Category Management

Transportation and Logistics Services
What is CM:

- An OMB-sponsored initiative that enables the Federal Government to buy *smarter and more like a single enterprise*. It involves managing *large categories* of spend comprised of commonly purchased products and services.

Key Principles:

- Optimize existing contract vehicles
- Improve data collection and analysis to drive improvements in category spend
- Leverage industry/commercial intelligence and key partner relationships
- Maximize customer insights to bring more spend under management
- Grow and share expertise across the Federal enterprise

Why CM is important:

- Better spend for taxpayer dollars by:
  - eliminating redundancies, such as the number of contracts
  - increasing efficiency by managing spend throughout the Federal enterprise
  - delivering more value and savings from the government’s acquisition programs
  - sharing data and best practices so that all agencies can leverage and benefit
Comparing Category Management & Strategic Sourcing

From the Kickoff: Category Management and Strategic Sourcing

<table>
<thead>
<tr>
<th>Goal</th>
<th>Strategic Sourcing</th>
<th>Category Management</th>
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<tbody>
<tr>
<td></td>
<td>Reduce purchased costs for a given commodity, most often by selecting lower-cost suppliers through demand aggregation, competitive bidding and negotiation.</td>
<td>Maximize realized category value to the organization, including total cost of ownership (TCO, risk, operational performance, innovation, etc.)</td>
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| Frequency | Periodic and project-based. Triggered over one or more years in the course of managing a commodity. | Ongoing, day-to-day process. Triggers project-based activities and other operation improvements as needed. |

| Approach | Conducted via an n-step sourcing methodology culminating in transition to a new supplier contract. | Develops a category strategy and applies appropriate value levers and supporting techniques/tools as needed to meet value objectives (e.g., strategic sourcing, supplier management, total cost management, demand management). |

| Results | Reduced contract pricing translating to actual realized savings hitting the bottom line. | Category value is targeted, including validated savings and broader value measurement. |

Source: The Hackett Group
The governing board for Category Management initiatives. Provides government-wide direction on CM strategy and initiatives.

**Category Managers**

Experts in the category (e.g., IT). They develop the government-wide strategy to drive improved performance and act as change agents for the category.

**Level 1 Category Team**

Responsible for the development and execution of category strategies for a specific Tier 1 category (e.g., IT).

**Level 2 Category Team**

Responsible for the development and execution of category strategies for a specific Tier 2 category (e.g., IT software within the IT category).

**Commodity Teams**

Traditional strategic sourcing working group formed when the category management process identifies the need for a new acquisition solution.

**Category Management**

GSA PMO

Provides overall program management support to the groups and individuals in the governance structure; facilitates the development and implementation of business rules and processes.

**Common Acquisition Platform (CAP)**

Develops and executes the IT strategy to support category management business strategy via the Acquisition Gateway.
A Key Attribute of Category Management is “Spend Under Management”

SUM is about whether an organization is using prescribed buying channels. The SUM goal is 80% of spend adheres to defined category strategies.

<table>
<thead>
<tr>
<th>Leadership</th>
<th>Do individuals &amp; organizations have clear CM responsibilities?</th>
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<tbody>
<tr>
<td>Strategy</td>
<td>Are CM practices in place?</td>
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<tr>
<td>Data</td>
<td>Is analysis conducted and shared?</td>
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<tr>
<td>Tools</td>
<td>Are tools in place to share info and reduce duplication?</td>
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<tr>
<td>Metrics</td>
<td>Are metrics defined, tracked, and publicized?</td>
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### TIER DEFINITION

<table>
<thead>
<tr>
<th>Tier</th>
<th>Defining Metrics / Attributes</th>
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<tbody>
<tr>
<td>Tier 0</td>
<td>No / limited formal Category Management strategies</td>
</tr>
<tr>
<td>Tier 1</td>
<td>Agency-wide Strategies</td>
</tr>
<tr>
<td></td>
<td>• Agency-level category leaders</td>
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<tr>
<td></td>
<td>• Category analyses complete</td>
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<tr>
<td></td>
<td>• Agency-level metrics</td>
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<tr>
<td>Tier 2</td>
<td>Cross-Agency Collaboration</td>
</tr>
<tr>
<td></td>
<td>• Sharing data across agencies</td>
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<tr>
<td></td>
<td>• Emerging use of Government-wide solutions</td>
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<td></td>
<td>• Cross-agency metrics</td>
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<tr>
<td>Tier 3</td>
<td>Adherence to Government-wide Strategies</td>
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<tr>
<td></td>
<td>• Government-wide category managers</td>
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<td>• Consistent use of Government-wide strategies, solutions and tools</td>
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## Government-Wide Category Structure

