• Strategic Sourcing 101
• Strategic Sourcing SB Successes
• Category Management 101
• Current AF Category Management Status
• What’s Next
Strategic Sourcing 101
Strategic Sourcing (OFPP)

- A **structured** and **collaborative process** of analyzing an organization’s spend and using the information to make **business decisions** about acquiring commodities and services more efficiently and effectively.
Strategic Sourcing Value Proposition

- Generates savings for the Air Force – rate, process, and demand
- Lowers total cost of ownership
- Provides visibility into spending habits
- Increases clarity of requirements
- Optimizes supplier relationships
- Uses Federal acquisitions to drive sustainable and socio-economic goals
Small Business and Strategic Sourcing

• AFICA continues its efforts to keep Small Businesses viable
• Each strategic sourcing effort
  – Has a SB advocate on the team
  – Performs rigorous/thorough Market Research
    • Conducts virtual Industry Days
    • Requests for Information (RFIs), specifically targeting SBs
  – Applies the Rule of Two – FAR Subpart 19.5
  – Implements Air Force (AF) Mandatory Use Policies to reduce leakages to large businesses
  – When Strategic Sourcing results in a contract solution, competition is increased with a two-fold approach
    • Basic contracts competed
    • Second competition on the contract actions
Strategic Sourcing SB Successes
Strategic Sourcing SB Successes

Executive Office & Conference
USAF-wide 5-yr BPA
Awardees: 100% SB

Increased SB utilization by 38%
Savings/Efficiencies: $2.05M (12%) saved for 1st 2 yrs

Digital Printing and Imaging
USAF-wide 5-yr BPA
Awardees: 67% SB

Increased SB utilization by 14%
Savings/Efficiencies: $25.4M (40%) saved 1st 2.5 yrs

Roofing Replacement Repair
USAF-wide 5-yr IDIQ
Awardees: 96% SB

Increased SB utilization by 23%
Savings/Efficiencies: $12.064M (27%) saved 1st 1.5 yrs

Transient Alert Services
USAF-wide 5-yr IDIQ
Awardees: 100% SB

Increased SB utilization by 24%
Savings/Efficiencies: $6.3M projected over next 5 yrs

System & Modular Furniture
USAF-wide 5-yr 2-Tier/C-Type
Awardees: 100% SB

Increased SB utilization by 49%
Savings/Efficiencies: $11.6M (30%) saved 1st 3 yrs

Strategic Sourcing increasing SB utilization!!
Category Management 101
Transitioning to Category Management

• Industry & Federal Gov’t are transitioning from Strategic Sourcing alone to a more holistic Category Mgt approach
  – AFICA leading AF transition from the field
  – AF has limited functional representation at Federal Cat Mgt meetings
    • AF equities at risk—GSA pushing to mandate their contracts

• AFICA has been doing Strategic Sourcing for 5 years
  – Hired industry experts
  – Developed expertise, tools, training, templates
  – Some successes at the enterprise and regional levels
  – Now expanding to local installation level

• Organizational and cultural barriers have limited success
  – AF must evolve to Category Mgt to achieve greater results
FY17 AF Budget Overview

• Impacts of budget instability & lower-than-planned TOA
  – AF is now one of the busiest, smallest, oldest and least ready in history
  – Demand for AF capabilities continue to grow (ISR, Cyber, RPAs)
  – Facing modernization bow wave in nuclear and space programs

• AF FY17 Budget required “tough choices”
  – Deferred procurement of 5 F-35A aircraft, delayed upgrades to 4th generation aircraft, and delayed replacement of the C-130H
  – Held end-strength at 317k despite critical capability shortfalls
  – Took risk in facility and information technology infrastructure

• Status Quo not a viable option

“Tough Choices: Falls short in infrastructure (-$156M/sustainment) (-$719M/R&M); cyber networks (-$112.8M); Defense Information Systems Network services (-$178.8M)”
  – MajGen Jim Martin SAF/FMB, Feb 2016
“The core principles behind BBP 3.0 is getting value for dollars instead of just executing budget.”
-- Mr. Frank Kendall, USD (AT&L) -- 4 May 2015

“We’ve got to find a way to lower the cost of installations.”
-- Gen Mark Welsh, CSAF -- WPAFB, 8 Jun 2015

Cost-conscious mindset. The requirements and challenges of the future will be faced within an enduring fiscally constrained environment. Airmen must balance operational readiness and risk within a cost-conscious mindset that supports the utilization of resources toward maximum operational effectiveness.
-- USAF Strategic Master Plan

Drive cost-effectiveness into the capabilities we provide.
-- AFMC Strategic Plan

