



# **Beyond Phase II Mentor Protégé Program Training Week**

## **Category Management: What Is It and How Will It Affect Procurement?**

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Services Contracts and Category Management Reform

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# Agenda

- Contract Efficiency Assessments (CEA) in support of Category Management (CM)
- DoD Reform and Category Management
- Federal Category Management
- Category Management and Small Business
- Q&A



# CEAs support the DoD in improving its processes and procedures to realize efficiencies in service contracts

**Contract Efficiency Assessment (CEA)** – Provides multi-functional teams (MFTs) performing services acquisitions with a repeatable process for ensuring the government receives the appropriate level of service required to effectively meet its mission at the best possible net cost to the government.

## **CEA efforts are focused on three guiding principles:**

- Ensure the government receives the appropriate level of service required to effectively meet their mission
- Ensure service provided is delivered at the best possible net cost to the government
- Ensure contractor profit is reasonable

## **Expected benefits:**

- Increase productivity and quality of services
- Improve processes and procedures
- Identify savings for reprioritization

**Project Goals:** Identify tangible reductions in cost with a goal of 7-15% savings for select contracts at appropriate levels of service



# CEA Approach: Four phases with four primary outputs

1) Identify & Coordinate  
with Stakeholders

2) Evaluate Contract  
Requirements & Strategy

3) Conduct Cost  
Analyses

4) Develop Targeted  
Recommendations

## CEA Outputs from Cost Analyses and Targeted Recommendations:

Cost Analyses Outputs

### Model Report

- Cost models, analyses, and assumptions used to quantify the net savings associated with each of the targeted recommendations
- Templates for additional analysis and/or procurement strategy (e.g. price proposals)

### Analysis Report

- Summary of the Should-Cost analyses for the contract if the recommendations are implemented

Targeted Recommendations  
Outputs

### Playbook

- Targeted recommendations – rationale and expected benefits of recommendations, including savings potential where possible
- Portfolio considerations – additional contract considerations for soliciting similar contracts
- Implementation considerations – specific action items and timeline for executing recommendations to maximize expected benefits

### Implementation Summary

- Specific action items and timeline for executing recommendations to maximize expected benefits
- Recommended path forward for integrating the CEA methodology into the organization



# DoD Category Management Vision

**“Wall Street Investment Grade” Knowledge,  
Centralized, yet shared across the DoD,  
Supporting Requirements, Acquisition and  
Contracting decisions**

- Builds off of current Federal- and Industry-wide CM practices
- Manage Lifecycle costs of CM Goods & Services
- Centralized Knowledge & Policy, De-centralized Procurement
- Expand into non-traditional CM practices due to DoD roles / impacts

