, and process cost. Each of those cost types has multiple cost elements and cost drivers, such as price, volume, etc.	Percent reduction in the number of new/renewed contracts for*: • Laptops and desktops • Software (select software TBD) *and other areas as endorsed by the CMLC
Increasing spend through CMLC-approved vehicles for purchase of laptops and desktops.	• <u>Develops a category strategy and applies appropriate value levers</u> and supporting techniques/tools as needed to meet value objectives (e.g., strategic sourcing, SRM, value engineering, process reengineering, demand and compliance management).	Percent of civilian workstation spend* though CMLC-approved vehicles (Schedule 70, NASA SEWP, and NIH CIO-CS/ECS III *and other areas as endorsed by the CMLC
Percent of spend that is under government-wide management for select IT categories, including software, hardware and telecommunications	• <u>Increase category value</u>, including validated savings and broader value measurement. • <u>Continue to meet or exceed small business goals</u>	Increase spend under management through better interagency collaboration and understanding of user requirements, market dynamics, and purchasing patterns

Work Plan

Category Management Effort	Status	Date
Formally announced Category Management (CM) as an Administration Priority via OMB policy Memorandum	Complete	December 2014
Established CM Structure and Issued CM Guidance	Complete	February & May 2015
Conducted second data call to measure spend under management (covering $151B in spend)	Complete	October – December 2015
Stood up governmentwide Category Management Program Management Office at GSA	Complete	October 2015 - Ongoing
Released OMB policy Memorandum on laptops and desktops	Complete	October 2015
Awarded first government-wide software agreements for Salesforce Services and Esri (Geospatial)	Complete	December 2015

Key Upcoming Milestones	Milestone due date	Status
Formally announce all 10 Government-wide Category Managers at 6 agencies	February 2016	On Track
Make portions of the Acquisition Gateway public	February 2016	On Track
Train all 10 Government-wide Category Managers and relevant team members	March 2016	On Track
Category Managers submit initial strategic plans with implementation schedules	Q2 FY16	On Track
Standard Configurations for laptops and desktops (refresh) issued to federal agencies	Q2 FY16	On Track
Issue OMB policy Memorandum mobile services and devices for public comment	Q3 FY16	On Track
Issue Final OMB policy Memorandum on IT Software	Q4 FY16	On Track
CMLC Meeting - Category Managers brief strategic plans	Q2-Q3 FY16	On Track
Strategic Sourcing Solution Available for Building Maintenance and Operations – Zone 1	Q3 FY16	On Track
Conduct third data call for spend under management covering 80% of common spend (~$215B)	Q4 FY16	On Track
Award Next Generation Domestic Delivery Service government-wide strategic sourcing solution	Q4 FY17	On Track

Key Indicators for Category Management

CAP Goal Metric *	Initial Baseline	Status (as of date noted)	Goal End of CY16	Goal End of CY19
Increase in IT total savings (includes IT only - strategic sourcing, and agency category management savings)	$2.5B	$5.0B (November 2015)	$5.8B	$10.5B
Percent reduction in the number of new/renewed contracts for: • Laptops and desktops • Software (select software TBD) and/or mobile service contracts	• 1,710 • TBD	Data not yet available	• 20% reduction • 10% reduction	• 30% reduction • 20% reduction
Percent of civilian workstation spend* though CMLC-approved vehicles (Schedule 70, NASA SEWP, and NIH CIO-CS/ECS III)	39%	Agency transition plans due to OMB by 2/28.	45%	75%
Percent of spend that is under government-wide management* for select IT categories *NOTE: When data call was conducted, governmentwide maturity could not be achieved as there was not an IT Category Manager in place or formalized strategy adopted. These factors will enable achievement of CY16 goal.*	0%	As of January 2016, 72% of IT spend sampled ($39B of $50B) is under Tier 1 or Tier 2 management.	30%	50%

Baselines were established in Q4 FY15.

*Metrics will be expanded to other categories upon endorsement by the CMLC.
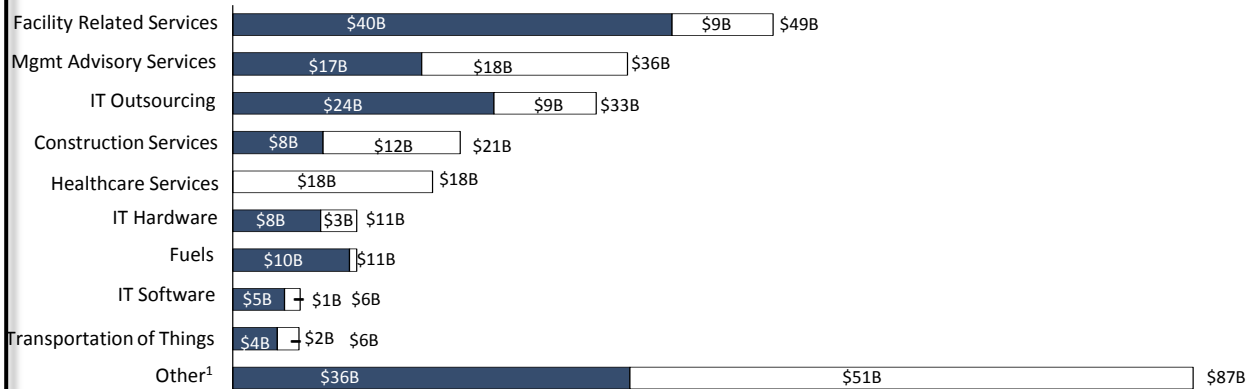
Spend Under Management Analysis

