

PSF Learning Webinar Series

Strategic Market Intelligence For Program, Acquisition and Procurement

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Objectives

- Define Market Intelligence – what is it and why is it important?
- Understand how can/should Market Intelligence be leveraged throughout the program acquisition and procurement lifecycle
- Discuss the key challenges programs face in developing and leveraging strategic market intelligence
- Provide perspective on key principles of developing effective Market Intelligence
- Questions & Answers

Market Intelligence is critical to achieving program outcomes and achieving procurement goals

WHAT IS MARKET INTELLIGENCE?

Market Intelligence utilizes rigorous market research and facilitated industry engagement...

...objectively filtered and analyzed in the context of specific program objectives and requirements...

...to derive strategic insights for program and acquisition/procurement decision making

Strategic Market Research

Comprehensive understanding of industry capabilities, trends and costs



Industry Engagement

Collaborative engagement with industry to drive innovation and process efficiency

Objective analysis with specific implications for Program Strategy



MARKET INTELLIGENCE

Actionable insights required to support all phases of program and acquisition/procurement lifecycle

MARKET INTELLIGENCE FOCUS BY ACQUISITION/PROCUREMENT LIFECYCLE STAGE



MI Objective	<i>Understand how market capabilities can be leveraged to drive program outcomes</i>	<i>Design effective acquisition strategies, source selection criteria, negotiation strategies and target costs / pricing</i>	<i>Develop the right metrics to align incentives, drive innovation and facilitate ongoing lifecycle cost management</i>
MI Supports	Program Planning and Strategy Requirements Planning	Acquisition Strategy Source Selection Criteria Supplier Relationship Structure Transparency in Negotiations	Performance Measurement / Management
MI Insights/ Information Required	<ul style="list-style-type: none"> • Market Segments, Economics & Trends • Supplier Capabilities & Differentiators • Cost Structure & Pricing Models • Value Chain & Cost Drivers • Small Business Capabilities 	<ul style="list-style-type: none"> • Previous Information + • “Cost Intelligence” • Target Pricing • Source Selection Criteria • Best Practices 	<ul style="list-style-type: none"> • Metrics & Measurement • Performance Benchmarking • Continuous Improvement Through Structured Collaboration • Active Monitoring of the Market

KEY CHALLENGES IN DEVELOPING STRATEGIC MARKET INTELLIGENCE

Lack of Access to Required Data

- Key data often difficult to obtain and not always accessible through public sources
- Standard “off the shelf” reports are often expensive and not tailored to address the specific questions being asked by program and acquisition/procurement teams

Information “Bias” & Lack of Objectivity

- Some tools (such as RFIs) while valuable, only provide a one-sided and biased view from the suppliers’ perspective and often provide minimal insight into key data on costs
- Many published sources may also include “spin” targeted at a specific audience or agenda