AFIMSC will provide capabilities in the most effective/efficient manner to drive down life cycle cost to acquire, operate, sustain, protect, and recover AF installations through CIP.
-- AFIMSC PAD 14-04

Category Management – Putting action behind the words
Category Management
Federal Mandate

• **OMB “Transforming the Marketplace” Memo (Dec 2014)**
  – “Buying as One” – Leverage spend/reduce duplication
  – Cross agency priority goal (OMB & OSD co-lead)
  – Fed Governance: Cat Mgt Leadership Council (CMLC)

• **Significant CM activity at Federal Level**
  – 10/10 Fed Cat Mgrs appointed – Feb 2016
  – 10/10 Category Strategic Plans approved – June 2016

• **OMB CM Circular in coordination -- directive in nature**
  – Covers purpose, authority, applicability, policies, processes, etc.
  – Circular says Executive Agencies & those represented on the CMLC
    • “Must have a CM program, appoint CMAO and Category Managers (CMXs)
    • “Advancement of statutory, regulatory, and Federal policy objectives, such as **increasing the use of small business**, competition... “
    • “CMXs must assess customer & stakeholder satisfaction and **small business participation** on continuous basis to ensure efficacy of strategies and solutions”
Category Management Definition

- A **structured** approach to create common categories of products and services that enable the Federal Government to eliminate redundancies, increase **efficiency** and **effectiveness**, and boost (customer) satisfaction with the products and services we deliver.

- **Latest evolution of Strategic Sourcing & Supply Chain Mgt**
  - Holistic/enterprise approach to enhancing performance, managing costs
  - Goal to reduce costs AND improve mission effectiveness
  - Eliminate redundancies/duplication & leverage federal gov’t spend
  - Enhanced market intelligence into industry best practices & innovation

- **Commercial Best Practice**
  - Adopted by UPS, Krogers, etc.
  - Analysis/data driven - let facts/marketplace lead to best solutions

"Data and information is key" -- Maj Gen Spacy
Category Management
Federal Level Goals

- Increase Spend Under Management (SUM)
- Reduce contract duplication
- Achieve volume (rate) savings
- Achieve administrative (process) savings
- **Achieve small business goals**
- Reduce price variance
- Enhance transparency
- Share best practices
- Reduce Total Cost of Ownership
- Promote consistency

**Current State of Purchasing:**
- Lack of coordination across agencies
- Duplicated efforts
- Many agencies; no leveraged buying power

**Future State of Purchasing:**
- Synchronized procurement across government
- Industry involvement in developing best category strategies
- Core competencies leveraged to match customer needs
- One common management framework
Category Management 101
Strategic Management of Cost

• Categorize spend - categories align to similar requirements
• Assign cost ownership - authority/responsibility (BIG Deal!)
  – Manage/improve portfolio costs & performance, shape consumption
• Develop business intelligence – drive results
  – Manage demand/standards of service, issue policy, strategic contracts
# Category Management 101
## Key Roles/Responsibilities

