Government-Wide

Category Management

Guidance Document – Version 1.0

May 2015

Version Control

To be used when updating the Guidance Document, the version control log allows the document to exist as a living document and enables users to note and track when significant changes have been made. The log should be updated every time that the charter is modified in order to ensure version control.

CONOPS Version Number	Significant Changes	Effective Date
Version 1.0	CMLC Approved	5/21/2015

Table of Contents

1 Introduction

1.1   CM Guidance Document Overview

The purpose of the Guidance Document is to provide guidance for the governance, management and operations of category management, taking into consideration the inherent complexities of a Federal-wide initiative. Specific objectives of the Guidance Document are as follows:

- Present the rationale and the drivers behind implementing category management, including the key benefits

- Describe the Federal Government environment within which category management will be implemented

- Define the overarching governance structure that will engage and connect the right people from across the Government, and create a manageable and sustainable framework for long-term collaboration and implementation

- Outline roles and responsibilities of participants, including internal and external stakeholders involved in developing, implementing and managing the category management initiative and strategies

- Define the category management operating process participants will follow in developing, implementing and managing category-specific strategies

1.2   Stakeholders

There are many stakeholders with various interests in the category management Initiative. Broadly, they are categorized in **Figure 1**.

Figure 1. Category Management Stakeholders

Stakeholder Group	Stakeholders
Executive and Program Management	Office of Management and Budget (OMB) / Office of Federal Procurement Policy (OFPP)
	Category Management Leadership Council (CMLC)
	Chief XX Officers/Councils (i.e. CAOC, CFOC, CIOC, CHCO)
	Senior Procurement Executives (SPEs) and Heads of Contracting
	Strategic Sourcing Accountable Officials (SSAOs)
Users and Related Interests	Contracting Community
	Program Managers
	Small Business Administration (SBA)
	End Users
Indirect Interests and Oversight	Agency Leadership
	Government Accountability Office (GAO), Defense Contract Audit Agency (DCAA), Defense Contract Management Agency (DCMA), other audit bodies
	Congressional Committees
	Inspector General (IG) Offices
	Taxpayers
Suppliers and Industry	Industry Partners
	Industry Associations and Interest Groups
	Small Business Interests
Commercial and Other Government Interests	State and Local Governments
	Academic Institutions
	Industry Best Practice Groups

1.3   Document Structure

The remainder of this document is organized into the following chapters:

- **Section 2: Background and Environment** – Provides an overview of category management, background and drivers leading to the initiative.

- **Section 3: Category Management Overview** – Provides an overview of category management in the Government, its benefits as well as vision, goals and key success factors.

- **Section 4: Category Management Governance** – Outlines the high-level program structure, including the proposed governance structure with governance roles and responsibilities.

- **Section 5: Category Management – Operating Model -** Defines the key phases of the category management process with actions and outputs.

- **Section 6: Category Management – Additional Guidance** - Addresses the expanding scope of the initiative and key performance metrics designed to demonstrate value and success.

2   Background and Environment

2.1   Background

In May 2005, the Office of Management and Budget (OMB), Office of Federal Procurement Policy (OFPP) released a memorandum[1] announcing the introduction of strategic sourcing as a Government-wide requirement for all Federal agencies. While guidance from OFPP required strategic sourcing of goods and services within all Federal agencies, a more organized, systematic and collaborative approach to strategic sourcing across the entire Federal Government was critical for maximizing value for spend. As a result, The Department of the Treasury and General Services Administration (GSA), with support from OFPP, partnered to launch the Federal Strategic Sourcing Initiative (FSSI) in November of the same year, inviting all Federal agencies to participate and work together to address OMB's requirement. Between 2005 and 2012, OMB released additional memos[2] on strategic sourcing, reiterating its importance and sharing success stories. With additional OMB guidance in December 2012[3], the Strategic Sourcing Leadership Council (since renamed the Category Management Leadership Council) was established and Strategic Sourcing Accountable Officials were assigned to help agencies optimize performance, minimize price, and increase the value of each dollar spent. As a result of the Federal Strategic Sourcing Initiative and support of the CMLC, since 2010, the Federal Government has awarded nine sourcing solutions generating over $439 million in savings[4].

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[1]   OMB memo "Implementing Strategic Sourcing" from Clay Johnson III, Deputy Director for Management, OMB, May 20, 2005

[2]   See https://strategicsourcing.gov/policies-memos

[3]   OMB memo "Improving Acquisition through Strategic Sourcing" from Jeffrey Zients, Deputy Director for Management, OMB, December 5, 2012

[4]   2010 through December 2014

2.2   Current Environment

Despite the progress to date, there is critical need for a new paradigm in Federal Government procurement. Significant contract duplication remains, with agencies awarding contracts for similar goods and services (in many cases to the same vendors). This unnecessary contract duplication increases the administrative costs imposed on contractors, affecting small businesses disproportionately. Contracting is also made overly complex, with requests for proposals that are overly prescriptive, larded with requirements unique to Government, and reflective of poor sharing of pricing and contract information between agencies and industry.

The overwhelming feedback from industry and other stakeholders is that the duplication and complexity of Federal contracting drives higher costs, slows the procurement process, and stifles innovation. It also prevents agencies from taking advantage of potential savings or leveraging their acquisition workforce to support more complex, higher-risk acquisitions.

Currently there are more than 3,300 contracting units across Federal Government. These units work highly autonomously, with only occasional collaboration across organizations and little sharing of information and best practices. This degree of fragmentation and lack of coordination drives costly redundancies and inefficiencies in procurement actions, contracting vehicles, and overall acquisition efforts. In addition to duplication and unnecessary complexity, there is also failure to leverage spend and knowledge. There are huge price differences for the exact same item, sometimes as much as a 300% price difference. As agencies continue to see decreases of acquisition personnel, loss of subject matter expertise and gaps in data and information transfer may exacerbate these inefficiencies.

2.3   Case for Change

In Fiscal Year (FY) 2014, the Federal Government spent over $428 billion in contract spend, which accounted for about 12% of the entire Federal budget. This amount far exceeds that of many Fortune 100 companies, making the Federal Government the world's largest buyer. With this significant spend, the Federal Government has an opportunity to leverage its buying power, with industry, to maximize the benefits and use of taxpayer dollars. We must transform the marketplace, while at the same time align better to it with fewer unique requirements, and create a new model for Federal contracting that's based on sharing information, best practices, and increased collaboration between Federal agencies, and between agencies and industry.

To achieve the benefits of being the world's largest buyer the Government must act as a more unified entity. In December 2014, OFPP released the memo "Transforming the Marketplace: Simplifying Federal Procurement to Improve Performance, Drive Innovation, and Increase Savings,"[5] which cites a critical need for Federal Government to shift from managing purchases and price individually across thousands of procurement units to managing entire categories of common spend and total cost through category management. With the CMLC taking a leadership role, category management will help the Federal Government act as one, buy as one, and reap the benefits as one by aggregating volumes of commonly purchased goods and services to achieve best-in-class pricing, developing common specifications and service levels, expanding supplier relationships, and leveraging shared solutions. This shift to a better orchestrated, more unified Federal Government purchasing is reflected in **Figure 2**.

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[5]   OFPP Memo, "Transforming the Marketplace: Simplifying Federal Procurement to Improve Performance, Drive Innovation, and Increase Savings" by Anne Rung, Dec 4, 2014.

Figure 2. Current to Future State of Federal Government Purchasing

3   Category Management Overview

3.1   Definition of Category Management in Government

Category management uses a structured approach focused around defining products and services that behave in a similar manner. Category management creates common categories of products and services across Federal agencies and allows the Federal Government to buy smarter and more like a single enterprise. This is a fundamental shift from the practice of handling purchasing, analyzing pricing, and developing vendor relationships individually within thousands of procurement units across Government. A coordinated implementation of the category management business model will enable the Federal Government to eliminate redundancies, increase efficiency and effectiveness, and boost satisfaction with the products and services we deliver.

Category management will provide greater visibility into overall costs and will provide a holistic approach in evaluating/developing solutions to minimize redundancies, and reduce total cost of ownership to the Government and taxpayers. In order to do this, category management focuses on five key principles listed below:

1. Optimizing existing contract vehicles (including replacement or elimination of duplicate or underperforming contracts) and driving more optimal use of contract vehicles
2. Improving data collection efforts and analysis to drive improvements in categories of spend to increase savings and reduce duplication
3. Leveraging industry/commercial intelligence and key partner relationships
4. Maximizing customer insights and relationships to bring more spend under management and improve offerings and value
5. Growing and sharing expertise

These principles contribute to lowering overall costs by reducing duplication, providing consistent data, expanding market intelligence to allow learning of best practices, and by incorporating feedback to improve offerings and capture demand.

The category management approach is a fundamental shift from the practice of handling purchasing, pricing analysis, and vendor relationship management in thousands of siloed procurement units across Government. Under category management, the Federal Government will "buy as one" by creating common categories of products and services across agencies and manage each category as a mini-business with its own set of strategies, led by a Category Manager and supporting senior team with expertise in their assigned category. **Figure 3** illustrates the Ten Common Government Spend Categories. For the overarching Government-Wide Category Structure, including Defense Centric Categories, see Figure 17 under section 6.1.

Figure 3. Ten Common Government Spend Categories

Common Government Spend Categories 1-10 (total FY 2014 spend $275B)

1. IT – $49.9B	2. Professional Services - $61.9B	3. Security and Protection - $5.5B	4. Facilities & Construction - $75.7B	5. Industrial Products & Services - $10.5B
1.1 IT Software 1.2 IT Hardware 1.3 IT Consulting 1.4 IT Security 1.5 IT Outsourcing 1.6 Telecommunications	2.1 Business Administration Services 2.2 Legal Services 2.3 Management Advisory Svcs (excl. R&D) 2.4 Marketing and Distribution 2.5 Public Relations and Professional Communications Services 2.6 Real Estate Services 2.7 Trade Policy and Services 2.8 Technical & Engineering Svcs (non-IT) 2.9 Financial Services 2.10 Social Services	Security Animals & Related 3.1 Services 3.2 Security Systems 3.3 Security Services	Construction Related 4.1 Materials Construction Related 4.2 Services 4.3 Facility Related Materials 4.4 Facility Related Services 4.5 Facilities Purchase & Lease	5.1 Machinery & Components Fire/Rescue/Safety/Environmental Protection 5.2 Equipment 5.3 Hardware & Tools Test & Measurement 5.4 Supplies Industrial Products Install/Maintenance/Repair/ 5.5 Rebuild 5.6 Basic Materials 5.7 Oils, Lubricants, and Waxes
6. Office Management - $1.9B	7. Transportation and Logistics Services - $26.8B	8. Travel & Lodging – $2.7B	9. Human Capital – $4.1B	10. Medical – $36.0B
6.1 Office Management Products 6.2 Office Management Services 6.3 Furniture	7.1 Package Delivery & Packaging 7.2 Logistics Support Services 7.3 Transportation of Things 7.4 Motor Vehicles (non-combat) 7.5 Transportation Equipment 7.6 Fuels	8.1 Passenger Travel 8.2 Lodging 8.3 Travel Agent & Misc. Services	Specialized Educational 9.1 Services 9.2 Vocational Training 9.3 Human Resources Services	Drugs and Pharmaceutical 10.1 Products Medical Equipment & 10.2 Accessories & Supplies 10.3 Healthcare Services

Note: The headers are Level 1 categories and itemized below are the level 2 categories - subsections that comprise the Level 1 category.

Category teams will be responsible for identifying core areas of spend; collectively enhancing levels of analysis and expertise; leveraging shared best practices; and providing acquisition, supply and demand management solutions to meet Government-wide requirements. Category management initiatives may not always result in a new acquisition; instead, value may be achieved through better demand management practices, reduction in duplicative or suboptimal acquisition vehicles, improved supplier performance, etc.