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

1. **IT** – $49.9B *(Kim Luke, OMB)*
   - 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 *(Tiffany T. Hixson, GSA)*
   - 2.1 Business Administration Services
   - 2.2 Legal Services
   - 2.3 Management Advisory Services (Excludes R&D 17.0)
   - 2.4 Marketing and Distribution
   - 2.5 Technical and Engineering Services (non-IT) (Excludes 1.0)
   - 2.6 Real Estate Services
   - 2.7 Trade Policy and Services
   - 2.8 IT Consulting
   - 2.9 Financial Services
   - 2.10 Social Services

3. **Security and Protection** – $5.5B *(Jaclyn Smyth, DHS)*
   - 3.1 Security Animals & Related Services
   - 3.2 Security Systems
   - 3.3 Security Services

4. **Facilities & Construction** – $75.7B *(Mary Ruwwe, GSA)*
   - 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 and Services** – $10.5B *(George Prochaska, GSA)*
   - 5.1 Machinery & Components
   - 5.2 Equipment
   - 5.3 Hardware & Tools
   - 5.4 Test & Measurement Supplies
   - 5.5 Install/Maintenance/Repair/Rebuild
   - 5.6 Basic Materials
   - 5.7 Oils, Lubricants, and Waxes

6. **Office Management** – $1.9B *(Greg Hammond, GSA)*
   - 6.1 Office Management Products
   - 6.2 Office Management Services
   - 6.3 Furniture

7. **Transportation and Logistics Services** – $26.8B *(Lisa Roberts, DoD)*
   - 7.1 Package Delivery & Packaging
   - 7.2 Logistics Support Services
   - 7.3 Logistics Civil Augmentation Program
   - 7.4 Transportation of Things
   - 7.5 Motor Vehicles (non-combat)
   - 7.6 Transportation Equipment
   - 7.7 Fuels

8. **Travel and Lodging** – $2.7B *(Tim Burke, GSA)*
   - 8.1 Passenger Travel
   - 8.2 Lodging
   - 8.3 Travel Agent & Misc. Services

9. **Human Capital** – $4.1B *(Rob BrieDE, OPM)*
   - 9.1 Alternative Educational Systems
   - 9.2 Educational Facilities
   - 9.3 Educational Institutions
   - 9.4 Specialized Educational Services
   - 9.5 Vocational Training

10. **Medical** – $36.0B *(Johnathan Woodson, DoD and David Shulkin, M.D., VA)*
    - 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 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. **Electronics Communication Services** – $418M
    - 19.1 Equipment Maintenance
    - 19.2 Equipment Leases

**Notes:**
- Total spend FY 2014 $428B
- Spend based on FPDS data
Category Management
Transportation and Logistics Services

- Category total spend: $26.8B (Based on Federal Procurement Data System)

- Category Subcategories and Estimated Spend:
  - Packaging Delivery & and Packaging - $729m
  - Logistics Support Services - $6,325m
  - Transportation of Things - $5,989m
  - Motor Vehicles (non-combat) - $2,548m
  - Transportation Equipment - $630m
  - Fuels - $11,147m

- Year One Focus = Consolidate Package Delivery Services
  - DoD’s Total Delivery Services (TDS) contract
  - GSA’s Domestic Delivery Services (DDS) contract
What This Means to You

- CM is an OMB initiative that impacts all Federal agencies
- Increasing “spend under management” delivers value and efficiencies across the Federal enterprise
- Aggregating demand will simplify doing business across the Federal enterprise
- CM will facilitate better buying power
- Customer and Industry involvement is critical for success