<table>
<thead>
<tr>
<th>Role</th>
<th>Responsibilities</th>
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</table>
| **Agency Category Management Accountable Official (CMAO)** |  - Develop/maintain agency CM program  
  - Designate agency Category Managers  
  - Report CM progress to OMB |
| **Governance Body** |  - Approve CSPs  
  - Appoint/monitor/direct CMX progress/performance  
  - Report CM program performance/metrics to CMAO |
| **Category Manager** |  - Appoint/direct Category Leads  
  - Execute CM COAs and KDP authority  
  - Authority/responsibility for strategic cost mgt  
  - Shape consumption and standard service levels |
| **Category Leads** |  - Develops & analyzes CSP inputs/findings  
  - Monitors execution category improvement strategies  
  - Evaluates/reports success of the level 2 category spend  
  - Resources/oversees CIRTs and CETs |
| **AF CM PMO (AFICA)** |  - Develop & maintain AF CM tools, templates, guides  
  - Facilitate data analysis and benchmarking  
  - Facilitate performance measurement and reporting  
  - Develop & facilitate effective CM training & education |
<table>
<thead>
<tr>
<th>Category</th>
<th>Subcategories</th>
</tr>
</thead>
<tbody>
<tr>
<td>IT</td>
<td>1.1 IT Software&lt;br&gt;1.2 IT Hardware&lt;br&gt;1.3 IT Consulting&lt;br&gt;1.4 IT Security&lt;br&gt;1.5 IT Outsourcing&lt;br&gt;1.6 Telecommunications</td>
</tr>
<tr>
<td>Professional Services</td>
<td>2.1 Business Administration Services&lt;br&gt;2.2 Legal Services&lt;br&gt;2.3 Management Advisory Services (Excludes R&amp;D 17.0)&lt;br&gt;2.4 Marketing and Distribution&lt;br&gt;2.5 Public Relations and Professional Communications Services&lt;br&gt;2.6 Real Estate Services&lt;br&gt;2.7 Trade Policy and Services&lt;br&gt;2.8 Technical and Engineering Services (non-IT) (Excludes 1.0)&lt;br&gt;2.9 Financial Services&lt;br&gt;2.10 Social Services</td>
</tr>
<tr>
<td>Security and Protection</td>
<td>3.1 Security Animals &amp; Related Services&lt;br&gt;3.2 Security Systems&lt;br&gt;3.3 Security Services</td>
</tr>
<tr>
<td>Facilities &amp; Construction</td>
<td>4.1 Construction Related Materials&lt;br&gt;4.2 Construction Related Services&lt;br&gt;4.3 Facility Related Materials&lt;br&gt;4.4 Facility Related Services&lt;br&gt;4.5 Facilities Purchase &amp; Lease</td>
</tr>
<tr>
<td>Industrial Products and Services</td>
<td>5.1 Machinery &amp; Components&lt;br&gt;5.2 Fire/Rescue/Safety/Environmental Protection Equipment&lt;br&gt;5.3 Hardware &amp; Tools&lt;br&gt;5.4 Test &amp; Measurement Supplies&lt;br&gt;5.5 Industrial Products Install/Maintenance/Repair/Rebuild&lt;br&gt;5.6 Basic Materials&lt;br&gt;5.7 Oils, Lubricants, and Waxes</td>
</tr>
<tr>
<td>Office Management</td>
<td>6.1 Office Management Products&lt;br&gt;6.2 Office Management Services&lt;br&gt;6.3 Furniture</td>
</tr>
<tr>
<td>Transportation and Logistics Services</td>
<td>7.1 Package Delivery &amp; Packaging&lt;br&gt;7.2 Logistics Support Services&lt;br&gt;7.3 Logistics Civil Augmentation Program&lt;br&gt;7.4 Transportation of Things&lt;br&gt;7.5 Motor Vehicles (non-combat)&lt;br&gt;7.6 Transportation Equipment&lt;br&gt;7.7 Fuels</td>
</tr>
<tr>
<td>Travel and Lodging</td>
<td>8.1 Passenger Travel&lt;br&gt;8.2 Lodging&lt;br&gt;8.3 Travel Agent &amp; Misc. Services</td>
</tr>
<tr>
<td>Human Capital</td>
<td>9.1 Alternative Educational Systems&lt;br&gt;9.2 Educational Facilities&lt;br&gt;9.3 Educational Institutions&lt;br&gt;9.4 Specialized Educational Services&lt;br&gt;9.5 Vocational Training&lt;br&gt;9.6 Human Resources Services</td>
</tr>
<tr>
<td>Medical</td>
<td>10.1 Drugs and Pharmaceutical Products&lt;br&gt;10.2 Medical Equipment &amp; Accessories &amp; Supplies&lt;br&gt;10.3 Healthcare Services</td>
</tr>
<tr>
<td>Aircraft, Ships/Submarines &amp; Land Combat Vehicles</td>
<td>11.1 Aircraft&lt;br&gt;11.2 Land Combat Vehicles&lt;br&gt;11.3 Ships &amp; Submarines&lt;br&gt;11.4 Space</td>
</tr>
<tr>
<td>Weapons &amp; Ammunition</td>
<td>12.1 Ammunition &amp; Explosives&lt;br&gt;12.2 Fire Control&lt;br&gt;12.3 Guided Missiles&lt;br&gt;12.4 Guns&lt;br&gt;12.5 Nuclear Ordnance</td>
</tr>
<tr>
<td>Electronic &amp; Communication Equipment</td>
<td>13.1 Communication Equipment&lt;br&gt;13.2 Detection &amp; Coherent Radiation Equipment&lt;br&gt;13.3 Electrical and Electronics Equipment&lt;br&gt;13.4 Night Vision Equipment</td>
</tr>
<tr>
<td>Sustainment S&amp;E</td>
<td>14.1 Drones&lt;br&gt;14.2 Engines, Components &amp; Spt Eq&lt;br&gt;14.3 Materials&lt;br&gt;14.4 Supply Parts&lt;br&gt;14.5 Support Ships &amp; Small Craft&lt;br&gt;14.6 Training Aids and Devices</td>
</tr>
<tr>
<td>Clothing, Textiles &amp; Subsistence S&amp;E</td>
<td>15.1 Subsistence&lt;br&gt;15.2 Textiles, Clothing &amp; Equipage</td>
</tr>
<tr>
<td>Miscellaneous S&amp;E</td>
<td>16.1 Non-Food Items for Resale&lt;br&gt;16.2 S&amp;E Not Classified Elsewhere</td>
</tr>
<tr>
<td>Research and Development</td>
<td>17.1 Systems Development&lt;br&gt;17.2 Operational Systems Development&lt;br&gt;17.3 Technology Base&lt;br&gt;17.4 Commercialization&lt;br&gt;17.5 Pre-FY 1998 2-Digit Category</td>
</tr>
<tr>
<td>Equipment Related Services</td>
<td>18.1 Maintenance, Repair and Overhaul&lt;br&gt;18.2 Equipment Modification&lt;br&gt;18.3 Installation of Equipment&lt;br&gt;18.4 Quality Control&lt;br&gt;18.5 Technical Representative Services&lt;br&gt;18.6 Purchases and Leases&lt;br&gt;18.7 Salvage Services</td>
</tr>
<tr>
<td>Electronic &amp; Communication Services</td>
<td>19.1 Equipment Maintenance&lt;br&gt;19.2 Equipment Leases</td>
</tr>
</tbody>
</table>