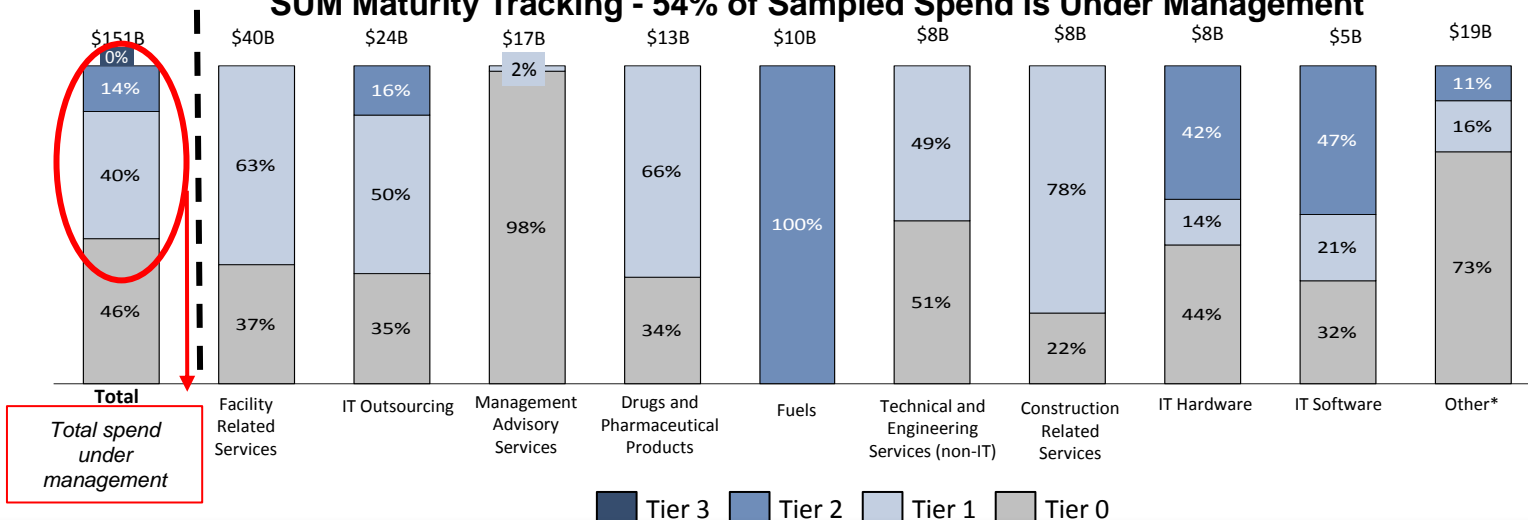## Assessment of $150B (55%) of Key Sub-Categories
FY14 Spend ($277B)

■ Captured through Data Call
□ Not Captured through Data Call

Category	Captured	Not Captured	Total
Facility Related Services	$40B	$9B	$49B
Mgmt Advisory Services	$17B	$18B	$36B
IT Outsourcing	$24B	$9B	$33B
Construction Services	$8B	$12B	$21B
Healthcare Services		$18B	$18B
IT Hardware	$8B	$3B	$11B
Fuels	$10B		$11B
IT Software	$5B	$1B	$6B
Transportation of Things	$4B	$2B	$6B
Other[1]	$36B	$51B	$87B

SUM Maturity Tracking - 54% of Sampled Spend is Under Management

	Total $151B	Facility Related Services $40B	IT Outsourcing $24B	Management Advisory Services $17B	Drugs and Pharmaceutical Products $13B	Fuels $10B	Technical and Engineering Services (non-IT) $8B	Construction Related Services $8B	IT Hardware $8B	IT Software $5B	Other* $19B
Tier 3	0%					100%					
Tier 2	14%		16%	2%					42%	47%	11%
Tier 1	40%	63%	50%		66%		49%	78%	14%	21%	16%
Tier 0	46%	37%	35%	98%	34%		51%	22%	44%	32%	73%

Total spend under management

■ Tier 3   ■ Tier 2   □ Tier 1   ■ Tier 0

Contributing Agencies and Programs

Contributing Agencies:

- The CMLC, which plays an important role in shaping the direction of the effort, consists of representatives from the DoD, DoE, HHS, DHS, VA, GSA, and NASA.

- Measures are reported for civilian agencies.

- The head of each of the 24 Chief Financial Officer Act departments and agencies has designated a Strategic Sourcing Accountable Official (SSAO), who coordinates their agency's internal strategic sourcing activities and its participation in government-wide efforts.

Acronyms

- CAP: Cross-Agency Priority
- CIO: Chief Information Officer
- CMLC: Category Management Leadership Council
- CY: Calendar Year
- DHS: Department of Homeland Security
- DoD: Department of Defense
- DoE: Department of Energy
- FY: Fiscal Year
- GSA: General Services Administration
- HHS: Department of Health and Human Services
- N/A: Not Available
- NASA: National Aeronautics and Space Administration
- OFPP: Office of Federal Procurement Policy

- OMB: Office of Management and Budget
- OPM: Office of Personnel Management
- SBA: Small Business Administration
- SSAO: Strategic Sourcing Accountable Official
- TBD: To Be Determined
- VA: Department of Veterans Affairs
- YTD: Year to Date