Strategic sourcing will continue to be one effective strategy that a Category Manager may implement to drive down total costs and improve overall performance for that category. By bringing common spend under management, including collecting prices paid and other key performance information that allow easy comparisons, we will ensure that agencies get the same competitive price and quality of performance when they are buying similar commodities under similar circumstances. **Figure 4** provides a comparison of strategic sourcing and category management.

Figure 4. Strategic Sourcing vs Category Management

	Strategic Sourcing	Category Management
Goal	**Achieve savings:** implement specific strategies around spend and vendor consolidation, standardization of requirements and specifications, and price benchmarking and negotiation

Small business: Meet or exceed small business goals | **Maximize value for spend:** reduce total cost of ownership (TCO), generate supply chain-wide savings, reduce risks, improve supplier and operational performance, and boost innovation

Small business: Meet or exceed small business goals |
Frequency	**Project driven:** initiated once in three to five years based on internal demand or supply market changes	**Continuous:** ongoing series of projects identified and prioritized based on regular analysis and reporting
Methodology	**Standard methodology:** typically based on a seven- to nine-step methodology starting with assessment and ending with vendor selection and implementation	**Broad framework:** ongoing cycle of establishing baseline and goals, developing a strategy for category improvement, project execution, and performance management
Value	**Sourcing savings:** annual savings through planned demand reduction and average purchase price reduction, tracked through finance and sourcing systems	**Value for spend:** achievement of strategic objectives, including spend under management, price savings, TCO savings, improved supplier performance, innovation, and user satisfaction

The category teams identify and pursue opportunities within the five key principles. At the same time, it is necessary to ensure effective knowledge and best practice sharing and identify opportunities for collaboration across categories. To that end, a Government-wide category management governance structure is outlined in Section 4.

To support and deliver benefits of category management, GSA has launched an online portal called the Acquisition Gateway. The Gateway is designed to be the starting point for the acquisition workforce who seek important contract and pricing information for each of the categories in one central location. It is intended to be a comprehensive destination for Government buyers looking to learn, to understand their contract options, connect with peers and experts, and to act confidently and effectively throughout the acquisition process.

The digital Acquisition Gateway that will lead users through "category hallways" populated with content gathered from across Government, and validated by the Category Manager, that provides information and expertise on data, acquisition vehicles, market intelligence, prices-paid information, sustainability-related information, and analysis. The content in the category hallways will help Government buyers negotiate and make informed, data-driven purchase decisions. There will be a continuously improved set of collaborative tools for sharing work and discussing challenges and successes as existing hallways grow over time, and new hallways come online. The Gateway is part of GSA's Common Acquisition Platform, a set of digital and shared services to support the acquisition workforce (For more information on CAP, the Acquisition Gateway and category hallways, please see Appendix Section 7.)

3.2   High Level Vision & Goals

The vision of category management is to transform the Government acquisition landscape by creating a cooperative and consistent framework for improving Federal spend management. To achieve this transformation, a clear and deliberate path is being established by targeting the following goals:

- **Increase spend under management** – adopt strategies that move more spending through sources that better address user requirements, market dynamics and purchasing patterns

- **Reduce contract duplication** – increase adoption of shared solutions for commonly purchased products and services so that open market buying is limited to agencies' unique requirements

- **Achieve volume savings** – leverage the buying power of multiple agencies

- **Achieve administrative savings** – achieve lower procurement department operating costs as a percentage of total spend and decrease cycle times on common areas of spending

- **Achieve small business goals** – to the maximum extent practicable, all category management strategies will seek to increase participation by small businesses

- **Reduce price variance** – minimize price variance for similar goods and services across government contracts

- **Enhance transparency** – provide access to procurement data and communities of practice

- **Share best practices** – promote and increase the level of collaboration among procurement officers, program managers, end users and category managers across Federal Government

- **Create better contract vehicles that lead to smarter purchasing** – reduce Total Cost of Ownership for products and services by optimizing existing vehicles or awarding new vehicles when necessary

- **Promote consistency** – enable consistent implementation of the category management framework across all government spend categories

3.3   Key Success Factors

Category management will evolve as expertise and experience are gained and its' success will depend on how the Governance body addresses the following factors for implementation and integration.

- **Strong Senior Leadership –** Senior leadership support and buy-in will ensure broader buy-in, support, and adoption across the Federal Government

- **Clear Vision and Expectations –** Well defined vision for category management implementation and performance, with clear and applicable metrics that are reflected in the performance plans of key category management personnel and senior stakeholders

- **Collaboration and Transparency –** Sharing of demand analysis, contract terms and conditions, prices paid, best practices and other relevant acquisition information

- **Qualified Resources and Training** – Category management's transformational nature requires that criteria be established for selecting teams and individuals playing critical roles

- **Spend Visibility and Analysis –** Common data standards are developed for consistent collection and analysis. Utilizing new or existing tools to allow greater visibility into agency spend

- **Change Management Plan -** Comprehensive and on-going change management strategies that engages all stakeholders and ensures awareness and understanding of category management principles and practices

- **Category Structure –** An agreed upon Government-wide hierarchical classification system that maps current product and service spend into appropriate categories (See Section 6.1 Figure 18)

- **Strong Metrics & Goals –** Clear government-wide and category specific metrics and goals supported by well-defined baselines

4   Category Management Governance

4.1   Governance Structure

Category management is at the beginning of a multi-year progression towards transforming Government into a unified acquisition entity. Given the scope and breadth, it is critical that the governance structure allows for Government-wide collaboration, agency flexibility and implementation responsibility, as well as continuous performance management to include adoption of best practices and new business processes.

With OMB's direction, it was determined that the category management implementation would be governed by the CMLC (formerly called the SSLC), which is chaired by OMB's Administrator, OFPP. **Figure 5** depicts the multi-tiered governance structure that will allow the Federal Government to effectively achieve the goals of category management. **Figure 6** provides a more detailed illustration of the Level 1 and Level 2 category team structures. Government-wide Category Management Governance Structure.
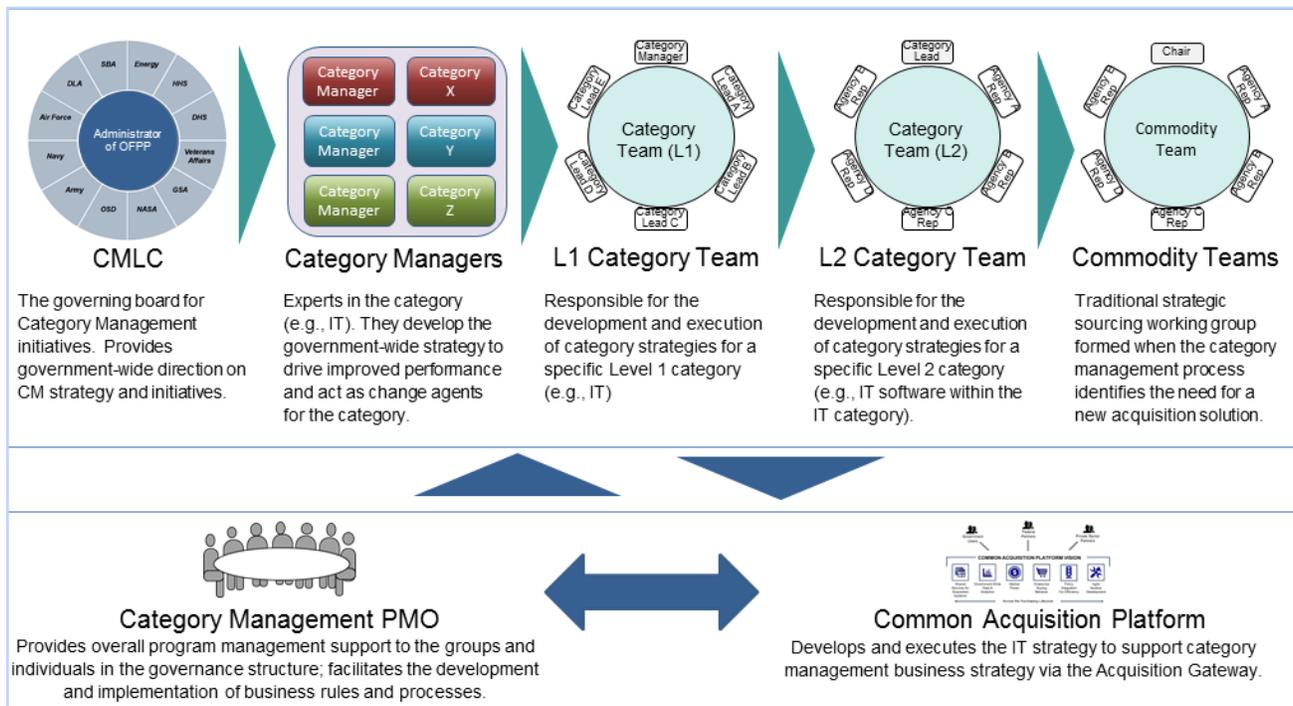
Figure 5. Level 1 and Level 2 Category Team Detail
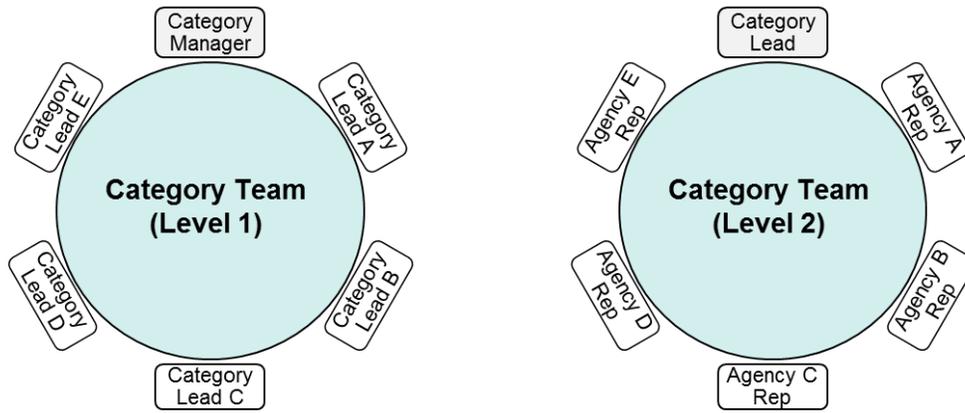
Level 1 (e.g., IT) Category Team includes the Category Manager and all approved Category Leads

Level 2 (e.g., IT Software) Category Team includes the Category Lead and agency representatives

Figure 6. Selection Process for Category Team Leadership and Participants
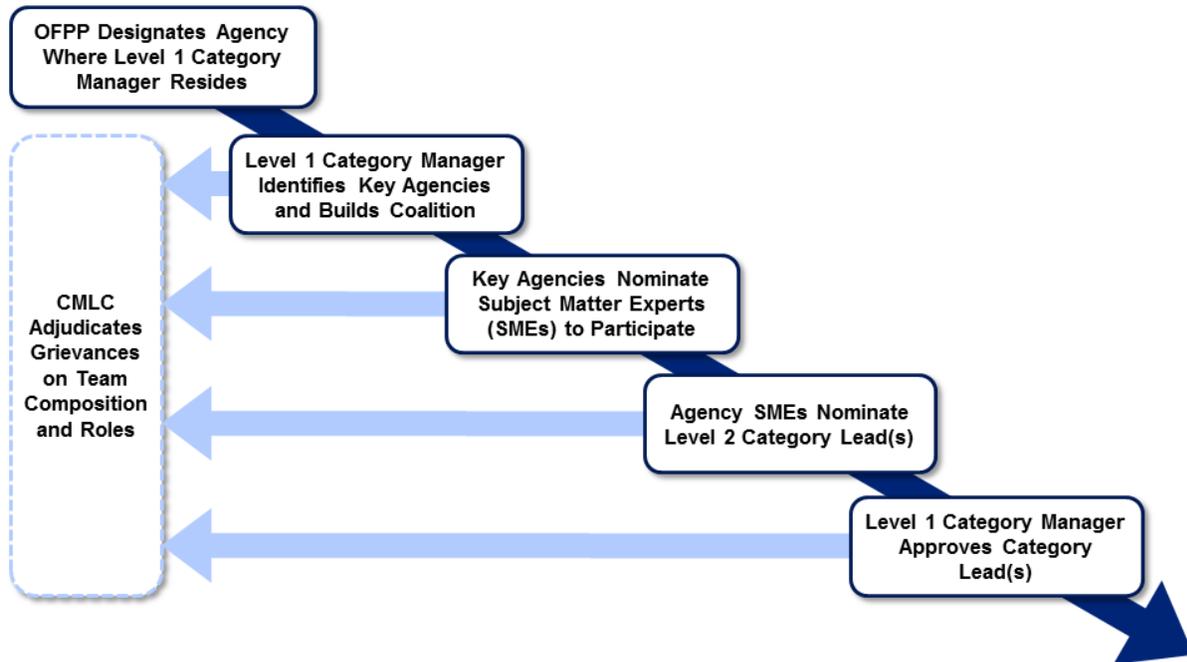
4.2   Governance - Roles and Responsibilities

The category management initiative is a collaborative effort with each governance element having specific roles and responsibilities to ensure the successful implementation and management of the initiative. These are described below.