Market Research Often Lacks Critical Insights

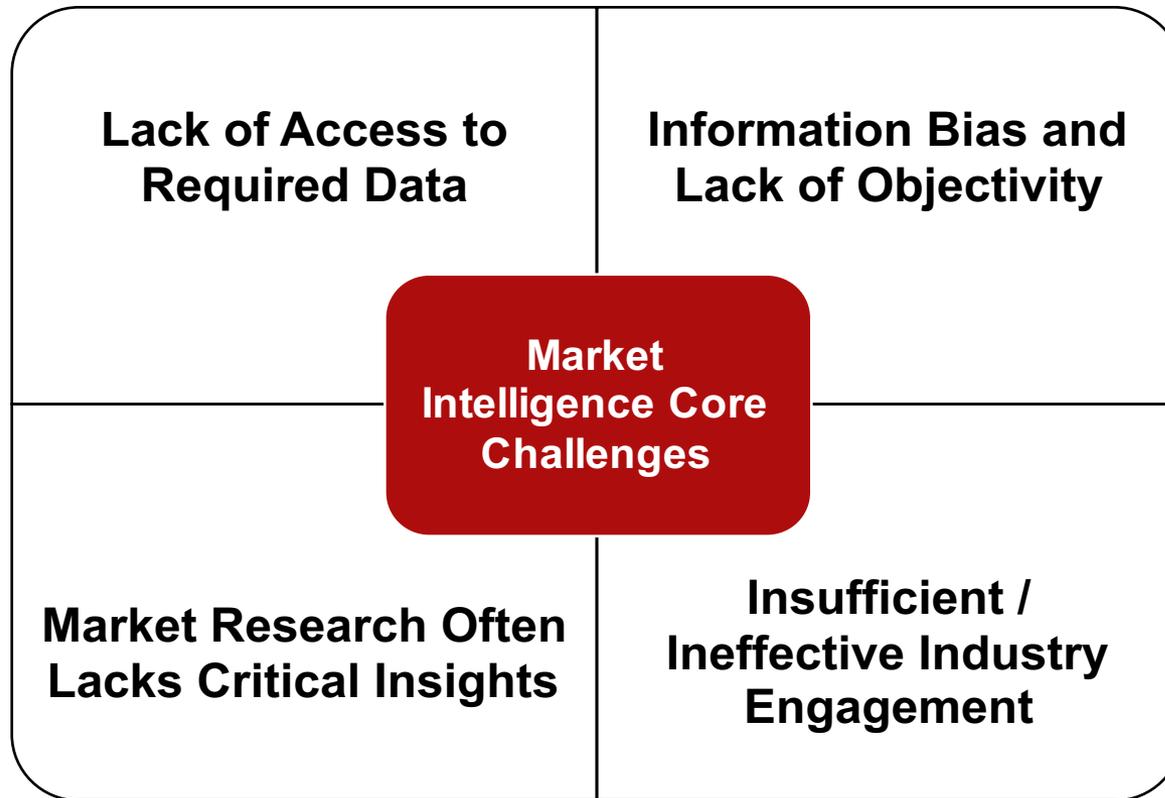
- Raw market data can be challenging to decipher and structure for insightful analysis
- “Market research” does not equate with a strategic understanding of market segments, supplier capabilities and differentiators, and cost drivers

Insufficient / Ineffective Industry Engagement

- Often limited collaboration with industry, particularly in requirements development
- Limited focus on identifying buyer practices driving inefficiency and increased cost to serve
- Limited post-award engagement to drive continuous improvement and cost reduction

However, a number of core issues often inhibit development of impactful Market Intelligence to support program missions

KEY CHALLENGES IN DEVELOPING STRATEGIC MARKET INTELLIGENCE



To develop effective market intelligence throughout the program lifecycle, Programs should adhere to six key principles

CENSEO PRINCIPLES OF STRATEGIC MARKET INTELLIGENCE

1

Leverage MI early in the Program & Procurement Lifecycle

Leverage MI early in the process to refine program strategy and requirements through a robust understanding of market capabilities and differentiators

2

Create a Holistic View of Market Trends & Dynamics

Ensure information on supplier segments, differentiators and cost is analyzed and interpreted in the context of broader market dynamics and forward-looking trends

3

Engage Industry Throughout the Process

Effective industry engagement is critical from setting requirements to developing the right source selection criteria to managing ongoing performance

4

Ensure Objectivity

Consult multiple sources and apply objective analysis/synthesis to derive credible and useful market intelligence

5

Develop & Apply "Cost Intelligence"

Understand how industry cost drivers influence supplier competitive behavior, drive pricing strategies, and inform effective performance management approaches

6

Establish A Process for MI Refresh

Market Intelligence should be treated as a living/evolving body of knowledge that is revisited regularly to keep pace with industry and technology trends

Principle 1: Leverage MI Early in Program and Procurement/Acquisition Lifecycle



Leverage MI early in the process to refine program strategy and requirements through a robust understanding of market capabilities and differentiators

Market Intelligence Can Help Answer Critical Questions Early In the Program and Procurement/Acquisition Lifecycle

– Program Strategy

- What are our desired outcomes (e.g., improve quality, reduce cost, manage risk, increase small business, etc.) and how are they prioritized?
- What market capabilities exist to help meet my program's strategic objectives?
- Given market capabilities, what role will/can suppliers play in accomplishing program outcomes?
- How mature/developed are required technologies/capabilities?
- Should we make vs. buy?

