

3. Buying as One Through Category Management

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CAP Goal Statement: *Category management enables the government to eliminate redundancies, increase efficiency, and deliver more value and savings from the government's acquisition programs.*

The “Category Management” initiative, started under the leadership of former OMB executive Anne Rung, is transforming the way the federal government buys goods and services to reflect trends in how leading companies manage their purchases of common goods and services.

Background. Category Management is used by businesses and governments around the world to better manage their common purchases. The approach involves defining a clear strategy for spending on common items or services within a category, which in turn leverages buying power across the entire category to generate a price discount, additional services that reduce total cost of ownership and other sources of value. As such, category management encourages individual agencies to buy from common contracting vehicles and enable purchasing decisions to be managed centrally by specialists who know how to find the best services or products at the best price. In addition to leveraging the government's buying power, it reduces duplication in contracting across the government.

[One study](#) suggest that when used effectively, this approach can conservatively generate cost efficiencies of 7.5 to 12 percent of total procurement spending. For the federal government, this could result in more efficient spending of up to \$40 billion a year, if this approach is widely adopted. In the private sector, savings have reached 20 percent or more on annual procurement spending.

The Obama Administration began to champion the use of this approach two years ago.

The initiative built upon a prior effort initially begun under the Bush Administration, called [strategic sourcing](#). Strategic sourcing was an agency-by-agency consolidation of common purchases, in order to reduce the complexity of many different contracts and supplies. The Obama Administration expanded strategic sourcing within agencies and piloted its use across agency boundaries with selected services such as package delivery services and office supplies. When this was successful, the foundation was set for OMB's broader initiative.

As OMB's Administrator for Federal Procurement Policy, Anne Rung [announced the new emphasis](#) on the use of category management in December 2014, and the initiative was given the high profile status of being one of the Administration's [15 Cross-Agency Priority Goals](#). This resulted in top-level attention to the initiative's progress on a quarterly basis.

Governance. The initiative was launched with a very structured approach, with an eye toward ensuring its sustainability over time. It also involved a good deal of cross-agency collaboration, as well as some pointed, top-down directives.

The [Category Management Leadership Council](#) was created in late 2014, comprised of representatives from Defense, Energy, Health & Human Services, Homeland Security, Veterans Affairs, General Services Administration (GSA) and NASA. In addition, the chief financial officers from each of the 24 largest agencies designated single points of contact to coordinate government-wide category management initiatives.

Ten “super categories” were created that account for more than \$270 billion in annual spending. These include areas such as travel, facilities construction, medical supplies and transportation services. A career senior executive was designated as the category manager for each. [According to GSA’s Steve Krauss](#), they each “built teams of experts from across the rest of the federal government to begin the process of analyzing the spend and looking for opportunities within that spend portfolio.” These teams were staffed with about 350 people from 46 departments and agencies who are identifying performance metrics and talking with top suppliers in their respective categories.

Beneath the ten “super categories” are 50 sub-categories, each category and many sub-categories have their own leads, who develop market intelligence, buying strategies, and identify the best contract vehicles. And for each category, Centers of Excellence are designated within selected agencies that house the expertise to serve as “executive agents” for buyers across the government for that category.

In addition, at the operational level, GSA has created the Acquisition Gateway, where agency acquisition officers can “buy as one.” [According to GSA](#): “Inside the [Acquisition Gateway](#), users can find side-by-side comparisons of government-wide acquisition solutions, connect with other acquisition professionals and explore product and service category ‘hallways.’ The hallways feature category-curated articles, templates, market-research tools, prices-paid data and more to achieve successful outcomes at each step of the acquisition lifecycle.” While only launched in January, it already has 10,000 registered government users.

Finally, at the strategic policy level, the Office of Federal Procurement Policy partnered in mid-2016 with other policy officials, including Federal Chief Information Officer (CIO) Tony Scott and GSA Administrator Denise Turner Roth, to issue joint guidance to agencies on the road forward in each of the different categories.

Case Example: The IT Super-Category. OMB decided to focus on one of the largest of the ten super categories as a starting point. The federal government spends \$50 billion in common information technology hardware and software. OFFP partnered with the Federal CIO to methodically attack common buying challenges facing federal agencies with routine IT-related purchases. They used the Federal CIO’s [PortfolioStat](#) to manage overall progress in managing IT portfolio via quarterly meetings, along with other tools and a dashboard.

Following are some actions taken in recent months to improve IT commodity management practices:

- **Buying Laptops and Desktops.** In October 2015, a joint [memo](#) to agencies called for a standardized set of laptop and desktop configurations for common uses and the reduction in the number of contracts used in order to consolidate their purchases: “In FY 2014, 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.” For example, In August 2016, [GSA reported that agencies saved](#) over \$6 million by conducting reverse auctions via three Blanket Purchase Agreements open to all agencies. Initially, five agencies agreed to potentially buy about 55,000 laptops and desktops, at savings averaging 18 percent.

- **Buying Commercial Software.** In June 2016, a joint [memo](#) to agencies directed them to develop inventories of their commercial software licenses: “Each year, the Federal Government spends more than \$6 billion on software through more than 42,000 transactions, which results in a fragmented and inefficient marketplace.”
- **Buying Mobile Devices and Services.** In August 2016, a [memo](#) on purchases of mobile device services directed agencies to consolidate their requirements to one contract per agency. The federal government spends \$1 billion a year on mobile devices and service contracts: “Almost all of that spending is paid to four carriers, yet the Federal Government manages over 1,200 separate agreements and buys more than 200 unique service plans for voice, data, and text capability.”

In [her final blog post](#) on the OMB website, Anne Rung wrote: “We’ve saved more than \$2 billion through category management and are on track to save \$3.5 billion by the end of next year. We’ve seen prices drop by as much as 50 percent of personal computers since the release of the workstation policy. “

Next Steps. Category management may not be glamorous work—cleaning up acquisition data, making it more transparent, making comparisons between agencies, etc.,—but it makes government work more efficiently. In October 2016, OMB released for public comment [a draft circular](#) that would institutionalize the use of category management. The goal is to make this the routine approach for how government buys common goods and services. That draft was not acted upon, but an action plan was developed for all ten categories to carry the initiative through 2017.