4.2.1   Office of Federal Procurement Policy (OFPP)

The Office of Federal Procurement Policy (OFPP) is the executive-level office responsible for providing oversight and guidance, and ensuring overall effectiveness of the category management initiative.

Key Responsibilities:

- Set the strategic policy direction of the category management initiative
- Issue category management policy guidance/directives to Federal agencies
- Develop reporting requirements for agencies related to progress and performance
- Monitor category progress and performance, including development of government-wide metrics and goals
- Determine CMLC Charter and membership
- Designate the agencies where the Category Managers will reside, and participate in the selection process of Category Managers, and approve their selection

4.2.2   Category Management Leadership Council (CMLC)

The CMLC, comprised of agency acquisition, information technology, financial, and other senior agency leadership, serves as the primary governing body for category management. The CMLC will approve the Government-wide category structure and governance, and advise on category strategies and initiatives. The CMLC will continue to provide direction on how the Government should prioritize its efforts to reduce redundancy and leverage our buying power. In addition, the CMLC will support the approval of category strategic plans (see Section 5.1.4 for detail regarding the category strategic plan). Current work on Government-wide solutions will be broadened to improve how we buy and manage large categories of spend – all of which is aligned with OMB's 2012 and 2014 memos.

Key Responsibilities for the CMLC:

  Approve Government-wide category strategic plans (detailed in Section 5.1.4)
- Approve and manage maintenance of a common structure/taxonomy of Government-wide categories of spend.
- Prioritize categories for bringing spend under management and approve timelines for key milestones
- Establish guiding principles for defining 'Best In Class' (BIC) criteria and approve criteria proposed by category managers
- Participate in the selection of category managers
- Resolve grievances in team make up (e.g., category leads)
- Make recommendations to OMB on policies, guidance, or other tools that will support improved management (e.g., no new contracts in specific categories if certain conditions are met, new guidance on how to purchase software or checklists for agency acquisition planning in categories)
- Establish a process for category managers to review/approve new business cases submitted to OMB

Support the Execution of Category Strategic Plans (detailed in Section 5.1.4)

- Contribute staff, resources, and information to the category teams
- Continue to work on commodity teams to stand up Government wide solutions. Solutions could be policy changes, contracts, or consortia-based efforts
    - For example, the use of only certain organizations for acquisition training would be a consortia-based effort
- Make decisions on issues that are not resolved by category managers
    - For example, make recommendations to OMB on new business case analyses submitted to OMB to establish new or expanded acquisition vehicles or opportunities to reduce duplication
- Provide data and contract information, when not readily available, to determine BIC solutions and to evaluate the merits of content to post on the CAP
- In agency contracts, require sharing of prices offered, prices paid data, and contract terms and conditions
- Promote the use of centralized tools (to include GSA's Integrated Award Environment and CAP) for market research, reducing contract duplication, comparing prices, terms and conditions
- Support vendor management efforts to better coordinate supplier relationships

Review and Monitor Category Performance
- Support development of and validate performance metrics of the category contained in the category strategic plans
- Evaluate the performance of the category
- Provide/validate agency data in support of Cross Agency Priority goals and metrics
- Capture baseline agency-level pricing data and a baseline to measure success for category solutions
- Provide agency-level information on CM to capture agency best practices
- Advocate for advancing the category management initiative and increasing adoption of BIC solutions identified through category management efforts

4.2.3   *Category Manager (a specific individual at Level 1 of the category structure)*

Category managers are key Government-wide leaders who act as change agents to encourage and drive category management principles and practices throughout the Government and are approved by OFPP. They manage the intersections of related categories and build coalitions resulting in enterprise solutions and initiatives. Category Managers develop a cooperative framework to generate interagency collaboration, promote broad-based stakeholder engagement, and assist in the development of category teams. Category Managers operate at the Level 1 category (e.g., IT) level, which may encompass multiple Level 2 categories (e.g., IT Software). Category Managers are likely from the agency that represents a significant percentage of the government's overall spend for that category and/or have the greater expertise.

Key Responsibilities:
- Lead data analytics and spend analysis, as well as standardization and collection efforts for assigned category
- Develop category strategic plan (see Section 5.1.4 for detail)
- Define and track category performance metrics, including government-wide category management metrics.

- Hire or Select Level 2 category leads(s) and other supporting personnel for category team. Assist Level 2 category (i.e. IT Software) teams in strategic and operational development (or something to this effect)
- Ensure alignment of Level 2 category strategies
- Serve as a key liaison and engage with appropriate stakeholders listed in Figure 1
- Formulate the category strategic initiatives for increasing spend under management
- Review agency business cases and make recommendations for approval to CMLC
- Advocate for the adoption of Best In Class (BIC) solutions and populate into Hallways
- Review and approve recommended procurement agency (when applicable)

4.2.4   Category Lead (a specific individual at Level 2 of the category structure)

The Category Leads are responsible for the development and execution of category strategies for a single, specific Level 2 category, and are nominated by the Agency SMEs and approved by the Level 1 category manager. They build and lead cross functional Government category teams. In consultation with the category manager, establish the strategic direction, lead efforts to gather, aggregate and analyze market, industry, supply chain, demand management, user profiles and other information to improve category performance. They lead the development, implementation and adoption of Level 2 category solutions, and also oversee the performance of respective category teams, serve as subject matter experts within their category, and coordinate content standards and approval processes for category hallways. For a complete list of selection criteria, see Section 7.2.

Key Responsibilities:
- Lead data analytics and spend analysis for Level 2 category
- Establish strategic direction for the Level 2 Category
- Lead and chair the Level 2 category team, a multifunction team comprised of key agency stakeholders, requirements SMEs and experts in procurement, finance, etc.
- Lead the development, implementation and adoption of category solutions
- Review agency business cases submitted to OMB and make recommendations to category manager, which will be provided to OMB (this responsibility subject to revision as Business Case process is reviewed and updated)
- Serve as key liaison between the category team and industry partners
- Evaluate success of the category team based on established key performance metrics
- Establish standards and approval process for populating content in category hallways
- Communicate category offerings and address user questions, comments and feedback
- Recommend procurement agency (when applicable)

4.2.5   Category Teams

Category teams, consisting of the designated Category Lead and subject matter experts, are formed by the Category Manager. These teams are the primary collaborative bodies where the daily category management activities occur. The composition of the team is largely built upon category subject matter experts that understand the Government's requirements as well as the industry and market dynamics surrounding a category. Teams are led by the category lead and include representatives from multiple Federal agencies that comprise a majority of spend within a category.

Unless otherwise noted, the following roles and responsibilities are typically found on the Category team:
- Subject Matter Expert: Individuals with technical and business expertise about acquisition and the subject category, able to provide insight into best practices, guidance on category strategy,

stakeholder needs assessment, and specific content, including any applicable sustainability content, for hallway posting.

- Content Manager: Primary point of contact within a category team responsible for updating and exchanging information, and leading content development for respective Hallways.
- Technical Writer: Individuals with the capability to develop and deliver objective content, written in plain language that resonates with customers and helps them find relevant answers.
- Data Analysts: Responsible for gathering, aggregating, and analyzing spend, agency demand, market, and supply chain data; and translating the data into actionable category intelligence.
- Community Manager Role: Manage communications and address user questions, comments and feedback in category working groups, on the acquisition gateway hallway, and support awareness and understanding of category offerings in various communities of practice.

Key Responsibilities:

- Serve as subject matter experts within the category
- Gather, aggregate and analyze market, industry, demand and spend data
- Review and make recommendations on OMB business cases to the category lead
- Develop, implement and increase awareness/adoption of Government-wide category solutions
- Conduct industry market research and focus groups to identify innovative category strategies
- Provide agency-specific business requirements for successful acquisition solution development
- Continuously share best practices and lessons learned
- Continually contribute and review hallway content to content manager
- Recommend procurement agency (when applicable)

4.2.6   *Commodity Teams*

A commodity team is the working group that executes the Level 2 category strategic plan with any of the following levers: demand management, strategic sourcing, supplier relationship management or total cost management.

4.2.7   *Procurement Agency*

A procurement agency is designated when a sourcing event is determined to be the appropriate course of action. Working on behalf of the entire Government (and interested agencies), the procurement agency is selected by the category manager, to manage all aspects of the acquisition sourcing process. The procurement agency needs to have appropriate authorities to execute a multi-agency acquisition solution and must be able to provide adequate resources/funding. Each procurement agency must appoint an executive sponsor as the central point of contact to the category team. The executive sponsor has accountability to the category manager on the performance of the sourcing effort.

Key Responsibilities:

- Assign an appropriate executive sponsor, approved by the category manager
- Provide functional/technical expertise
- Fund and acquire contractor support, if necessary
- Lead acquisition effort to develop Government-wide category Best In Class (BIC) solutions, gather business requirements from the category lead and establish a cross functional team to develop an acquisition strategy that best matches the requirements

- Involve industry in advance of developing acquisition solution to ensure industry best practices are incorporated
- Manage the acquisition solution throughout its lifecycle, in coordination with the category team
- Ensure FAR compliance with all acquisitions
- Support data capture and analysis for category management

4.2.8   GSA Category Management PMO

The Category Management PMO is based out of GSA and provides overall program management support to individuals in the governance structure, and facilitates development and implementation of business rules and processes.

Key Responsibilities:

- Create and maintain Category Management Guidance
- Develop standard procedures and share best practices across categories
- Facilitate data analysis and performance measurement / benchmarking
- Share tools and templates for category teams to utilize to enhance their management and execution of category management initiatives (e.g., Porter's Five Forces, customer segmentation model)
- Share training and educational materials regarding category management topics
- Develop and maintain the category structure (taxonomy)
- Facilitate execution of approved category strategies (strategic sourcing, supplier management, demand management, total cost management)

4.2.9   GSA Common Acquisition Platform (CAP) PMO

The CAP PMO is based out of GSA and develops and executes the IT strategy to support the category management platform implementation. Additionally, over time, the CAP will improve insight into Government-wide transaction data in order to reduce the cost of maintaining multiple acquisition structures and enhance program management performance through utilizing shared best practices.

Key Responsibilities:

- Develop and maintain the Acquisition Gateway to access the "Category Hallways"
- Develop and assist category teams with hallway content management process via the creation of data standards as well as policies and governance
- Maintain CAP IT infrastructure and associated costs

5   Category Management – Operating Model

The category management operating model involves development of a category strategic plan followed by category execution and performance management to achieve the expectations in the category strategic plan. The operating model is a continuous process. Category management requires assessment, at determined intervals, across stages to guide program progression and ensure progress toward category goals and objectives. The Category Management Operating Model is depicted in **Figure 7**.

