OFPP and GSA Guidance on Implementing Government-wide Category Management

By Bill Olver

The Office of Federal Procurement Policy (OFPP) and General Services Administration (GSA) have publicly released May 2015 guidance to agencies on implementing category management across government. The guidance sets out the rationale for implementing category management, as well as its expected benefits, and defines the governance structure and roles and responsibilities of officials and agencies responsible for developing and managing categories of spend (see sidebar at right). Specifically, the guidance:

- Addresses the current federal purchasing environment and the rationale for implementing category management.

An extension of the government-wide strategic sourcing initiative, category management is intended to create a more organized, systematic, and collaborative approach to managing and maximizing the value of common categories of spending. “To achieve the benefits of being the world’s largest buyer the government must act as a more unified entity,” the guidance states. “[C]ategory 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.”

Since 2010, the government has saved more than $439 million through strategic sourcing solutions, but OFPP and GSA note that significant contract duplication remains. “This unnecessary contract duplication increases the administrative costs imposed on contractors, affecting small businesses disproportionately,” the guidance notes. “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.” It also slows the procurement process, hinders innovation, and prevents the government from leveraging its full buying power and focusing its acquisition workforce on more complex, higher-risk acquisitions.

Further, with more than 3,300 contracting units across government, collaboration and information sharing are minimal, leading to redundant and inefficient processes. Agencies award duplicative contracts, sometimes to the same vendor, and often pay wildly disparate prices for the same item or service. Budget cuts and retirements only exacerbate these issues, as agencies risk losing experienced personnel and institutional knowledge.

Although strategic sourcing has been effective at cutting costs, category management encompasses wider strategic performance goals, including bringing spend under management, reducing the total cost of ownership, and increasing the government’s buying power with its suppliers.

The Ten Government Spend Super-Categories

In January 2015, the Strategic Sourcing Leadership Council approved dividing the federal marketplace into ten “super-categories” of commonly purchased items, to facilitate a category management approach for these areas of spend. The ten categories are:

- Information technology
- Professional services
- Security and protection
- Facilities and construction
- Industrial products and services
- Office management
- Transportation and logistics services
- Travel and lodging
- Human capital
- Medical
improving supplier performance, and improving overall satisfaction with acquisition outcomes.

- Describes the administration’s vision for category management and its goals and key success factors.

“Category management uses a structured approach focused around defining products and services that behave in a similar manner,” the guidance explains. “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.” In addition to streamlining procurement processes and saving money, category management will provide greater visibility into overall spending, as well as a high-level view for evaluating and developing solutions to minimize redundancy and reduce the total cost of ownership. To accomplish this, category management will focus on five key principles:

1. Optimizing existing contract vehicles, including replacing or eliminating duplicate or underperforming contracts
2. Improving data collection and analysis to drive improvements in categories of spend
3. Leveraging industry and 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

Under category management, new initiatives may not result in a new contract vehicle, but instead will focus on strengthening demand management, reducing duplicative or underperforming contracts, and improving supplier performance. Strategic sourcing will continue to be one tool category managers may use to drive down costs and improve performance for a category.

To support category management, GSA has launched the Acquisition Gateway, an online portal providing a single point of entry for contracting officials looking for contract and pricing data for each of the ten super-categories of spend. The gateway is intended to be a comprehensive destination for knowledge sharing, contract options, networking, and acquisition support.

The gateway will lead buyers through category “hallways” that provide information and expertise on acquisition vehicles, market intelligence, prices-paid information, sustainability-related information, and analysis from across government. The content is intended to help buyers negotiate with vendors and make informed, data-driven buying decisions. As the hallways grow and new hallways are added, content and collaborative tools will be refreshed to reflect new information and best practices.

- Defines the governance structure within which category management will be implemented.

“Category management is at the beginning of a multi-year progression toward transforming Government into a unified acquisition entity,” the guidance states. “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.” Implementation will be led by the Category Management Leadership Council (CMLC)—formerly the Strategic Sourcing Leadership Council—which is chaired by the OFPP administrator. Other responsibilities will flow down through category managers and teams, and to various agencies tasked with leading specific categories. Specific stakeholders and their roles and responsibilities include:

- **Office of Federal Procurement Policy.** OFPP is ultimately responsible for overseeing and guiding the category management initiative. OFPP will establish strategy, issue policy and directives, develop reporting requirements, monitor progress and performance, and assign CMLC members and lead agencies for specific categories.

- **Category Management Leadership Council.** Serving as the prime governing body for the initiative, the CMLC will approve category structures and governance and advise on strategy and initiatives. It also will approve category strategic plans, support the execution of these plans, and review and monitor performance.