**DoD Centric Categories – Not covered by OMB Circular**

- Aircraft, Ships/Submarines & Land Combat Vehicles
- Weapons & Ammunition
- Electronic & Communication Equipment
- Sustainment S&E
- Clothing, Textiles & Subsistence S&E
- Miscellaneous S&E
- Research and Development
- Equipment Related Services
- Electronic & Communication Services
- Human Capital
- Medical
- Office Management
- Transportation and Logistics Services
- Travel and Lodging
- Facilities & Construction
- Industrial Products and Services
- Professional Services
- Security and Protection
- IT

**Defense-Centric Categories**
Developing Business Intelligence

AF Interviews

AF Contracting
AF SME
Service Provider Interviews
AF COLS

Functional Data
AF Benchmarking

Industry Research and Benchmarking
Similar Customer Interviews

Category Intelligence Report

Gathering Intelligence
Validating Data
Analyzing Data
Driving Results
# Measuring Category Management Success

## Category Management Metrics

The Government's CM success must be measured through the assessment of metrics, including increasing savings, increasing spend under management, and achieving Government-wide small business goals - **OMB Draft CM Circular**

<table>
<thead>
<tr>
<th>Metric</th>
<th>Description</th>
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<tbody>
<tr>
<td><strong>Savings</strong></td>
<td>Refers to reductions in cost that allow the Federal Government to make better use of resources. Savings generally can be derived from three principles: (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.</td>
</tr>
<tr>
<td><strong>Spend Under Management (SUM)</strong></td>
<td>Overall measure of the Federal Government's CM maturity, designed to highlight successes at both the Government-wide and agency-wide level, and identify areas for development that will increase spend under management.</td>
</tr>
<tr>
<td><strong>Small Business</strong></td>
<td>Increasing participation of small businesses in the government's CM initiative is a top priority. Proposed solutions must baseline small business use under current strategies and set goals to meet or exceed that baseline participation under any new solutions.</td>
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Current AF Category Management Status
AFIMSC Category Management Program

Category Mgt Implementation

✓ Create governance structure
✓ Appoint Category Managers
✓ Develop Category Council Charters
✓ Develop Category Strategic Plan

AFIMSC/CC

Chairs I&MS CM Governance Board
Designate Cat Mgrs, monitors progress/performance
Approves CSP, briefs/updates ACS CFL on contents, progress

3.0 – Security & Protection
Category Manager – Col Greenroad
3.1 – Security Animals & Related Svcs
3.2 – Security Systems
3.3 – Security Services

4.0 – Facilities & Construction
Category Manager – Mr. Brown
4.1 – Construction Related Materials
4.2 – Construction Related Services
4.3 – Facilities Related Materials
4.4 – Facility Related Services
4.5 – Facilities Purchase and Lease
5.2 – Fire/Rescue/Safety/Env Protect Equip

AFIMSC/CC Approved 18 Dec 2016
Next Steps

• Continue implementation of Category 3 – Security & Protection and Category 4 - Facilities & Construction
  – Develop Category Intelligence Reports
  – Develop Category Execution Plans
• Appoint an AF Category Management Accountable Official
• Appoint AF IT Category Manager
• Explore establishment of Medical Category Council