Figure 7. Government-wide Category Management Operating Model
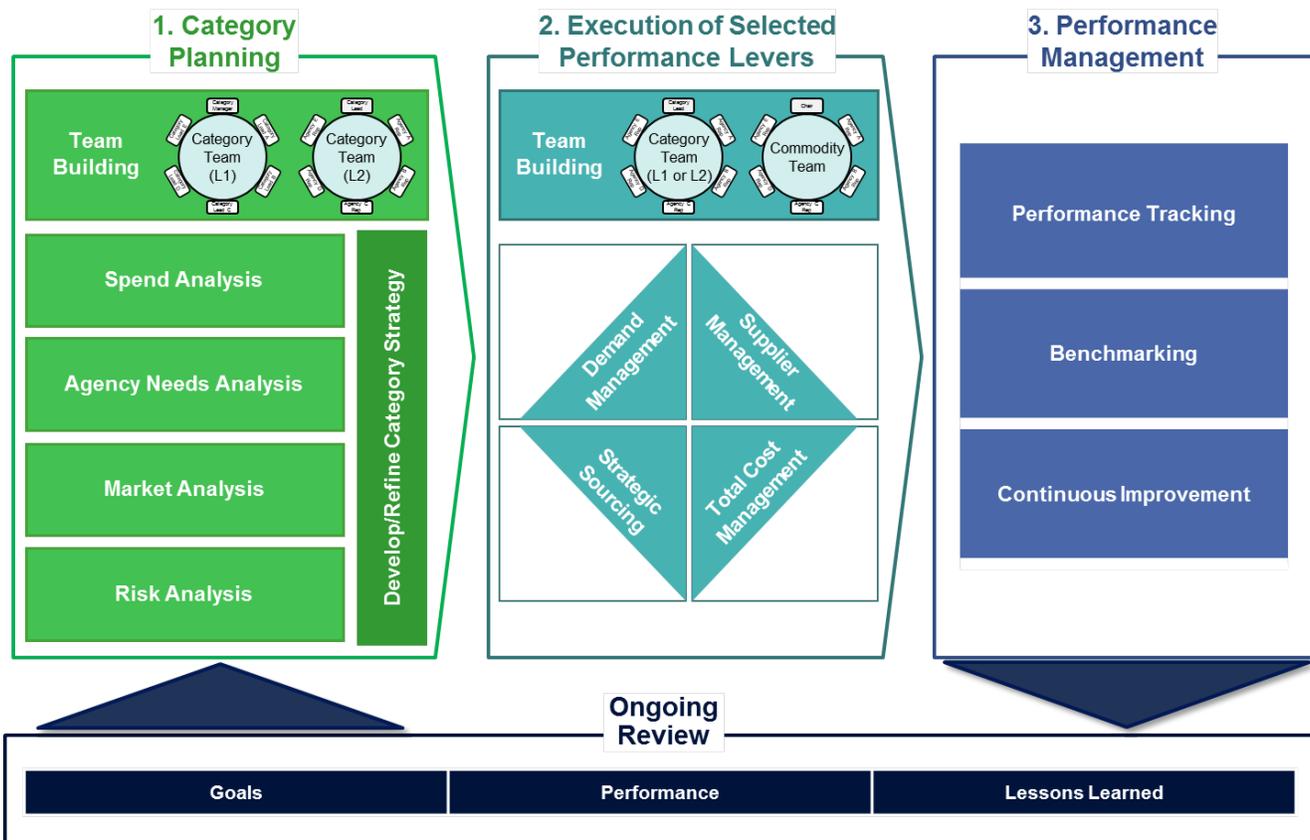
5.1   Category Planning – Development of Category Strategic Plan

5.1.1   Category/Sub-Category Spend Analysis

A key preliminary step for the category team is to understand spend in the category. Too often category strategy (and overall business strategy) is built off of incomplete or inaccurate data and assumptions. Spend analysis is the process of gathering and assembling a clean spend dataset and then using that data to understand current performance and opportunities, understand trends, and establish baselines for category and sourcing strategy as well as category performance measurement. As detailed in **Figure 8,** there are six key activities that together enable the category team to generate accurate and insightful spend analysis.

Figure 8. Spend Analysis: Key Tasks and Activities

1 Gather and Compile Data	2 Cleanse Data	3 Remove Duplications	4 Remove Non-Category Spend	5 Analyze and Assess Data	6 Identify Opportunities
• A complete spend picture requires multiple data sources	• Cleansing compiled data is an important step in the process	• Multiple data sources can result in duplication of spend	• Several data sources, such as FPDS and PSC codes, may associate spend with the category that is actually non-category spend	• Data can be segmented and analyzed in a variety of ways	• An accurate spend analysis can inform category strategies and identify and prioritize opportunities
• Data sources can span a variety of contracting methods	• Special attention should be paid to formatting, such as supplier names	• It is critical to identify and remove spend duplications to achieve an accurate analysis		• A combination of data analysis methods can present a holistic picture of category spend	

Building a Clean Data Set   **Analyzing the Data**

5.1.1.1   Gather and Compile Data

The spend analysis process begins by gathering and compiling applicable category data sources to be analyzed. The Category Management PMO has developed a PSC mapping and will support category teams in refining and applying the PSC mapping. The actual spend data must be pulled from sources including FPDS, agency purchasing and financial systems, and data from key partners such as GSA and suppliers. Often, multiple sources must be combined and reconciled to assemble a complete spend picture. The data gathering step requires a knowledge of potential problems to address, such as accounting for the exclusion of micro-purchases from FPDS data.

5.1.1.2   Cleanse the Data

After compiling the data, it is crucial to cleanse the dataset to ensure each category's data accuracy. This includes normalizing supplier names and correcting formatting issues. Examples of data cleansing considerations include:
- Standardization of supplier names by DUNS numbers
- Evaluation of volume/pricing units of measure outliers
- Correction of date ranges
- Identification of misplaced data
- Evaluation of contract status
- Identification of missing data/fields

Cleansed data should then be stored and managed in a central repository for category management data.

5.1.1.3   Remove Data Duplications

Compiling multiple data sources often results in spend overlaps between various sources of spend. In order to establish an accurate spend baseline for the category, overlaps need to be identified and removed from the data set.

5.1.1.4   Remove Non-Category Spend

Evaluating open market spend, specifically through FPDS, often results in including non-category spend through the incorrect assignment of PSC codes to a purchase. Evaluating individual PSC codes can result in removing specific codes and the spend associated with them from the spend analysis data set.

For example, several PSC codes are associated with spend over multiple categories such as R499 (Other Professional Services). Categories will need to evaluate the spend under this PSC to determine the portions that are relevant to their category analysis.

5.1.1.5   Analyze and Assess Data

Once the dataset has been defined it can be analyzed to gain a holistic understanding of the category. Data can be analyzed to assess a variety of factors, such as:
- Spend fragmentation
- Contract proliferation
- Supplier landscape
- Growths or declines in spend or volumes
- Volatility in volumes or spend
- Addressability
- High-level opportunities hypothesis
- High-level benefit range
- Sustainability performance

Data visualization tools, such as Microsoft Excel and Tableau, allow data to be displayed in an easy-to-understand visual format.

5.1.1.6   Identify Opportunities

An accurate spend analysis will help inform the category strategy and identify category improvement areas (e.g., open market buys) for prioritization to create a path forward. For example, the data could lead to a prioritized focus on redirecting open market spend to category solutions in order to bring the spend under management or identify an opportunity for a sourcing project.

5.1.2   Agency Needs Analysis

Each category team must carefully collect and analyze input from agencies to forecast agency needs, identify gaps and opportunities in offerings, processes, and agency support and guidance.

5.1.2.1   Agency Input and Feedback

Category teams need to get agency input and feedback to understand the agencies' key requirements and constraints and develop a category strategic plan that addresses them effectively. There are a number of areas to address when soliciting agency input, including:
- **Regulatory:** Compliance with relevant and/or forthcoming legislation or regulatory obligations
- **Supply Assurance:** Drivers of availability and accessibility of goods and services (e.g. supplier stability, contract coverage, capacity, delivery, etc.)
- **Quality:** Factors associated with the consistency and fitness of products/services for needs (e.g. design, consistency, reliability, measurement)
- **Service:** How goods or services are provided (e.g. lead times, inventory readiness, processes, response times, account management, available support)
- **Commercial:** Cost or price factors (e.g. purchase price, implementation cost, disposal cost)

- **Innovation:** Incremental as well as discontinuous improvement (e.g. supply chain, market change, technology, integration, sharing & collaboration)

Category teams must identify the agencies whose input is most critical to category strategy development and the particular individuals in those agencies who can provide the most useful input. Then the category teams must determine how best to gather the input—both the means of getting the input and the particular questions that will most effectively yield insightful responses. A variety of different tools and templates can be utilized when collecting customer data points that range in efficacy based on the goal of the customer feedback. Following are ways to solicit customer feedback.

- **Surveys** – Used to address a broad range and high volume of agency contacts. It is recommended that surveys take only 10-15 minutes at most to complete. Any survey should comply with OMB guidance: "Information Collection under the Paperwork Reduction Act": https://www.whitehouse.gov/sites/default/files/omb/assets/inforeg/PRAPrimer_04072010.pdf

- **Interviews** – Used to get a strong, more in-depth understanding of specific agency direction/requirements, experience, and ideas for enhancements. Interviews usually take no more than 60 minutes to complete with between 5 – 15 interviewees.

- **Workshops** – Provides an opportunity for in-depth information sharing, collaborative problem solving, and opportunity identification. The most in-depth and usually requires a half-day to a full-day to complete with approximately 5 – 10 participants.

5.1.2.2   Agency Requirements Prioritization

The agency input in feedback will likely come in multiple forms, from a variety of sources. This intelligence must be assembled and analyzed to produce actionable insights. Two potential tools for doing this are the Stakeholder Priorities Map and the Agency Profile. **Figure 9** details an example of a stakeholder priority map that addresses different categories of business requirement. The colors indicate the current value delivery for each activity based on stakeholder reviews, and the numerical value details the key stakeholders' prioritization of the different requirements.

Figure 9.   Sample Stakeholder Priorities Map

Stakeholder Priorities		Current Value Delivery		
Numbers indicate how stakeholder in each column prioritizes each of the activities detailed below. Highest = 1; Lowest = 10		Strong		
		Needs Evaluation		
		Weak		
Requirement	**Requirement Detail**	**Agency 1**	**Agency 2**	**Avg. by Requirement**
Regulatory	•Supply solutions comply with all environmental/sustainability standards			
	•Meet targets for socioeconomic factors			
	•Meet all federal regulatory standards			
Assurance of Supply	•Just-in-Time delivery requirements for key sites			
	•Site lead time requirements from 5 days to 6 weeks			
	•Must support primary and secondary packaging, labels (e.g., MILSTD-129R)			
	•Must have robust problem management procedures			
Quality	•Suppliers compliant to our needs – confirmed by audits			
	•No product recalls driven by supplier performance			
	•No component driven production/maintenance stoppages			
	•Product delivery tolerances (+/- 10% tolerance)			
Service	•Vendor-managed inventory system capabilities			
	•Order tracking capabilities available to operations			
	•Account management personnel available seven days/week			
	•Supplier must be highly responsive to changes			
Cost/ Commercial	•20% PPV savings over three years across total spend			
	•Capable of identifying and delivering cost reduction projects			
	•Average purchase price within 15% of competitors on major sub-categories			
Innovation	•Clear commitment and effectiveness in partnership			
	•R&D greater than 10% of budget			
	•Capable of leading on total cost / supply chain innovations			
Average by Agency				

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The agency profile is a single, authoritative document defined at the agency or office level that pulls together agency organization, strategy, challenges, initiatives, spend, supply chain, and other detail. Understanding these factors can help pinpoint areas to focus on to improve agency service levels and performance on key category goals. Additionally, comparison of different agency profiles can help the category team to better understand ways to strategically improve value-for-spend (through identification of common needs, buying cycles, inefficiencies, etc.). **Figure 10** below depicts a high-level agency profile. The information shown can be expanded upon to incorporate more detailed information.