– Requirements Planning

- How should we specify requirements?
- What are commercial standards and how well do they align with program/organization needs?
- What are key drivers of cost? What tradeoff decisions will we make?
- How should we prioritize requirements based on cost/value?

Principle 1: Leverage MI Early in Program and Procurement/Acquisition Lifecycle

Understanding market segments, varying delivery models and the core bases of competition can highlight benefits and limitations of various segments relative to our requirements / objectives

FACILITY MR&A SERVICES REQUIREMENT MATRIX

Single Location

Requirements

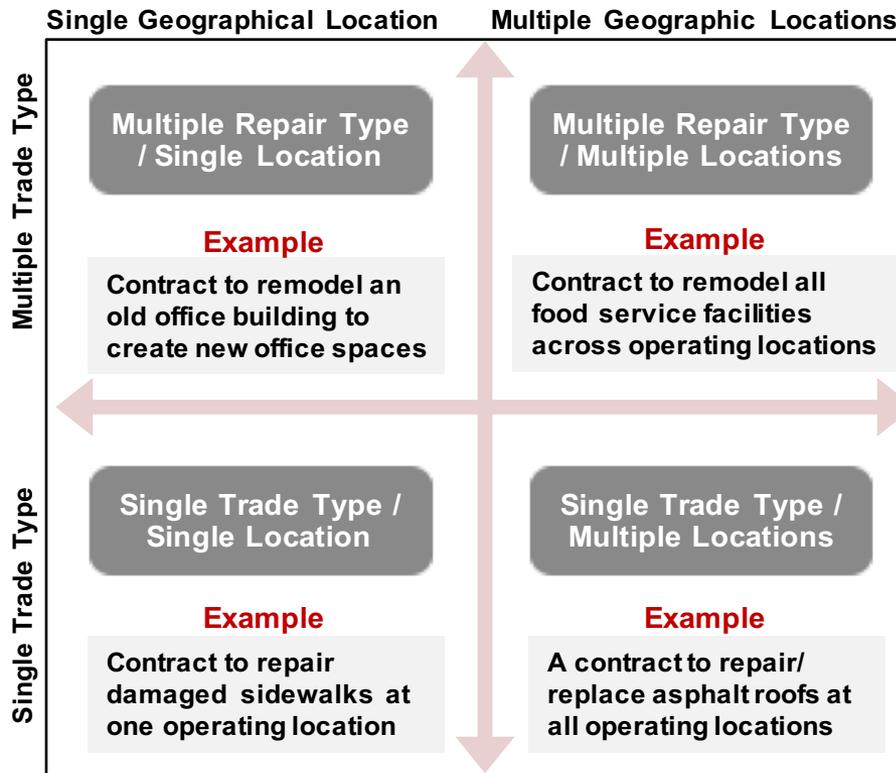
- Single geography
- Can be single or multi-trade

Priorities / Objectives

- Socio economic usage
- Lower cost
- Local POC

Tradeoffs

- More localized contracting effort
- Potentially larger number of contracts and supply relationships to manage
- May inhibit standardization across locations



Multiple Locations

Requirements

- Multiple locations
- Can be single or multi-trade

Priorities / Objectives

- Geographic coverage
- Need for precise commonality across locations
- Desire to reduce admin/contracting burden

Tradeoffs

- Limited SB opportunity
- Possibly higher cost due to overhead

Principle 2: Ensure A Holistic View of Market Trends & Dynamics



To develop strategic insights, information on supplier differentiators, go to market strategies and cost must be analyzed in the context of a holistic view of key market trends and dynamics

OVERVIEW OF KEY COMPONENTS OF A HOLISTIC MARKET VIEW

Market Segmentation

Key players, market offerings and differentiators

Market Size & Growth

Size and growth trends for overall market and key segments

Pricing Models & Trends

Alternative vendor pricing models and market pricing trends

Technology Trends

Impact of future technology trends on our requirements or supply relationships

Cyclicality

Cyclical/seasonal fluctuations that may affect price or other risk factors

Small Business

Understanding of SB presence and capabilities to meet our requirements

Principle 3: Engage Industry Throughout the Process



Effective industry engagement is critical from setting requirements to developing the right selection criteria to managing ongoing performance and cost improvements

Current industry engagement...