- **Category managers.** Category managers will lead the execution of the strategic plans for their categories of spend and are likely to be assigned from an agency that represents a significant percentage of the government’s overall spending for that category and/or that has greater expertise in that area. Key responsibilities of category managers include leading data and spend analyses, developing the category strategic plan, defining and tracking performance metrics, hiring or selecting Level 2 category leaders, reviewing agency business cases, and acting as a liaison with other stakeholders.

- **Category leads.** The category leads will be responsible for developing and executing strategies for a single, specific Level 2 category, a subset of one of the super-categories of spend. The leads are responsible for leading data and spend analyses, chairing the Level 2 category team, developing the subcategory strategic plan, defining and tracking performance metrics, reviewing agency business cases, and approving content for the category hallways, and acting as a liaison with other stakeholders.
• **Category teams.** The category teams are the primary group responsible for daily category management activities and will be comprised of subject matter experts, content managers, technical writers, data analysts, and communications managers. The teams will serve as subject matter experts for their categories, gather and analyze demand and spend data, review agency business cases, increase awareness of category solutions, identify new category strategies, share best practices, and develop content for the category hallways.

• **Commodity teams.** Commodity teams will execute the Level 2 strategic plans using appropriate strategies, including demand management, strategic sourcing, supplier relationship management, or total cost management.

• **Procurement agencies.** OFPP and the category manager will designate a procurement agency when a new sourcing vehicle is determined to be the best course of action for a category of spend. Working on behalf of the entire government, the procurement agency will manage all aspects of the acquisition sourcing process. The designated agency must have authority to execute a multiagency contract and must be able to provide adequate resources and funding to manage the contract.

• **GSA Category Management Program Management Office (PMO).** GSA’s Category Management PMO will provide overall support to all individuals and teams within the category management governance structure. The office will create and maintain guidance, develop standard procedures, share tools, training, and best practices, facilitate data and performance analyses, and support the execution of individual strategies.

• **GSA Common Acquisition Platform (CAP) PMO.** The CAP PMO will develop and execute the IT strategy to support implementation of the category management platform. Among its responsibilities, the CAP PMO will develop and maintain the Acquisition Gateway, support category teams as they develop content for the hallways, maintain the CAP IT infrastructure and manage costs.

- Defines the category management operating process participants will follow to develop, implement, and manage category-specific strategies.

A continuous process that will undergo regular assessments, the category management operating model incorporates the development and execution of category strategic plans, followed by performance management to ensure expectations are met and to guide progress.

The development of the category strategic plan will include:

• Thorough category and subcategory spend data compilation and analyses

- An analysis of agency needs that incorporates agency input and feedback and prioritizes requirements
- Market research and segmentation

Once those analyses are completed and compiled, the category strategic plan will serve as the single, authoritative source of information regarding that category, the acquisition strategies, and the expected results of executing those strategies. Strategic plans will include a statement of goals and objectives, category improvement initiatives, an execution plan, risk analyses, and cost/benefit analyses. Executing these plans may involve multiple strategies, such as demand management, strategic sourcing, or supplier management, or some combination of these methods (see sidebar above).

Ongoing performance management will be critical to ensuring the long-term success of category management. Each category will undergo an annual performance review, which will assess the performance of the category from the previous year and set goals and targets for the coming year. Metrics will include:

• **Spend under management.** An overall measure of category management maturity, this metric will highlight successes and development areas and provide an overall assessment of category management maturity across all categories and federal agencies.

• **Savings.** Category teams will report on cost savings achieved from reduced unit prices, changed behaviors, and reduced administrative costs.
At a Glance

OFPP’s Guidance on Consolidating Laptop and Desktop Purchases

On October 16, OFPP administrator Anne Rung and federal chief information officer Tony Scott issued guidance to agencies on improving the acquisition of laptop and desktop computers. “In FY2014, agencies awarded more than 10,000 contracts and delivery orders for common laptops and desktops totaling about $1.1 billion, resulting in reduced buying power, inefficient duplication of contracts, and very little transparency into prices paid,” Rung and Scott wrote. “Instead of the government banding together as the world’s largest buyer to negotiate better prices and terms, too often it buys like thousands of small businesses, making smaller awards for the same IT products across multiple agencies, and sometimes within a single organization.”

This fragmentation and duplication has resulted in widely varying prices for common information technology (IT) products across government and sometimes within agencies. Agencies lack visibility into prices paid, and often request hundreds of configuration options, which further increases costs. To address these concerns, Rung and Scott directed agencies to:

- **Standardize laptop and desktop configurations for common requirements.**

  “Standardizing laptop and desktop configurations means the government spends less time and money buying, managing, and maintaining a diverse hardware portfolio,” Rung and Scott explained. “Standardizing common requirements also ensures that we are moving the government from ‘nice to have’ to ‘need to have’ to drive down costs, we are improving our interoperability and security profile, and we can more easily compare pricing information.” An analysis of government’s largest laptop and desktop contracts found that although agencies purchase several hundred different types of these computers, nearly 80 percent of their requirements could be met through five standard configurations.