Figure 10. Agency Profile Example

Level 1 Category	Level 2 Category	2010	2011	2012	2013	2014	2015	Grand Total
Aircraft, Ships/Submarines & Land Vehicles	Aircraft		17,763,037			-73,132		17,689,905
	Land Combat Vehicles	3,800,488	-592	49,334	1,412,280		2,503,963	7,765,473
	Ships & Submarines	287,482,007	678,152,031	648,842,902	608,805,029	367,321,573		2,590,603,541
	Total	291,282,494	695,914,475	648,892,236	610,217,309	367,248,441	2,503,963	2,616,058,919
	Small Business Percentage	1.3%	1.3%	0.2%	0.2%	0.0%	100.0%	
Clothing, Textiles & Subsistence S&E	Subsistence	14,062	8,292	24,577	7,941	25,356		80,227
	Textiles, Clothing & Equipage	1,584,409	494,215	283,643	319,712	354,681	4,040	3,040,699
	Total	1,598,471	502,507	308,220	327,653	380,036	4,040	3,120,927
	Small Business Percentage	98.0%	100.0%	97.4%	95.9%	90.0%	100.0%	
Electronic & Communication Equipment	Communication Equipment	652,527	216,715	219,123	262,126	83,134	8,798	1,442,422
	Detection & Coherent Radiation Eq		615,195					615,195
	Electrical & Electronics Equipment	8,814,716	10,545,380	14,855,655	11,570,416	14,395,104	1,240,313	61,421,583
	Night Vision Eq	12,771	1,164,484	230,752	143,591	66,902		1,618,500
	Total	9,480,013	12,541,773	15,305,530	11,976,133	14,545,140	1,249,111	65,097,701
	Small Business Percentage	77.8%	84.9%	89.0%	92.5%	89.5%	76.3%	
Electronic & Communication Services	Equipment Leases		68,346	73,185	71,705	64,516		277,752
	Equipment Maintenance	1,554,141	1,131,306	580,621	457,402	133,824	16,654	3,873,947
	Total	1,554,141	1,199,652	653,806	529,107	198,340	16,654	4,151,699
	Small Business Percentage	100.1%	66.0%	52.2%	98.3%	99.4%	32.7%	
Equipment Related Services	Equipment Modification	32,913	17,500	38,857	106,507	12,985		208,763
	Installation of Equipment	583,453	2,603,895	8,356,019	2,398,404	2,311,601		16,253,372
	Maintenance, Repair and Overhaul	201,274	9,857,784	8,284,370	8,511,251	4,392,250	1,411,807	32,658,737
	Purchases & Leases	145,202	63,538	94,894	199,808	265,804	6,172	775,418
	Quality Control	2,349,962	2,429,191	896,388	-293,233	20,718,451	4,922,271	31,023,030
	Salvage Services	10,644	37,335	19,921	13,112			81,012
	Technical Representative Services	-42,823		339,392	271,339	272,579	39,500	879,988
	Total	3,280,625	15,009,244	18,029,841	11,207,190	27,973,670	6,379,750	81,880,319
	Small Business Percentage	32.7%	84.2%	41.9%	12.3%	4.0%	8.4%	

5.1.3   Market Analysis

To achieve the full benefits of being the largest buying organization in the United States, the Federal Government must develop a deep understanding of market dynamics, market influencing factors, and key players.

The first step is to define the market, denoting all products, services, and related spend that it addresses (and where needed noting what is NOT within category scope). A market is a group of similar products and services. A well-defined market not only helps the category team identify the key forces and trends, but also helps category teams approach key suppliers strategically and leverage influences in the market. The CMLC has approved a category structure that defines 10 major categories of commonly purchased products collectively representing $275B in spend in FY14. Built upon this foundation, each category should be further analyzed, segmented, and organized to maximize benefits.

The next step is to select and conduct the appropriate analysis. There are many analytical tools available. Category teams should only select those that provide most value for their category strategy development. **Figure 11** provides a list of common market analysis tools:

Figure 11. Common Market Analysis Tools

Analytical Tool	Description
Market overview/ Segmentation	Summary and descriptions of market characteristics and conditions, company market position, potential challenges, industry success factors, industry cost structure, etc.
Five Forces Analysis	Methodology and Diagram detailing five competitive forces that shape each industry: 1) Rivalry among existing competitors, 2) Bargaining power of suppliers, 3) Threat of new entrants, 4) Bargaining power of buyers, and 5) the threat of substitute products or services
Market Trends	Summary and analysis of key market trends most critical to the category. Most categories will include in their analysis: general market conditions and potential vendor impact (e.g. technology advancements, capacity issues); competitor analyses (e.g. entrance of new industry players); economic impacts; economic demand for a product/service; market trends and forecasts; financial analyses and reports (e.g. overall market revenue, profit margins); government regulations
Supplier Chain/ Distribution Market	Investigation of different distribution channels, supplier market size, distribution landscape, and product/service alternatives
Value Chain/ Cost Structure	Analysis identifying the cost of each activity within a company and determining the importance of each activity through the entire process (e.g. manufacturing, transportation). Additionally, the value chain details the overall cost of sourcing a product/good as well as provides the ability to identify links between activities
Profile of Major Players	Detailed list of industry leaders as well as their profiles and product/service offerings. Company profiles include: general company overview (e.g. mission, headquarters, flagship products/services, leadership team), financial profile (e.g. profits, historical performance, assets), company capabilities, etc.

5.1.4   *Category Strategy Development*

The category strategic plan is the compilation of the analysis performed in the category planning phase. The category strategic plan is a single, authoritative source of information regarding selected category strategies, the reasons for selecting those strategies, how the category team plans to execute the strategies, and anticipated results (benefits, costs, and risks) associated with the strategies.

The category strategic plan is reviewed and approved by the CMLC (as detailed in Section 4.2.2) before the category team assembles resources and teams as required to execute the strategies. The strategic plan must address the following (**TEMPLATE UNDER DEVELOPMENT**):

- **Statement of Goals and Objectives:** clear statement of category goals and associated measurable targets for the duration of the category strategic plan.
- **Identification of Category Improvement Initiatives:** definition of the initiatives and justification for prioritizing the initiative based on fit with Category Management goals and priorities and potential to address major improvement areas in the category.
- **Strategy Execution Plan:** a timeline for all prioritized initiatives and expected resource requirements, including human capital requirements.
- **Category Strategy Risk Analysis:** assessment of risks attached to specific initiatives and the overarching category strategy, and detail of plans to mitigate or address risks that materialize

- **Cost-Benefit Analysis:** assessment of the benefits and costs of each initiative. This analysis must be fact-based and rigorous, with clear ties to spend, customer, market, and/or risk analysis to support quantitative and qualitative assessment.

5.1.4.1   Statement of Goals and Objectives

Category strategy development starts with an understanding and validation of goals for the category. The goals should be clearly defined (e.g., increased use of Best-in-Class solutions), have a clear link to overall Category Management goals (e.g., reduced contract duplication), and have well defined metrics and targets associated with them. The goals, metrics, and targets will be documented in the category strategic plan, but category teams are advised to create data sheets for the metrics to be tracked. While there is no mandated template, for each metric the category team needs to agree on:

- The unit of measure and formula for calculating the metric

- A threshold for escalating underperformance issues to be addressed

- Frequency of measurement and reporting

- Data owner (responsible for acting on the metric)

- Data provider (responsible for collecting the data behind the metric)

- Data source(s)

5.1.4.2   Identification of Category Improvement Initiatives

An effective category strategy maximizes agency value, minimizes total cost of ownership, and achieves high efficiency in ongoing operations. There are four major "performance levers," or types of initiatives, to improve category performance. Individual initiatives may comprise a number of these performance levers:

- **Demand Management**: work closely with federal buyers and policy-makers to identify and standardize requirements and specifications, eliminate unnecessary purchases and inefficient purchasing behaviors, and funnel purchasing and spend to Best-in-Class acquisition vehicles (as detailed in Section 6.4)

- **Supplier/Vendor Management**: Work with suppliers/vendors to align their priorities with agency priorities, develop mechanisms to monitor and address areas of supplier underperformance (e.g., quality, cost, delivery, service, innovation), and increase information sharing and collaboration to identify and act on joint improvements.

- **Strategic Sourcing**: analyze the category spending patterns to leverage purchasing power, achieve better alignment with cost, quality, service, and delivery requirements, and manage sourcing risks.

- **Total Cost Management**: Identify and address inefficiencies in internal processes and drivers of total cost across the supply chain (suppliers, distributors, ordering environments such as DOD EMALL, agency receiving operations) that may be reduced or eliminated.

5.1.4.3   Strategy Execution Planning

The category strategy execution plan provides detail about how all initiatives selected for implementation will be completed within the specified time period. This plan provides a first level detail of needed resources (such as leadership time, subject matter experts, data analysts, and contracting specialists), planned implementation timeframes and major initiative stages and milestones, and key risks (along with realistic contingency plans to address the risks). **Figure 12** shows a sample plan showing several category initiatives and how they will be implemented across a one-year timeframe.

Figure 12. Sample Project Implementation Plan

Category Initiatives	Project POC	2015 Q1			2015 Q2		2015 Q3		2015 Q4	
Laptop demand management and sourcing	Anna Smith	Analysis	Develop Category Team	Policy and Sourcing Strategy	Identify & Prequalify Suppliers	Supplier Selection & Contracting	Integrate Suppliers	Monitor & Follow-up		
Network equipment total cost management	Bill Sherman		Analysis	Value Chain Mapping and Cost Improvement Opportunity Identification		Agency and Supplier Approvals and Joint Commitments	Wave 1 Improvement Implementation	Status Reviews	Wave 2 Improvement Implementation	
IT security services strategic sourcing	Chris Wilson	Analysis		Develop Category Team	Sourcing Strategy	Identify & Prequalify Suppliers	Supplier Selection & Contracting		Integrate Suppliers	Monitor & Follow-up
Other Initiatives										
CAP Hallway Development	Debbie Schultz	Pre-sprint Hallway Preparation	Launch CAP Hallway	Content Sprint Kick-Off	Hallway Content Sprint	Hallway Editorial Cycle	Analyze customer and market intel to ID gaps and areas for improvement	Develop strategy to incorporate improvements	Conduct usability tests	Update Hallway Content Regularly

In addition to laying out the overall timeline and milestones for implementation of category initiatives, the execution plan should detail key resources required.

5.1.4.4   Category Strategy Risk Assessment

The category strategic plan must account for key risks associated with the various initiatives and detail potential plans for addressing those risks. **Figure 13** shows a sample contingency plan summary.

Figure 13. Sample Project Risk Assessment and Contingency Plan Summary

Project & Risk	Likelihood	Severity	Contingency Plan / Action Required
Strategic Sourcing • Don't have leveraging power to negotiate the lowest price • There exist few vendors in this specific area increasing the price of the product	H	M	• Determine whether the product is necessary or are there substitutes • If no substitutes, potentially negotiate for a longer term contract at a lower price • Go to the other vendors to determine if you can utilize them to bargain down on the price
Multiple Supplier Sourcing • Disorganized information on the total number of contracts sourcing the product • Currently in long-term contracts and can't adjust the contract language	L	H	• Reach out to specific suppliers who generate the product and Agency practitioners who have worked on similar contract vehicles to best understand the supplier environment • Determine the costs/benefits of getting out of a contract early and consolidating similar contracts
Supplier Relationship Management • Redundant, inconsistent touchpoints between the supplier and the Agency	M	M	• Send out weekly status reports to have a consistent understanding of initiatives • Set up biweekly touchpoints for regular status updates via the phone
Price Benchmarking • Incomplete price information for the product in the market • No designated resources to perform a price-based benchmarking analysis	H	M	• Analyze private and public resources to determine if the pricing information does exist (free or at a cost) • Extend the timeline and allocate additional FTEs to the project to complete it over a longer period of time

5.1.4.5   Cost-Benefit Analysis

Finally, the category strategic plan document should provide a solid assessment of project costs and benefits to support project prioritization, approvals, and establishment of performance tracking mechanisms. The cost-benefit analysis may contain both quantitative and qualitative elements to account for factors that are not easily quantified without forcing the creation of unrealistic calculations. **Figure 14** shows major factors to address in the cost-benefit analysis.