**\*\* Acting like the Buyer we should be!! \*\***



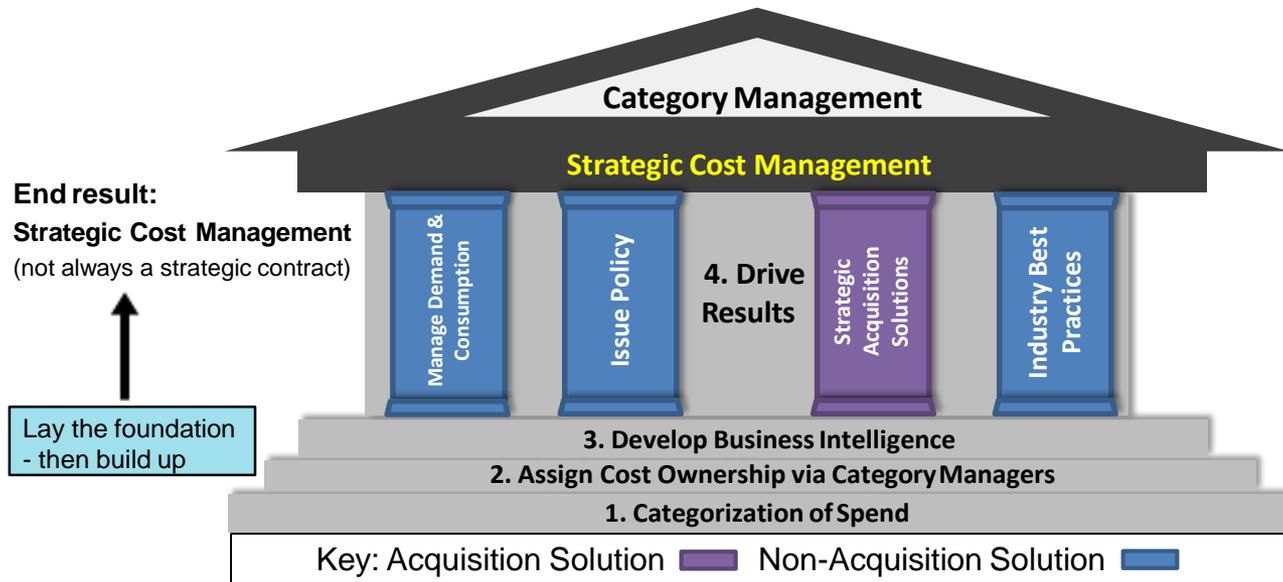
# Category Management (CM) Overview

- Category Management will save billions across the DoD
- Cultural shift from Budget Execution to Strategic Cost Management
- Assigns cost management responsibility to Category Managers
- Functional owners align mission priorities & category management efforts
- Develops business intelligence for data-driven decisions to improve cost, capability and compliance
- Drives efficiencies and savings through rate, process and demand
- Implementation across DoD requires full participation from the Military Departments and 4<sup>th</sup> Estate agencies with the highest spend
- Leverage Federal government CM, when applicable, to maximize DoD resources

**\*\* It's about the requirement, not the contract. \*\***



# DoD Category Management Construct



## Key Points

- Enables paradigm shift from budget execution to strategic cost management
- DoD category structure aligns to OMB's government-wide program
- Assigns cost management authority & responsibility to functional domain owner
- Comprehensive analysis → robust business intelligence → data driven solutions
- Achieves cost mgt by shaping, managing and strategically acquiring requirements



# FY17 DoD Obligations

by Federal Category Management Structure

**Common (\$159.5B)**

Products: \$39.2B/Services: \$120.2B

## 1. IT (\$12.2B/\$17.8B)

- 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 (\$0/\$35.5B)

- 2.1 Business Administration Services
- 2.1 Social Services
- 2.2 Legal services
- 2.3 Management Advisory Services
- 2.4 Marketing and Distribution
- 2.5 Public Relations and Professional Comm Svcs
- 2.6 Real Estate Services
- 2.7 Trade Policy and Services
- 2.8 Technical and Engineering Services (non-IT)
- 2.9 Financial Services
- 2.10 Social Services

## 3. Security & Protection (\$0.3B/\$0.6B)

- 3.1 Security Animals & Related Services
- 3.2 Security Systems
- 3.3 Security Services

## 4. Facilities & Construction (\$2.3B/\$35.0B)

- 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 (\$6.4B/\$.8B)

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

## 6. Office Management (\$1.0B/\$.1B)

- 6.1 Office Management Products
- 6.2 Office Management Services
- 6.3 Furniture

## 7. Transportation & Logistics Services (\$10.0B/\$12.8B)

- 7.1 Package Delivery & Packaging
- 7.2 Logistics Support Services
- 7.4 Transportation of Things
- 7.5 Motor Vehicles
- 7.6 Transportation Equipment
- 7.7 Fuels

## 8. Travel & Lodging (\$0/\$1.4B)

- 8.1 Passenger Travel
- 8.2 Lodging
- 8.3 Travel Agent & Misc Svcs

## 9. Human Capital (\$0/\$2.4B)

- 9.1 Alternative Educations Systems
- 9.2 Educational Facilities
- 9.3 Educational Institutions
- 9.4 Specialized educational services
- 9.5 Vocational Training
- 9.6 Human Resources Services

## 10. Medical (\$7.0B/\$13.8B)

- 10.1 Drugs and Pharmaceutical Products
- 10.2 Medical Equipment and Accessories and Supplies
- 10.3 Healthcare Services

**DoD-Centric (\$169.4B)**

Products: \$125.0B/Services: \$44.5B

## 11. Aircraft, Ships/Submarines, and Land Vehicles (\$62.2B/\$0)

- 11.1 Aircraft
- 11.2 Land Combat Vehicles
- 11.3 Ships & Submarines
- 11.4 Space

## 12. Weapons and Ammunition (\$20.5B/\$0)

- 12.1 Ammunition & Explosives
- 12.2 Fire Control
- 12.3 Guided Missiles
- 12.4 Guns
- 12.5 Nuclear Ordnance
- 12.6 Weapons

## 13. Electronic and Communications Equipment (\$11.2B/\$0)

- 13.1 Communication Equipment
- 13.2 Detection & Coherent Radiation Eq
- 13.3 Electrical & Electronics Equipment
- 13.4 Night Vision Eq

## 14. Sustainment S&E (\$26.4B/\$0)

- 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, and Subsistence S&E (\$4.4B/\$.01B)