  Going forward, agency CIOs are to ensure that at least 80 percent of their agency’s new purchases adhere to two laptop configurations (one standard and one upgrade) and three desktop configurations (one standard and two upgrades). Configurations are posted on the Acquisition Gateway and will be refreshed every six months, beginning in the fourth quarter of fiscal year 2015.

- **Consolidate purchasing and use a fewer number of high-performing or best-in-class contracts.**

  “Another important goal of category management is to reduce administrative costs by consolidating acquisitions through a fewer number of contracts,” Rung and Scott noted. “Fewer contracts also drives greater transparency into pricing by simplifying the collection and comparison of this data.” To that end, with limited exceptions, agencies are prohibited from issuing new solicitations for laptops and desktops, and civilian agencies are directed to use GSA IT Schedule 70, the National Aeronautics and Space Administration’s (NASA’s) Solutions for Enterprise-Wide Procurement government-wide acquisition contract (GWAC), or the National Institutes of Health’s (NIH’s) NITAAC Chief Information Officer-Commodities and Solutions (CIO-CS) GWAC for such purchases. “These major solutions were generally awarded and are managed according to OMB’s category management principles, including gathering input prior to award from a large number of potential agency users; establishing appropriate strategies to reduce prices as cumulative sales volume increases; and monitoring of prices paid, usage, and performance data,” Rung and Scott explained.

Rung and Scott acknowledged that agencies may have unique requirements that cannot be met by the standard configurations or by the three identified contract vehicles, and therefore established a phased implementation plan: In FY2016, 45 percent of agency laptop and desktop purchases should be made through one of the approved contracts. That goal increases to 60 percent in FY2017 and 75 percent in FY2018. Agency CIOs and chief acquisition officers are to develop an implementation plan that documents their agencies’ baseline spending made through the approved contracts and a timeline for phasing out existing contracts for laptops and desktops and transitioning to the preferred vehicles. Plans also should address other areas of OFPP’s policy, as well as small business participation. Tran-
transition plans are due to OMB by February 28, 2016.

Agencies may continue to use mandatory agency-wide vehicles through the end of the current base or option period, as applicable, but to qualify for an exemption, must implement category management principles in the administration of these contracts. Agencies also must receive approval from OMB before exercising new options or recompeting the contracts. Agencies with bureau-wide agreements, or agencies that cannot meet the category management exemption criteria listed above, must transition to one of the three approved vehicles by October 1, 2016.

Develop and modify demand management processes to optimize price and performance.

Smarter business practices, including demand management, also will drive savings and efficiencies, Rung and Scott noted. Agencies are directed to develop a strategic policy to ensure only a portion of the organization’s laptops and desktops are at the end of their useful life and need to be replaced each year. In general, agencies should adopt a uniform refresh cycle, such as replacing 25 percent of inventory every four years, or 20 percent every five years.

This approach can help agencies budget for laptops and desktops strategically and predictably, and leverage joint buying events. To the extent practicable, agencies will be required to participate in semianual buying events hosted by GSA, NASA, and NIH.

The Laptop and Desktop Category Lead and Contract Manager

To develop the new policy for laptop and desktop category management, CMLC established an interagency Workstation Category Team (WCT), led by NASA and comprised of subject matter experts and managers of large government-wide and agency-wide hardware contracts. Going forward, the WCT will serve as the category lead for laptops and desktops.

Its roles and responsibilities include:

- Seeking input from agency CIOs to revise and issue new standard configurations every six months
- Initiating work on additional standard configurations based on special usage cases, and identifying standard configurations for tablets and hybrids
- Seeking input from users to evaluate the performance, value and fees of the approved contract vehicles
- Evaluating vendor performance and pricing
- Recommending modifications to the list of approved contracts and improvements for how the government buys and manages laptops and desktops

The IT Schedule 70, SEWP, and CIO-CS contract managers will:

- Negotiate threshold discounts based on volume to maximize savings for agencies
- Work with customer agencies to present an agency-specific standard image on the hardware, leveraging any enterprise license agreements, and incorporate into contracts as opportunities arise
- Provide data to the WCT and the Acquisition Gateway to evaluate pricing, fees, and performance of the contracts
- Report on agency compliance with the requirement to purchase standard configurations
- Evaluate customer/user feedback on vendor performance, offerings, value, customer support on a regular basis and address concerns as needed
- Work with agencies to develop forecasts for acquisition requirements
- Sponsor buying events, as appropriate, to aggregate demand

OFPP’s guidance on laptop and desktop purchasing can be found at [www.whitehouse.gov/sites/default/files/omb/memoranda/2016/m-16-02.pdf](http://www.whitehouse.gov/sites/default/files/omb/memoranda/2016/m-16-02.pdf).