Figure 14. Factors to Address in Cost-Benefit Analysis

Category	Specific Benefits/Costs	Definition
Savings	Hard Savings	Directly attributable material/service cost savings (vs. as-Is)
	Indirect Savings	Cost avoidance (vs. benchmarked/projected cost changes), administrative savings
Quality	Customer Alignment	Degree to which product/service specs match customer requirements
	Reliability / Repeatability	Actual performance of the product/service vs. customer expectations
Delivery	Supply Chain Delivery	Improved speed and coordination of product/service delivery
	Market Responsiveness	Increased ability to adjust to critical market change
Working Capital	Cash Flow	Attributed change in working capital efficiency (e.g., procure-to-pay cycle)
Risk	Project Risk	Discount factor for risks of successfully completing the initiative
	Process/Offering Risk	Quantification of ongoing risks (e.g., supplier viability, product/service obsolescence, etc.)
Resource Costs	Category Team Resources	Allocation of category team members' or resources' time to each project and quantification of associated costs
	Additional Federal Government Resources	Allocation of other resources' time investment, factoring in not only direct costs but also "opportunity costs" of making those individuals unavailable for other initiatives
	Non-Government Resources	Projection of potential impact of other stakeholders' participation and support in an initiative, such as supplier investments that may require offsetting price increases

5.2   Category Execution

Category execution is the implementation of the initiatives selected and detailed in the category strategic plan. Initiatives may involve multiple performance levers (as detailed in Section 5.1.4.2): for example, an initiative to rationalize contracts and establish a new Best-in-Class solution may involve Demand Management (standardizing or reducing specifications and policies to increase use of Best-in-Class solutions) with Strategic Sourcing (establishing or modifying an agreement to build or improve a Best-in-Class solution) and Supplier Management (working with Best-in-Class solution providers to improve their service levels, thus encouraging usage of their contract vehicle).

Sections 5.2.1 through 5.2.4 detail the four performance levers that may be employed to successfully execute the category strategic plan.

5.2.1   Demand Management

Customer demand analysis is an important step in demand management. It is aimed at improving internal practices and policies that encourage cost discipline, tighten controls, and ensure compliance. Demand analysis is most successful when there is an organizational shift that not only focuses on reducing costs, but also in changing existing behaviors.

Improvements come from standardizing product and service specifications, reducing unnecessary consumption, aggregating demand across offices and agencies to increase spend leverage and volume discounts. This can be done by following the demand management methodology (see **Figure**

15 below) which allows category teams to take a phased approach to determine which sources of demand have opportunities for marked improvement.

Figure 15. Agency Demand Analysis Methodology

Providing a focus on customer demand analysis as a whole helps contribute to improvements in customer satisfaction, vendor/supplier relationships, total cost of ownership, and a reduction in risk. Examples of the levers and benefits that can come out of customer demand analysis include:

- Policies that eliminate waste
    - Telework reduces travel spending
    - Reduced number of private printers eliminates unneeded hardware and reduces paper and toner consumption
    - Use of Black & White/grayscale printing and simple document templates reduces costly color printing
- Data clarity that manages costs and reduces wasteful behavior
    - Spend transparency at all levels
    - Identification of areas for greatest improvement, e.g., cancelling plans for inactive cell phones
- Strategic purchasing of items that reduce ongoing costs
    - Smart appliances and fixtures that reduce energy costs
    - Hybrid vehicles
- Changing specifications to take out unnecessary costs
    - Laptops may not require CD-ROM drives or as much hard drive space
    - Limitations on smart phone capabilities or data plan extras
    - More compact packaging or disposal-friendly packaging
- Converging specifications to support demand aggregation
    - Adjusting various agencies' specifications so they can be aligned
    - Allowing sourcing savings through spend leverage and/or efficiency from bulk purchasing
- Directing spend through approved acquisition vehicles
    - Particularly eliminating open market buys which supports spend leverage, improves spend transparency, eliminates administrative costs, and takes out unnecessary contracting, business transaction, and logistics costs throughout the supply chain

Applying a customer demand analysis in addition to supply and market analysis can better serve category teams to help improve the government's ability to bring a higher percentage of spend under management.

5.2.2   Supplier/Vendor Management

Supplier/Vendor Management focuses on post-award activities that drive improved value for Federal Government. This performance lever includes practices such as supplier performance measurement and scorecarding, supplier relationship management and governance, and targeted guidance and investment to help build a more effective vendor/supplier base (e.g., encouraging vendor adoption of recommended package marking and labeling solutions).

This section will be further built out further based on IT Vendor Management and Navy Supplier/Vendor Management guidelines. Please reference the December 2014 OFPP memo, "Transforming the Marketplace: Simplifying Federal Procurement to Improve Performance, Drive Innovation, and Increase Savings."[6]

5.2.3   Strategic Sourcing

Strategic Sourcing involves the establishment or modification of acquisition vehicles to better address Federal Government procurement needs and/or more effectively leverage spend, market position, market knowledge (e.g., price benchmarks), and capabilities (e.g., IT integration) in contract terms and conditions. Strategic Sourcing initiatives follow the Key Decision Point (KDP) Process established by the CMLC.[7] The KDP Process includes three decision points for Strategic Sourcing:

- **Steps to KDP 1: Opportunity Analysis and Assessment.** An agency presents a high-level analysis of a product/service for exploration. The CMLC determines whether a Commodity Team should be formed to further explore the opportunity. Analysis presented to the CMLC in this phase includes:
  - o Commodity definition and scope
  - o Stakeholders
  - o Market dynamics
  - o Total category spend (overall and by agency)
  - o Savings potential
  - o Vendor fragmentation
  - o Contract fragmentation
  - o Basis for Contract fragmentation
  - o Small business participation
  - o Value proposition and resources of identified lead agency
  - o Analysis of existing policies

- **Steps to KDP 2: Proposed Solution Strategy.** The Commodity Team provides detailed information specifying the product/service requirements and the proposed strategy to the CMLC. The CMLC determines whether the strategy is sound and likely to result in better value. The solution analysis presented to the CMLC includes, at minimum:
  - o Results of market research/ Industry engagement
  - o Defined scope and requirements
  - o Inclusion of strategic sourcing principles, e.g. tiered pricing, collection of prices paid, etc.
  - o Benefits to agencies, including noteworthy sustainability impacts (as some spend categories have far greater sustainability impacts than others)

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[6]   OFPP Memo, "Transforming the Marketplace: Simplifying Federal Procurement to Improve Performance, Drive Innovation, and Increase Savings" by Anne Rung, Dec 4, 2014.

[7]   This information paraphrased from guidance: "Strategic Sourcing Leadership Council (SSLC) Key Decision Point Process." June 2013. Please note the SSLC has now become the Category Management Leadership Council (CMLC).

- o Risks
- o Contracting strategy/policy development
- o Individualized recommendations to Agencies on operational changes that would support adoption
- o Timeline
- o Critical success factors
- o Performance indicators
- o Small business strategy

- **Steps to KDP 3: Solution Execution.** The Commodity Team makes a new award or executes a strategy for leveraging existing vehicles and presents results to the CMLC. The CMLC provides FSSI designation if the new vehicles proves value. If approved, the Commodity Team proceeds with execution of the solution based on key analysis:
    - o For new procurements, the lead agency awards new contract(s) with prices and terms and conditions that are better than agencies were getting before; or
    - o For existing vehicles, an interagency Commodity Team is developed to manage, assess, and streamline existing solutions; and/or
    - o Policy recommendations are implemented after collaboration with stakeholders.

- **Ongoing Commodity Management.** The CMLC promotes agency adoption and continually monitors information on the performance of the solution, the commodity manager, and any further decisions required.

Strategic sourcing solutions are required to following the KDP process to include completing the required KDP Template for the designated phase.

More information about Strategic Sourcing can be found at: https://strategicsourcing.gov/about-fssi-0

5.2.4   Total Cost Management

Even when demand is managed well, suppliers are performing well, and strategic sourcing has been well executed, significant inefficiencies may remain. Total Cost Management focuses on understanding all drivers of cost. **Figure 16** provides a total cost breakdown illustrating how costs can accrue and how they may be addressed. As shown in the figure, total costs can be driven by purchasing cost, usage cost, and process cost. Each of those cost types has multiple cost elements. Associated with each cost element are cost drivers.

Careful examination of cost elements, including relative quantification or "sizing" of the costs and assessment of the cost drivers that may improve or worsen total costs, can help organizations find and achieve significant additional savings that may in some cases significantly outweigh strategic sourcing savings.

Figure 16. Total Cost "Tree"

Cost Elements	Cost Drivers
Purchase Costs → Unit Prices	➢ Price ➢ Volume rebates ➢ Payment term discounts
Supply Chain Costs	➢ Warehousing costs ➢ Shipping costs ➢ Returns ("reverse supply chain")
Lifecycle Costs	➢ Maintenance costs ➢ Operating, energy and other costs ➢ Disposable costs
Demand And Usage Costs → Consumption	➢ Elimination ➢ Reuse ➢ Repurposing (e.g., inter-office transfer)
Non-Compliance	➢ Open-market buys ➢ Unnecessary specifications / add-ons ➢ Specification standardization/consolidation
Process Costs → Acquisition Expenses	➢ Number of acquisitions ➢ Number of contract actions ➢ Customer and market research costs
Operating Expenses	➢ Customer service calls and complexity ➢ Cost of processing accounts payable ➢ Cost of receipt/warehousing

(Total Costs → Purchase Costs, Demand And Usage Costs, Process Costs)

5.3   Category Performance Management

Performance management is critical to understanding the impact of category management and ensuring its long-term success. At the beginning of each year, an annual performance review shall be conducted for each category. During this review, an assessment of performance for the previous year should be completed and goals and targets for the upcoming year should be established. Category reviews, with frequency determined by the category manager, will be briefed to the CMLC to share strategies, successes, and track progress towards established goals and targets. Metrics must be aligned to overall category management goals as well as category specific strategies and objectives to effectively assess impact and measure success.

Following is preliminary guidance on each of the metrics.

The Federal Government is establishing Government-Wide Cross Agency Priority (CAP) Goals that are summarized in sections 5.3.1 through 5.3.4 and will be further detailed as the CAP Goals are finalized and agreed upon. The CAP goal elements are focused on the following areas:

- **Spend Under Management:** an overall measure of Federal Government category management maturity, designed to highlight successes as well as development areas and provide an overall assessment of category management maturity across all categories and federal agencies.

- **Savings:** reductions in cost that allow the Federal Government to make better use of money or return money to taxpayers. Savings includes reduced unit prices, cost reductions from changed behaviors, and reduced administrative costs.

- **Small Business Goals:** a measure of small business participation in category management solutions and the overall program.

- **Reduced Contract Duplication:** Identifies how efficiency is increased by channeling spend to Best-in-Class solutions. Currently, this measure is represented by the percentage reduction in contract duplication.

5.3.1 Spend Under Management (SUM)

By bringing common "Spend Under Management," which includes collecting and sharing prices paid and other key performance information, agencies will get the same competitive price and quality of performance when they are buying similar commodities and services under similar circumstances. For Government-Wide Category Management, SUM is defined according to a tiered maturity model. The tiered maturity model includes three tiers and each tier includes the same five attributes: leadership, strategy, data, tools, and metrics. This approach assigns credit for the tremendous work done by agencies individually and collectively in the past, while tracking progress toward more government-wide spend under management solutions. Tier 1 and Tier 2 are geared toward assessing SUM at the agency level. Tier 3 is meant to assess the maturity of the government-wide category.

