

Strategic Sourcing & Category Management: The Basics

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- Strategic Sourcing 101
- Strategic Sourcing SB Successes
- Category Management 101
- Current AF Category Management Status
- What's Next

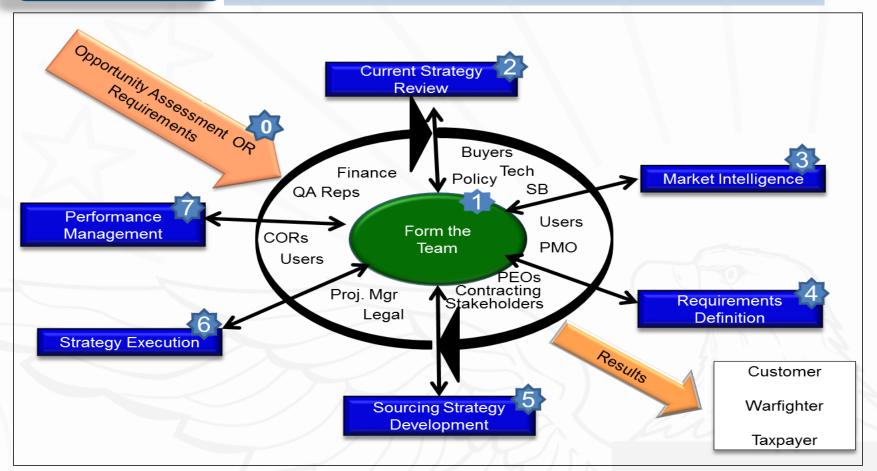
Strategic Sourcing 101

OFPP Strategic Sourcing



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 resources
 - 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
USAT-wide 5-yr IDIQ
ees: 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 3yrs



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

Senior Leader Direction



"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

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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



Category Management (OFPP) ▶ 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

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:

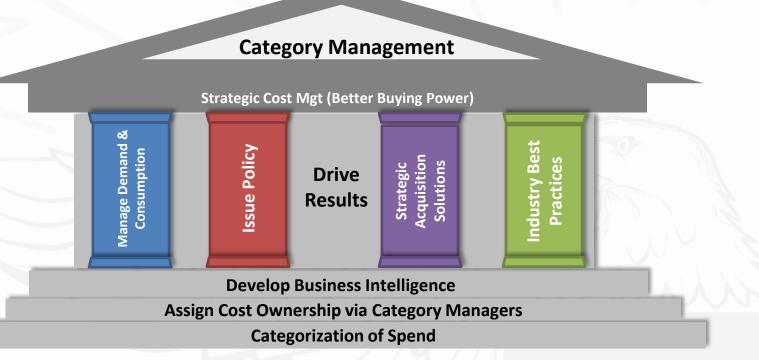
- Synchronized procurement across government
- Industry involvement in developing best category strategies
- Core competencies leveraged to match customer needs
- One common management framework



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



	Category Management Roles and Responsibilities										
	Role	Responsibilities									
	Agency Category Management Accountable Official (CMAO)	Develop/maintain agency CM programDesignate agency Category ManagersReport CM progress to OMB									
	Governance Body	Approve CSPsAppoint/monitor/direct CMX progress/performanceReport 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 									