Often “one-sided” with Government informing industry of their needs or intended strategy

Limited collaboration and dialogue to jointly develop requirements or identify cost reduction opportunities

Engagement occurs late in the process, often reserved for the procurement/acquisition stage, vs supporting requirements development

Strategic market engagement...

Instead, Strategic Market Engagement should be smart, early and collaborative:

- **Smart** – Do our own homework prior to engaging with industry to enable us to ask the right questions and challenge suppliers
- **Early** – Leverage engagement early in the process to incorporate innovative ideas, processes and technologies into program strategy and requirements
- **Collaborative** – Solicit feedback and input from industry throughout the process to identify best practices and jointly identify and pursue cost reduction opportunities

Effective Industry Engagement seeks to establish a collaborative dialogue to facilitate joint cost reduction and process improvement between Government and Industry

Principle 3: Engage Industry Throughout the Process

Joint Cost Reduction and Requirements Development – Package Delivery Services



**Federal Strategic
Sourcing Initiative
Domestic Delivery
Services**

INDUSTRY ENGAGEMENT APPROACH

Collaborated with suppliers to:

- *Identify barriers to entry*
- *Identify Government processes and decisions that increase cost to serve*
- *Discuss innovative user tools and technology to drive down costs*

IMPACT

- *Increased competition*
- *Reduced costs by 25% (>\$40M per year)*
- *Implemented cost savings best practices to better manage internal demand*
- *Created data transparency to ensure level playing field in future procurements/acquisitions*

Design of Supplier Collaboration Workshops for Clerical Support Services

INDUSTRY ENGAGEMENT APPROACH

Facilitation and design support including:

- *Worked with suppliers to promote the benefits of the workshops as means to create “win-win” improvements*
- *Facilitated discussions between government and suppliers to gain buy-in from key stakeholders and discuss initial design*

IMPACT

Designed supplier collaboration workshops to:

- *Explore opportunities to streamline the procure to pay process and reduce costs*
- *Assess and refine both government and supplier business practices that may increase cost*
- *Provide a forum for sharing best practices and continuous innovation*

**Government-Wide
Strategic Sourcing
Clerical Services**

Principle 4: Ensure Objectivity

Consult multiple sources and apply objective analysis/synthesis to derive credible and useful market intelligence

POTENTIAL SOURCES OF MARKET INFORMATION

SECONDARY RESEARCH

- **Wall Street Analyst reports on industries and companies** (e.g. Thomson, a consolidated resource for analyst reports)
- **Company 10K and annual reports**
- **Research providers** (e.g. Gartner, AMR Research, IBIS World, Forrester, etc.)
- **Industry publications/journals**
- **Industry associations**
- **General news sources**
- **Internet research**

PRIMARY RESEARCH

- **Interviews with:**
 - Industry experts (e.g. Wall Street analysts, associations, etc.)
 - Companies/suppliers
 - Trade associations
 - Internal Experts
- **Industry Engagement**
 - RFI (request for Information)
 - Supplier perception surveys
 - Industry days