5.3.2 Savings

While savings is a desired outcome of category management it is often difficult to quantify. As such, savings measurements should be focused on areas where specific data is readily available. Category strategic plans and specific project plans for demand management, strategic sourcing, supplier management, and total cost management should design solutions to baseline and measure savings. Methodologies for calculating the savings must be universally applied and followed across Federal Government. Savings from strategic sourcing solutions generally come from three streams: 1) reduced unit prices based on increased volume or other strategy; 2) changes in behavior resulting from improved commodity management and access to data/information; and 3) administrative savings based on reducing the number of duplicative vehicles. A common framework for measuring savings will facilitate evaluation of agencies' strategic sourcing in order to assess progress and determine best practices to deploy government-wide. Core savings calculations will be applied to all commodities and the savings methods are to be proposed as part of KDP2. The key principles for calculating FSSI cost savings are the common elements of price, economic price adjusted cost avoidance, and administrative savings.

5.3.2.1   Price Savings

Total Savings = [(baseline unit price – new contract price)*Qty] + [(any additional discounts) * Qty]

  a. baseline unit price – a commodity team recommendation that is based on EITHER the
      (i)   current MAS lowest quartile price,
      (ii)   lowest price on any contract for similar quantity, OR
      (iii)   a lower price available from an existing vehicle or data source identified by a
              commodity team member and agreed to by the SSLC.
  b. FSSI price – the price available to agencies under the FSSI solution at the time of the award.
  c. Any additional discounts – further price reductions obtained from tiered pricing or other
      discounts available in the FSSI solution (ie: volume or tier).

5.3.2.2   Economic Price Adjustment Cost Avoidance

In the event a vendor enacts a market-wide (federal, state, local, private sector entities) price increase to all buyers, for products or services under an existing Federal Government solution, and due to the category management initiative, the economic price adjustment to the contracted price is less than the vendor's market price adjustment is identified as cost avoidance.

5.3.2.3   Administrative Savings

Savings resulting from behavior changes related to policy, better information, or improved commodity management. For example changes to travel regulations to decline insurance, printing double sided, and shipping ground instead of overnight on a weekend.

5.3.3   Small Business (SB) Participation

Increasing the participation of small businesses within strategic sourcing solutions is a government priority. The 2012 Office of Management and Budget's (OMB) Memo entitled "Improving Acquisition through Strategic Sourcing" states "To the maximum extent practicable, all strategic sourcing opportunities shall seek to increase participation by small businesses. To that end, all proposed strategic sourcing agreements must baseline small business use under current strategies and set goals to meet or exceed that baseline participation under the new strategic sourcing vehicles". It is calculated as follows:

SB Participation Baseline Calculation (based on last full fiscal year spend) = Small Business Spend Pre FSSI / Total Spend

5.3.4   Contract Efficiency

This measure identifies how efficiency is being increased by optimizing the category management solutions.   Currently, this is represented by the percentage reduction in contract duplication. This measure is calculated by comparing the target year's total number of unique contracts that are being used for a solution's Product Service Codes (PSCs) to the baseline year's count. The difference is divided by the baseline to determine the percentage reduction in contracts. It is calculated as follows:

Contract Reduction = (Baseline year count – Target year count) / Baseline year count (%)

In addition to the metrics above, category specific metrics should be considered by category managers and category leads. This guidance on Metrics and Tracking introduces what is envisioned and possible now. Performance reporting and analysis is expected to improve over time.

5.3.5   Cross Agency Priority Goals

Cross Agency Priority Goals for increasing efficiency in IT commodity acquisition shown in **Figure 17**.

Figure 17. Cross Agency Priority Goals

Outcome Metrics	Baseline	Goal End of CY15	Status	Goal End of CY16	Goal End of CY19
Increase in total IT savings [NEW]	$2.5B per ITOR report by end of FY15 [March 2015]	$1B		Additional $2.3B	$10B
Percent reduction in the number of new/renewed contracts for select IT categories, including software, hardware and telecommunications [NEW]	FY14 Total: 37,114 • Hardware: 22,234 • Software: 11,478 • Telecom: 3,402	• 8% reduction • 4% reduction • 4% reduction		• 20% reduction • 10% reduction • 10% reduction	• 25% reduction • 20% reduction • 20% reduction
Percent reduction in price variance in select IT categories (per item): • Laptop (standard) • Desktop (standard) • Mobile • Oracle FM License • [NEW]	Per Item Cost (Variance): •$453-$1,298 (286%) •$707-$1,904 (269%) •400 min/unlim data: $23-$91 (395%) •TBD (X%)	10% reduction in variance		25% reduction in variance	50% reduction in variance
Supporting Drivers	**Baseline**	**Goal End of CY15**	**Status**	**Goal End of CY16**	**Goal End of CY19**
Percent increase in spend under management for common goods and services ($275B) [NEW]	31% of $125B	50% of $125B		50%	80%
Percent increase in availability of high value contract information [NEW]	N/A	40%		80%	100%
Increase in new Federal-wide software agreements [NEW]	N/A	1 new agreement		2 new agreement	5 new agreement
Increase in unique users of the Acquisition Gateway [EXISTING]	700 unique users	4,000 unique users		12,000 unique users	20,000 unique users
Increase in customer satisfaction rate of Acquisition Gateway users [NEW]	N/A	40% of users rate as useful		75% of users rate as useful	85% of users rate as useful

6   Category Management – Additional Guidance

6.1   Government-wide Category Management Structure

A key success factor to executing successful category management is accurate visibility into spend by category through the creation of a common Government-wide category structure, composed of distinct categories of spend based on common characteristics. Developed in partnership with the CMLC, the Category Management PMO utilized United Nations Standard Products and Services Code (UNSPSC) industry standards and existing DoD and DHS structures to develop a Government-wide category structure through the assignment of Product Service Codes (PSC). The Government-Wide Category Structure is shown in **Figure 18.**

The current framework designates agency participation at all levels of the governance with category managers being identified by OFPP, and specific agency assignments for category leads and

procurement agencies.   At present, the CMLC has established four initial Government-wide pilot categories and appointed part-time category manager roles from the agencies listed in the **Figure 19.**

Figure 18. Government-Wide Category Structure

General Government Categories 1-10 (total FY 2014 spend $275B)

1. IT - $49.9B
- 1.1 IT Software
- 1.2 IT Hardware
- 1.3 IT Consulting
- 1.4 IT Security
- 1.5 IT Outsourcing
- 1.6 Telecommunications

2. Professional Services - $61.9B
- 2.1 Business Administration Services
- 2.2 Legal Services
- 2.3 Management Advisory Services (excl. R&D)
- 2.4 Marketing and Distribution Public Relations and Professional
- 2.5 Communications Services
- 2.6 Real Estate Services
- 2.7 Trade Policy and Services
- 2.8 Technical & Engineering Services (non-IT)
- 2.9 Financial Services
- 2.10 Social Services

3. Security and Protection - $5.5B
- 3.1 Security Animals & Related Services
- 3.2 Security Systems
- 3.3 Security Services

4. Facilities & Construction -$75.7B
- 4.1 Construction Related Materials
- 4.2 Construction Related Services
- 4.3 Facility Related Materials
- 4.4 Facility Related Services
- 4.5 Facilities Purchase & Lease

5. Industrial Products & Services - $10.5B
- 5.1 Machinery & Components
- 5.2 Fire/Rescue/Safety/Environmental Protection Equipment
- 5.3 Hardware & Tools
- 5.4 Test & Measurement Supplies Industrial Products
- 5.5 Install/Maintenance/Repair/Rebuild
- 5.6 Basic Materials
- 5.7 Oils, Lubricants, and Waxes

6. Office Management - $1.9B
- 6.1 Office Management Products
- 6.2 Office Management Services
- 6.3 Furniture

7. Transportation & Logistics Services - $26.8B
- 7.1 Package Delivery & Packaging
- 7.2 Logistics Support Services
- 7.3 Transportation of Things
- 7.4 Motor Vehicles (non-combat)
- 7.5 Transportation Equipment
- 7.6 Fuels

8. Travel & Lodging - $2.7B
- 8.1 Passenger Travel
- 8.2 Lodging
- 8.3 Travel Agent & Misc. Services

9. Human Capital - $4.1B
- 9.1 Specialized Educational Services
- 9.2 Vocational Training
- 9.3 Human Resources Services

10. Medical - $36.0B
- 10.1 Drugs and Pharmaceutical Products
- 10.2 Medical Equipment & Accessories & Supplies
- 10.3 Healthcare Services

Defense- Centric Categories 11-19 (total FY 2014 spend $153B)

11. Aircraft, Ships/Submarines & Land Combat Vehicles - $41.6B
- 11.1 Aircraft
- 11.2 Land Combat Vehicles
- 11.3 Ships & Submarines
- 11.4 Space

12. Weapons & Ammunition - $15.1B
- 12.1 Ammunition & Explosives
- 12.2 Fire Control
- 12.3 Guided Missiles
- 12.4 Guns
- 12.5 Nuclear Ordnance
- 12.6 Weapons

13. Electronic & Communication Equipment - $8.7B
- 13.1 Communication Equipment
- 13.2 Detection & Coherent Radiation Equipment
- 13.3 Electrical and Electronics Equipment
- 13.4 Night Vision Equipment

14. Sustainment S&E - $22.7B
- 14.1 Drones
- 14.2 Engines, Components & Spt Eq
- 14.3 Materials
- 14.4 Supply Parts
- 14.5 Support Ships & Small Craft
- 14.6 Training Aids and Devices

15. Clothing, Textiles & Subsistence S&E - $7.5B
- 15.1 Subsistence
- 15.2 Textiles, Clothing & Equipage

16. Miscellaneous S&E - $839M
- 16.1 Non-Food Items for Resale
- 16.2 S&E Not Classified Elsewhere

17. Research and Development - $40.0B
- 17.1 Systems Development
- 17.2 Operational Systems Development
- 17.3 Technology Base
- 17.4 Commercialization
- 17.5 Pre-FY 1998 2-Digit Category

18. Equipment Related Services - $16.5B
- 18.1 Maintenance, Repair and Overhaul
- 18.2 Equipment Modification
- 18.3 Installation of Equipment
- 18.4 Quality Control
- 18.5 Technical Representative Services
- 18.6 Purchases and Leases
- 18.7 Salvage Services

19. Electronic Communication Services - $418M
- 19.1 Equipment Maintenance
- 19.2 Equipment Leases

Note: Spend figures are based on FY14 FPDS data.

Figure 19. Category Managers

Category	Category Manager
Information Technology (IT)	OMB
Transportation	DoD
Human Capital	OPM
Office Management	GSA

As category management is implemented Government-wide, continual assessments of spend by OFPP, CMLC, category teams, and the PMO will guide program progression and category expansion resulting in necessary adjustments to Level 1 and/or Level 2 categories.

6.2   Leadership and Staffing Plan

Leadership
Category management cannot succeed without strong leadership. Category managers and category leads must have and develop the credibility and expertise to define a unified vision for their category

and ensure successful strategy development, execution, and performance management. Category management leaders have high-profile roles and broadly scoped responsibilities; leadership quality is critical to success. Key capabilities include:

- Vision – Ability to establish a vision and goals for the category given overall Government-wide Category Management goals and category characteristics
- Team Development – Recruiting, selection, and development of team members offering the right mix of skills and perspective to manage the category effectively
- Strategic Decision-Making – Oversight of the analytical work required to formulate a strategy, identification of major category performance drivers, trends, and opportunities, and ability to develop a coherent, realistic set of decisions based on the information
- Project Management - Development of project plans in support of the category strategy; implementation oversight and leadership; and communications and reporting (upward, downward, and laterally) to manage performance
- Category Expertise – Go-to authority and liaison to Category Management governance bodies (e.g., OFPP, CMLC) and stakeholders (e.g., industry groups)

Staffing Plan

Teams will be assembled and operate in accordance with Section 4.2 (Roles & Responsibilities). Category leadership must ensure their teams have the appropriate mix of skills and experience needed to manage the category. Team composition should be based on business/category knowledge and analytical capabilities primarily, in addition to contracting/buying experience. It is also important to note that a successful team will work collaboratively as a team rather than in a hierarchal structure. Job titles may vary significantly across category teams. More important than job titles is the expertise and capabilities the individual team members bring to the team, and how well they complement the other team members.