Federal Category Management Structure



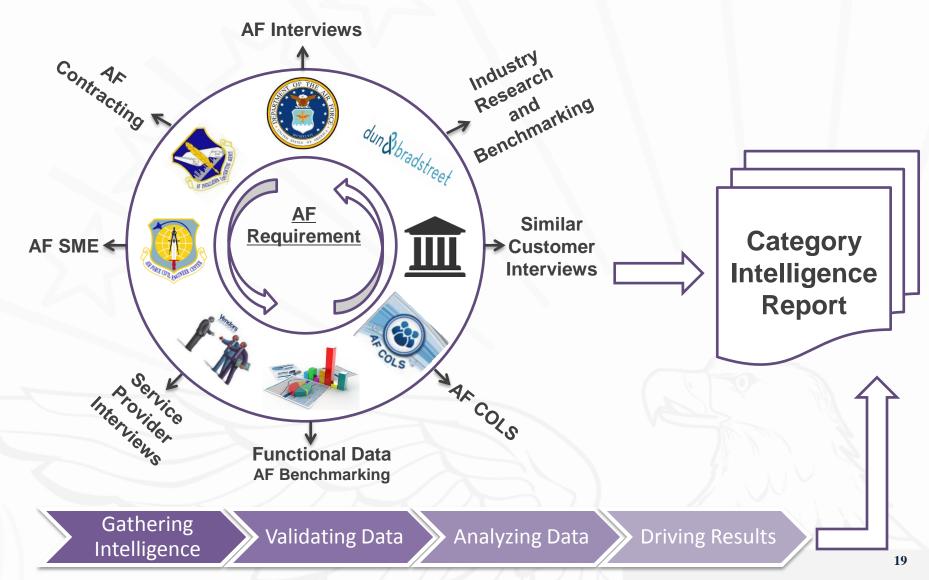
General Government Categories

1. IT	2. Professional Services		3. Secui	3.1 Security and Protection 3.1 Security Animals & Related Services 3.2 Security Systems 3.3 Security Services		cilities & Construction	5. Industrial Products and Services		
1.1 IT Software 1.2 IT Hardware 1.3 IT Consulting 1.4 IT Security 1.5 IT Outsourcing 1.6 Telecommunications	2.2 Legal Service 2.3 Managemen 2.4 Marketing ar 2.5 Public Relatic 2.6 Real Estate S 2.7 Trade Policy 2.8 Technical and	Management Advisory Services (Excludes R&D 17.0) Marketing and Distribution Public Relations and Professional Communications Services Real Estate Services Trade Policy and Services Technical and Engineering Services (non-IT) (Excludes 1.0) Financial Services				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		5.1 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/Rebuild 5.6 Basic Materials 5.7 Oils, Lubricants, and Waxes	
6. Office Manageme	ent	7. Transportation and Logic Services	stics	8. Travel and Lodgin		9. Human Capital		10. Medical	
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 Logistics Civil Augmentation Pro 7.4 Transportation of Things 7.5 Motor Vehicles (non-combat) 7.6 Transportation Equipment 7.7 Fuels	gram	8.1 Passenger Travel 8.2 Lodging ram 8.3 Travel Agent & Misc. Service		9.1 Alternative Educational System 9.2 Educational Facilities 9.3 Educational Institutions 9.4 Specialized Educational Service 9.5 Vocational Training 9.6 Human Resources Services		10.2 Medical Equipment & Accessories & Supplies 10.3 Healthcare Services	
14. Aircraft, Ships/Submarines & Land Combat Vehicles		12. Weapons & Ammunition	13. Electronic & Communication Equipment			14. Sustainment S&	E	15. Clothing, Textiles & Subsistence S&E 15.1 Subsistence 15.2 Textiles, Clothing & Equipage	
11.1 Aircraft 11.2 Land Combat Vehicles 11.3 Ships & Submarines 11.4 Space		12.1 Ammunition & Explosives 12.2 Fire Control 12.3 Guided Missiles 12.4 Guns 12.5 Nuclear Ordnance	13.1 Communication Equipment 13.2 Detection & Coherent Radiation Equipr 13.3 Electrical and Electronics Equipment 13.4 Night Vision Equipment			14.1 Drones 14.2 Engines, Components & Spt Ed 14.3 Materials 14.4 Supply Parts 14.5 Support Ships & Small Craft			
DoD (Centric	Categories - No	ot cov	vered by O	MB	Circular Dev	rices		
16. Miscellaneous S	5&E	17. Research and Development	18. Equipment Related Services		5	19. Electronic & Communication Services		n	
16.1 Non-Food Items for F 16.2 S&E Not Classified Els		17.1 Systems Development 17.2 Operational Systems Development 17.3 Technology Base 17.4 Commercialization 17.5 Pre-FY 1998 2-Digit Category	18.2 Equip 18.3 Instal 18.4 Quali 18.5 Techi	tenance, Repair and Overhaul oment Modification Illation of Equipment ty Control nical Representative Services nases and Leases		19.1 Equipment Maintena 19.2 Equipment Leases	nnce		

Defense-Centric Categories

Developing Business Intelligence





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

Savings: 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.

Spend Under Management (SUM): 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.

Small Business: 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.

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 Svs
- 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



- 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