- 15.1 Subsistence
- 15.2 Textiles, Clothing & Equipage

## 16. Miscellaneous S&E (\$.28B/\$.02B)

- 16.1 Non-Food Items for Resale
- 16.2 S&E Not Classified Elsewhere

## 17. Research & Development (\$0/\$25.2B)

- 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 (\$0/\$18.9B)

- 19.1 Equipment Maintenance
- 19.2 Equipment Leases
- 19.3 Installation of Equipment
- 19.4 Quality Control
- 19.5 Tech Rep Services
- 19.6 Purchases and Leases
- 19.7 Salvage Services

## 19. Electronic & Communication Services (\$/.33B)

- 19.1 Equipment Maintenance
- 19.2 Equipment Leases

Note: Spend figures are based on FY17 FPDS-NG where DoD is the funding agency)

# Federal Definitions and Guidance

<u>KPI</u>	<u>Definition/Calculation</u>	<u>Data Source</u>	<u>Notes</u>
<b>Spend Under Management</b>	Total obligations through contracts that are actively managed in compliance with the SUM contract tiered maturity model.	FPDS	Displayed alongside the total obligated dollars for the period.
<b>Best-In-Class Obligations</b>	Total amount of obligations tracked via FPDS through BIC Solutions.	FPDS	Displayed alongside the total addressable-market amount for the period, comprising the total dollars obligated via transactions having one or more potential BIC solutions. Addressability is determined via the PSC and NAICS codes applicable to the obligation(s).
<b>Cumulative Cost Avoidance</b>	The extent to which the program is delivering increased value for the goods and services acquired by agencies. This metric is calculated using different methodologies and baselines, varying by BIC solution.	BIC Transactional Data	Not all Categories have Cost Avoidance data available.
<b>Tier 0 Contract Reduction</b>	The extent to which the program is reducing the number of Tier 0 contracts, defined as those contracts not aligned to the SUM contract tiered maturity model. This measure is calculated by comparing the Tier 0 contract count to the same time period in the baseline year.	FPDS	This metric is displayed with a reporting lag of 3 calendar months, in order to help account for delayed department data.
<b>Small Business Utilization</b>	Percentage ratio of total dollars obligated to small business divided by the total amount eligible to go to small businesses.	FPDS	
<b>GWCM Training</b>	The number of individuals trained in the aspects and components of category management.	FAITAS	



# Small Business Dashboard

Overview and Definitions | Overall and Scorecard Figures | Spend by Vendor Type and Tier | Detailed Data

## Small Business Dashboard

Fiscal Year		Overall Figures and Vendor-Attribute Breakout						
Baseline		Overall Dollars Obligated	Total Actions	SB-Eligible Obligated	Small Business Actions	Small Business Obligated	Small Business Percentage	SB Unique Vendor Count
<input type="text" value="Baseline"/>		\$8,776.5M	30,756	\$8,054.2M	10,259	\$2,178.6M	27.0%	2,391
Entity Type	<input checked="" type="radio"/> Funding <input type="radio"/> Contracting	Women-Owned Small Business		1,742	\$350.8M	4.4%	443	
Department	ARMY	Veteran-Owned Small Business		1,586	\$425.1M	5.3%	408	
Agency	DEPT OF THE ARMY	Svc-Disabled Veteran-Owned Small		1,135	\$344.3M	4.3%	240	
Office	(All)	Small Disadvantaged Business		857	\$214.5M	2.7%	229	
Category	IT	HUBZone		375	\$70.3M	0.9%	119	
BIC-Addressat	<input checked="" type="radio"/> (All) <input type="radio"/> Y <input type="radio"/> N	<p><u>Notes:</u></p> <ul style="list-style-type: none"> <li>- Due to multiple flags present on some transactions, the above Small Business Type figures will not sum to the Overall total</li> <li>- BIC Contract 'All' selection includes non-BIC transactions; To see an All BICs view: choose all and then deselect 'No BIC Contract'</li> </ul>						
Display By:	<input checked="" type="radio"/> Department <input type="radio"/> Category <input type="radio"/> BIC Contr	<p>Small Business Utilization Breakout</p> <ul style="list-style-type: none"> <li>Medical</li> <li>Office Management</li> <li>Professional Services</li> <li>Security and Protection</li> <li>Transportation and Logistics Services</li> <li>Travel</li> </ul>						

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# Final Thoughts

- Contracts Efficiency Assessments provides both tactical (contract-level) and strategic (CM-level) benefit
- Category Management is a vital component for DoD Reform
- Data Driven CM
- Small Business is one of six Key Performance Indicators
  - Must meet / exceed current obligation rates under any CM solution
  - Significant data dashboard capability
- CM on Common Spend ONLY

## QUESTIONS?