To staff teams appropriately, Category Management leadership and category managers should follow the steps below:

1. Identify top candidates –within the agency and other agencies
2. Gain initial buy-in from the candidate
3. Understand their time commitments – some individuals will support the team on only a part-time basis, while many will be full-time team members. This commitment must be mutually understood and agreed upon upfront.
4. Get buy-in from supervisor – candidates' direct supervisors must be notified appropriately and agree to proposed time commitments before any assignment to the category team
5. On-board new team members with a clear plan for meeting key team members and stakeholders and understanding the category current state, environment, and plans

The opportunities and pressures facing a category team will change over time, and the team must be designed to meet upcoming rather than past challenges. This may require changes to team composition, including team member additions and/or replacements. As well, there is a significant need for development and skill-building. Category leadership, in coordination with Category Management stakeholders, should design and institute a plan for team development that leverages existing Federal Government resources (e.g., Defense Acquisition University, Federal Acquisition Institute), Federal Government Category Management resources and guidance in development, and external resources (e.g., industry associations, third-party research and training, etc.). Category managers also must set clear expectations for the individual roles and team overall to ensure efforts are synchronized and avoid redundant or conflicting efforts.

6.3   Business Case Guidance   [DRAFT - Subject to Change]

OFPP guidance and FAR Subpart 17.502-1(c) require agencies to prepare business cases prior to standing up certain inter-agency contracts.   For OFPP guidance, go to http://www.whitehouse.gov/sites/default/files/omb/procurement/memo/ /development-review-and-approval-of-business-cases-for-certain-interagency-and-agency-specific-acquisitions-memo.pdf. In the context of category management, business cases will help category leads, category managers, and the CMLC ensure that planned investments produce good return on investment, consistent with any strategic and performance objectives set for the category, including any criteria limiting duplication of other existing vehicles. Accordingly, agencies that are planning to stand up new interagency contracts or renew contracts that fall (in full or in part) within a category and meet the applicability thresholds set forth in the guidance will be expected to develop a business case in accordance with OFPP's business case guidance. Covered planned vehicles currently include: (i) all GWACs, (ii) multi-agency contracts or multi-agency BPAs over $50 million where interagency usage is expected to exceed 25% of all usage under the contract or whose proposed scope would significantly overlap with that of an FSSI vehicle or (iii) agency-specific contracts or BPAs over $50 million whose scope would create significant overlap with existing contracts or agreements established under FSSI.

OFPP is in the process of reviewing and refreshing the guidance, which was last updated in 2011, to reflect both agency experience with the guidance and additional thinking that has occurred as a result of the Federal Strategic Sourcing Initiative and initial efforts to identify and stand up categories. In the meantime, servicing agencies or category leads that believe the existing business case process should be adjusted for a given planned contract vehicle in light of steps that may already have been taken (e.g., through the KDP process) should confer with OFPP to determine the extent to which the process outlined in September 2011 applies.

6.4   Identification of BIC Solutions

The following draft Best in Class (BIC) Criteria has been developed by OMB and approved by the CMLC. The specific criteria for determining BIC contracts will vary depending on the category and commodity, but the general characteristics of strategic sourcing solutions offer the building blocks for this effort. However, the CMLC will assist in determining these criteria for each category. Generally speaking, BIC solutions reflect:

Rigorous Requirements Definitions and Planning Processes
- Reflects input from agencies that possess significant subject matter expertise and spending in the category - especially the largest likely users – regarding:
  - Customer demand for the goods and services being considered;
  - The acquisition strategy (including contract pricing, delivery and other terms and conditions, and performance requirements); and
  - The category management approach.
- Has a small business plan that baselines current participation rates and seeks to increase them.
- Advances sustainable acquisition by requiring delivery of appropriate sustainable or "green" products or services.
- Includes extensive vendor engagement at the earliest stages and frequently throughout the planning process.
- Optimally aligns with market capabilities while still meeting Government requirements

- Focuses on the most-frequently purchased goods and services and limits product options in order to increase volume for the most common items.
- Focuses on the best commercial buying practices.

Appropriate Pricing Strategies

- Includes tiered pricing, or other appropriate strategies, to reduce prices as cumulative (i.e., at the contract level – not solely at the order level) sales volume increases.
- Includes point of sale accommodations so that purchase card users get the best pricing and so that volume-based pricing discounts can be applied.
- Requires vendors to provide prices paid information in a way that supports comparative analytics (i.e., normalizes for quantity or delivery term variances).

Data-driven Demand Management Strategies

- Requires vendors to provide usage/business intelligence and performance data to enable agencies to improve their commodity management practices on an ongoing basis; allows for change to product and services offered based on this information.

Category and Performance Management Practices

- Has a category management plan that demonstrates commitment to active commodity management, which considers supply chain analysis, market information, agency use, solution performance, among other items, and is not limited to contract administration.
- Requires that pricing be monitored and analyzed on a regular basis to reduce price variance.
- Reports price and demand-related savings on a real time basis.
- Monitors and shares vendor and solution performance on a frequent and real-time basis.

Independently Validated Reviews

- Vendor feedback that assesses modification time, terms and condition issues, and customer service.
- Customer/User feedback on vendor performance, offerings, value, customer support.
- Chief Acquisition Officers Council (CAOC) Review.

6.5   Issue Resolution

The following outlines the current category management issue resolution and escalation guidance:

- The category lead resolves issues that can't be addressed/resolved within the category team
- The category manager resolves issues that can't be addressed/resolved by the category lead
- The CMLC resolves issues that can't be addressed/resolved by category managers

7 *Appendix*

7.1   *Common Acquisition Platform - Acquisition Gateway - Hallways*

The Common Acquisition Platform (CAP) is the overall IT platform to support the category management business model. Among other digital services (under development), CAP will house the Acquisition Gateway which provides a single web location for the collection, interaction, management and use of shared category content. Specific category content will be stored with category hallways and will include valuable information, tools and resources to the acquisition workforce. Content includes: best practices, contract terms and conditions, transactional information (such as prices paid data), white papers, market research, and information on procurement alternatives.

The purpose of category hallways is to:
- Collect and store intelligence, data, and advice about a particular category of products and services in one centralized location for agencies to review, use and refine
- Deliver relevant and useful category-centric information to various levels of agency stakeholders (acquisition, program management, and end users)
- Offer objective comparisons (based on the category) about specific acquisition/requisition methods and contract vehicles to help purchasing agencies find the best solution

Link to the category hallways: https://hallways.cap.gsa.gov/homepage/welcome.html

7.2   *Category Manager and Team Selection Criteria*

The following guidance outlines selection considerations for category managers, leads, and teams.

Category manager selection considerations:
- Demonstrated expertise in the category
- Demonstrated ability to connect operational delivery to strategic thinking and an ability to manage both
- Demonstrated ability and experience leading inter-agency initiatives/projects
- Procurement experience
- Demonstrated experience leading successful transformation initiatives
- Available bandwidth to lead the category team
- Strong supporter of category management
- Viewed as a change agent by peers
- Strong communication skills

Category lead selection considerations:
- Demonstrated expertise in the category
- Demonstrated ability to connect operational delivery to strategic thinking and an ability to manage both
- Demonstrated ability and experience leading inter-agency initiatives/projects
- Demonstrated experience leading successful transformation initiatives
- Holds a leadership role in an acquisition function
- Available bandwidth to lead the category team
- Strong supporter of category management
- Active member in the Federal acquisition community
- Viewed as a change agent by peers
- Strong communication skills

Category team member selection considerations:

- Manages a major contract within the category
- Maintains and leverages established Industry Partner relationships
- Has access to and ability to share market and spend data related to respective agency
- Considered a commodity (products/service) SME
- Experience developing innovative sourcing techniques/strategies
- Strong supporter of category management
- Available bandwidth to support the category team
- Active member in the Federal acquisition community
- Experience with the federal Strategic Sourcing Process
- Experience building and maintaining a network within the Federal Community

7.3   Glossary of Terms

Acquisition Gateway – An online workplace that will help deliver the benefits of category management and, in the future, make it easier and faster for Government buyers to get through every step of the full acquisition process

Addressable Spend - The amount of spend within a category or sub-category that can be addressed by a FSSI initiative. Addressable spend should address baseline spend as well as excluded spend and an explanation for its exclusion, and will be used to calculate adoption.

Best in Class Contract Vehicle – Best-in-Class (BIC) solutions are to be identified by category teams based on their conformance to five key requirements (detailed in Section 6.4)

- Rigorous Requirements Definitions and Planning Processes
- Appropriate Pricing Strategies
- Data-driven Demand Management Strategies
- Category and Performance Management Practices
- Independently Validated Reviews

Category – Referred to as Level 1. Government-wide segmented areas of spend on a set of defined commodities (products and services) that function together, are procured together and behave in a similar manner.

Category Hallway – A single location and online workspace for contracting professionals with resources like a matrix of all existing contracts from across Government, data and prices paid information, market trends and analysis, and best practices.

Category Management - a management concept the Federal Government is applying to buy smarter and more like a single enterprise. It involves identifying core areas of spend, collectively developing heightened levels of expertise, leveraging shared best practices, and providing acquisition, supply and demand management solutions. The focus is on increased efficiency and effectiveness, lessening costs, and reducing redundancies

Common Acquisition Platform - A framework of digital services developed to re-define the end-to-end acquisition workflow in Government and support category management.

Contract - A mutually binding legal relationship between a supplier and the Government. A contract can be a vehicle where different types of orders are placed against them (this could include orders specific to one agency or orders allowed from multiple agencies). The types include: Basic Ordering

Agreements (BOAs), Blanket Purchase Agreements (BPAs), Federal Supply Schedules (FSS), Government Wide Acquisition Contracts (GWACs) or Indefinite Delivery Contracts (IDCs).

Government Spend - The sum of dollars obligated against orders including: purchase orders, delivery orders, blanket purchase agreement calls, or definitive contract actions. These are action types where money is obligated to an actual order/contract with the intent to purchase supplies or services.

Spend Under Management (SUM) – This is a top-priority measure of Category Management performance. It is defined based on a three-tier maturity model that tracks maturity on five key attributes that underpin Category Management: leadership, strategy, data, tools, and metrics.

Strategic Sourcing Accountable Official (SSAO) – designated official with the authority to coordinate an agency's internal strategic sourcing activities and its participation in government-wide efforts.

Sub-Category – Referred to as Level 2. Government-wide segmented areas of level 1 category spend.

Supplier - Commercial entities that are determined by their Dun and Bradstreet (DUNS) number as listed in System for Award Management (SAM). Note: a company is defined by their DUNS, therefore some larger companies will have subsidiaries or companies contained within. If they have a separate DUNS number they will be considered a separate company

Total Cost of Ownership - A calculation designed to help category managers assess both direct and indirect costs related to the purchase and operation of a product or service within a category. Often calculated as a total of purchase price plus any associated administrative, procurement, maintenance, transportation and/or disposition costs.

Value Chain – A series of interlinked, value-add activities that a Category team performs to deliver a solution within a market and/or for a customer.

7.4   List of Available Tools and Templates

The tools and templates listed below have been provided in this Guidance Document. More tools and templates will be developed and refined as the Government-Wide Category Management initiative progresses.

- Category Management Stakeholder framework (Section 1.2)
- Core Roles & Responsibilities documentation (Sections 4.2.1 to 4.2.9)
- Spend Analysis Process (Section 5.1.1)
- Stakeholder Priorities Map (Section 5.1.2.2)
- Agency Profile (Section 5.1.2.2)
- Project Implementation Plan (Section 5.1.4.3)
- Category Strategy Risk Assessment (Section 5.1.4.4)
- Demand Management Process and Examples (Section 5.2.1)
- Strategic Sourcing Key Decision Points (Section 5.2.3)
- Total Cost "Tree" (Section 5.2.4)
- Principles for Calculating FSSI Savings (Section 5.3.2)