KEY TAKEAWAYS

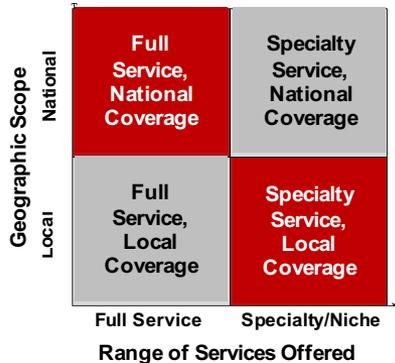
- **Use several sources of data**
 - While industry engagement is an extremely valuable source, it can often be one-sided and biased
 - Consult multiple market research sources to ensure a comprehensive and un-biased analysis of a market
- **Use primary research as needed**
 - Some market analysis efforts warrant outreach through targeted interviews where secondary data is not available or may be too limited
 - Requires core skills in interviewing and facilitation to derive useful information

A wide range of skills including interviewing, facilitation, financial analysis and requirements analysis, must be leveraged to effectively collect and objectively analyze this diverse range of data sources

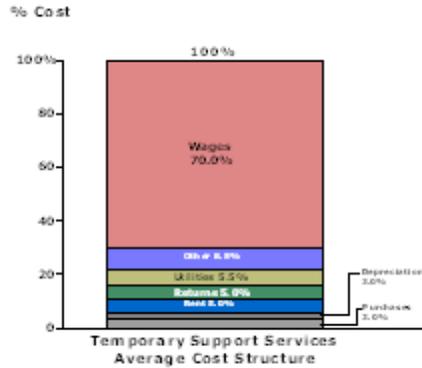
A robust understanding of industry value chain and cost drivers is critical to understanding supplier behavior, pricing strategies and effective performance and cost management approaches

Segment Supply Base

SAMPLE SUPPLIER SEGMENTATION

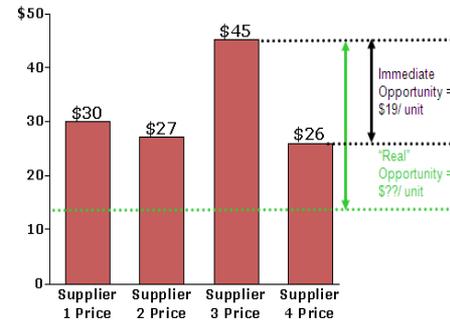


Understand Typical Cost Structure & Drivers



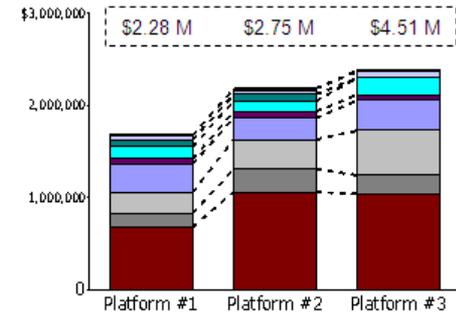
Cost structure and drivers vary widely by industry and directly influence supplier pricing and competitive behavior

Collect Internal and External Benchmarks



Internal benchmarks may identify immediate savings opportunities while external benchmarks help frame “the art of the possible”

Develop “Cost Intelligence”



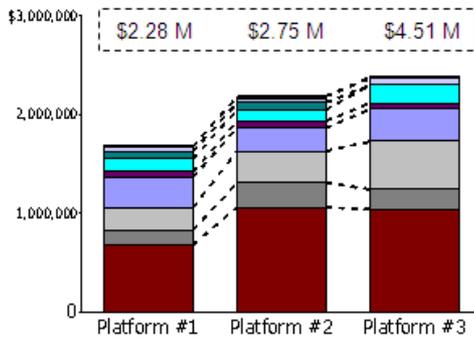
Total lifecycle cost modeling and “should cost analysis” support a robust negotiation strategy

Once the market data and benchmarks have been collected, a wide array of cost modeling and analysis techniques can be applied to provide insights for pricing negotiations

Principle 5: Develop and Apply “Cost Intelligence”

A wide array of cost modeling techniques can convert benchmarks and other market data into insightful intelligence to support pricing negotiations

Should Cost Modeling For Multi-Billion Dollar Equipment Purchase



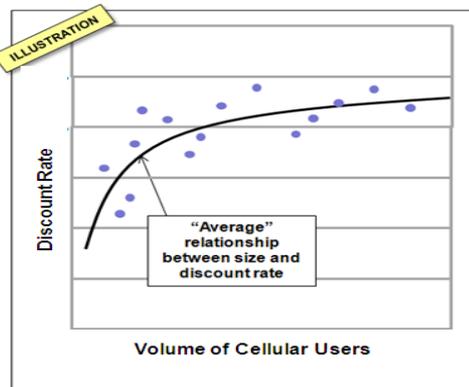
MARKET DATA COLLECTED

- Site visits (manufacturing plants, mining sites, etc)
- Interviews with distributors
- Detailed equipment spec sheets
- Commodity market pricing trends and labor rates

COST INTELLIGENCE DERIVED

- Robust understanding of true cost drivers
- Bottoms up “should cost” model to support pricing negotiations
- Recommended economic price adjustment mechanism linked to true cost drivers

Benchmarking & Purchasing Scale Curve Analysis for Wireless Services



MARKET DATA COLLECTED

- Internal “best price” benchmarks
- Interviews with federal, state and local agencies
- Internet research
- Select interviews with large commercial organizations

COST INTELLIGENCE DERIVED

- Benchmarks enabled modeling of the relationship between volume and price
- Facilitated setting of target pricing ranges for negotiations based on client scale relative to benchmarks

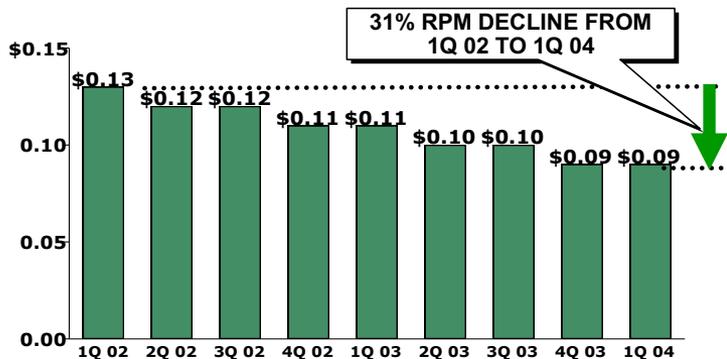
Principle 6: Establish A Process for Market Intelligence Refresh

MI should be treated as a living/evolving body of knowledge that is revisited regularly to keep pace with industry and technology trends

3G MIGRATION PLANS OF MOST US NATIONAL WIRELESS CARRIERS



REVENUE PER MINUTE (RPM) – NATIONAL CARRIERS 2002-2004 (QUARTERLY)



KEY TAKEAWAYS

- **Market Intelligence must be revisited to keep up with changes in the market**
 - New entrants or M&A / Consolidation
 - Substitute products
 - New processes, offerings, best practices
- **Refresh frequency varies by industry and the importance of the industry to program mission**
 - Most categories every 2-3 years
 - Technology-heavy industries or industries with high mission criticality should be refreshed more often
- **Some programs may benefit from a dedicated MI capability**
 - Prioritize strategic markets and refresh intelligence
 - Manage ongoing engagement with key industries
 - Ongoing assessment of new products, services, capabilities

CENSEO STRATEGIC MARKET INTELLIGENCE CAPABILITIES

Access to Required Data

Robust research infrastructure with access to leading research sources including Wall Street, industry and supplier reports

Analytical Insight

Expertise in selecting and synthesizing data from multiple sources to develop relevant insights to support management decisions

Objectivity

Comprehensive approach leveraging multiple data points, often from both primary and secondary sources, to validate findings and ensure objectivity

Expert Facilitation

Experts at conducting “Industry Days’ and supplier collaboration/ discussion sessions to exchange information in an objective manner

CENSEO CAN BE ENGAGED TO:

- Support Program and Procurement/Acquisition strategy development
- Develop Strategic Market Intelligence tailored to a specific Agency program or acquisition
- Develop, execute and draw insights from RFIs
- Facilitate effective engagement with industry in a variety of forums
- Develop robust negotiation strategies to include pricing analysis through benchmarking and cost modeling
- Create performance management plans and associated metrics

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