

Public Procurement Practice

MARKET RESEARCH PROCESS: RESEARCH, ANALYSIS, AND INTELLIGENCE

STANDARD

The public procurement professional is responsible for conducting the Market Research Process, which is comprised of three distinct activities:

1. Market Research
2. Market Analysis
3. Market Intelligence

The Market Research Process is critical because it provides the procurement professional with relevant and current information to make the most appropriate decision regarding the procurement of commodities and construction.

Background

When procurement was primarily a transactional purchasing function, a significant challenge of market research was where to find resources of information to shed light on an industry or specific purchase. Today, an overabundance of readily-available information has shifted the challenge of market research. We now must know how to ask intentional questions that will focus the search for accurate data and information and allow the procurement professional to identify and extract relevant content.

Definition

The **Market Research Process** consists of research, analysis, and intelligence to arrive at the most suitable approach to procuring commodities and construction.



RESEARCH



ANALYSIS



INTELLIGENCE



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Element 1: The market research process provides a foundation for the procurement process.

The primary purpose of the market research process in public procurement is to determine the availability of sources of supply or alternative solutions that will meet minimum requirements. The market research process must be conducted to gain insights into the current market conditions related to the commodity. The process includes identifying viable sources in the marketplace and their relationship to each other in terms of market penetration and understanding the emerging technologies and trends within the respective industry as well as the primary cost drivers that affect pricing and availability.

Procurement professionals should understand the rationale for the market research process and recognize this phase of the procurement cycle as their responsibility, even when a project manager is involved. This responsibility includes the procurement professional conducting their own investigation in addition to accepting the requirements provided by the end user or client.

The market research process should be performed with a specific or strategic application in mind. The extent and nature of market research may depend upon the size and nature of the commodity. Identifying the purpose and desired outcome of the market research process will help focus the gathering and analysis of relevant data and information. Data relates primarily to measurable facts whereas information is more qualitative. The market research process may be initiated for a multiplicity of intended applications, including:

- Benchmarking
- Competitive Analysis, e.g., specific industry
- Decisions about Salaries, Outsourcing
- Procurement of Goods, Services, Construction
- Better Knowledge of Supplier Strategy
- Managing Risk to the Entity
- More Informed Entity
- Identification of Opportunities to Advance Government Priorities

The concepts and guidance contained in this document may be utilized for a variety of applications, such as those noted above. However, this document is directed to the market research process conducted for the procurement of goods, services, and construction.

The market research process supports procurement decisions such as:

- Solicitation Method
- Lease or Buy
- Location, e.g., Hosting IT, Infrastructure
- Scope of Work/Specifications
- Evaluation Criteria
- Contract Type

The market research process is not a substitute for full and open competition. It is not to be used to determine which product, service, or supplier is best.

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Element 2: The market research process consists of research, analysis, and intelligence. Specific questions should be determined based on the purpose, or application, of the market research process to focus research and identify useful data and information.

Research

Research should include, but not be limited to, general pricing information, including primary cost drivers; availability of products and sources; industry revenues; economic factors; environmental considerations; new or emerging technologies; and competitive factors, such as quality, product features, and typical lead time. Research should also consider elements such as whether the procurement is a one-time purchase or long-term contract.

Research steps:

1. Establish the purpose and desired outcome of the market research process.
2. Determine the research approach.
3. Collect data and information.

Establish Purpose and Desired Outcome

The initial step of research identifies both the purpose and the desired outcome or goal. For example, the purpose may be to procure XYZ and the desired outcome or goal to procure XYZ for the best value from a Disadvantaged Business Enterprise (DBE) supplier.

Determine Research Approach

The research approach is the plan for extracting data and information relevant to the procurement. Once the purpose and goal of market research have been determined, some key questions are helpful before beginning data collection:

- Is the research plan developed to meet a tactical or strategic need?
- Which resources will be utilized?
- In addition to Procurement, who is involved in market research, e.g., department end user, legal department, technical specialist?

Collect Data and Information

Once the research approach has been established, data and information are collected to determine the capacity and capability of the marketplace to meet the needs of the entity. Questions serve to focus research and yield useful data and information about existing products or services, qualified sources, industry trends, pricing, and what other entities are doing to meet the same or similar requirements. To maximize the effectiveness of market research, questions should be constructed that will lead to the desired outcomes. Examples of focusing questions include:

- What does market intelligence tell us about the current market?
 - Has the market changed significantly?
 - How has it changed?
- Who are the major suppliers for the particular good, service, or construction?
- Is there a meaningful choice of supply in the market?
- What are the suppliers' terms for warranties, buyer financing, maintenance, packaging, and marking?
- What sustainable practices are used by suppliers, e.g., recovered materials, disadvantaged business enterprises (DBE)?
- Are there any new or emerging technologies in the marketplace?
- How do other local entities contract for the goods, services, or construction and what is the estimated cost/price other entities or states have paid?



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The following internal factors may also be relevant:

- Has there been a significant change in department planned allocations? Why?
- Are there potential synergies between existing contracts?
- Is this a one-time purchase or long-term contract?
- What recent actions have been taken by client departments, e.g., online searches, trade shows?
- For sole source requests, what in-depth research was conducted to identify similar products that might meet the needs of the department?

Sources of Research Data

There are a variety of sources for information, however, the first place to start may be Procurement's database of suppliers. Using the commodity or category codes, e.g., NIGP Codes, North American Industry Classification System (NAICS), United Nations Standard Products and Services Code (UNSPSC), chosen by the entity's registered suppliers, departments may find suppliers with the ability to meet their requirements. Departments may also contact one or more subject matter experts within the entity, other governments, or private industry. Sources of research data include:

- Publications and Trade Journals
- Marketing Organizations, Professional Associations and Trade Shows
- Colleagues from Other Jurisdictions
- Association Websites, e.g., NIGP, ISM
- Online Searches
- Social Media
- Market Research Portals
- Survey and Subscription Services
- Knowledgeable Individuals in Government and Industry
- Consultant Reviews
- Advertisements
- Catalogs and Price Lists
- Cooperative Procurement Entities
- Industrial Publications and Whitepapers
- Other public entity procurement professionals with similar needs
- Industry Day to Present Plans for a Future Procurement
 - Formats include webinars, conferences, telephone conferences
- Applicable Government Websites, e.g., The Bureau of Labor Statistics
- Potential Suppliers who are Contacted Directly to Request Information

While suppliers may readily provide information about their products and how they meet government needs, suppliers may choose to not share information on problems or issues with their products.

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Analysis

Market analysis is the activity in which the data and information gathered during research are organized, evaluated, and interpreted to:

- Develop an accurate, unbiased snapshot of the market.
- Identify the overall economics of the supply chain.
- Determine the capability and capacity of the market to meet entity needs.
- Determine seasonal considerations.
- Determine the most appropriate procurement method.
- Write the most effective solicitation.

When to Perform Market Analysis

Market analysis helps identify the patterns, trends, and commonalities in the marketplace for a specific procurement. In addition to other considerations, market analysis should be done when goods and/or services:

- Are difficult to purchase due to the complexity involved.
- Involve a high level of expenditure.
- Are critical to the mission of the entity.

Analysis steps:

1. Analyze data and information
2. Generate reports
3. Utilize data and information

Analyze Data and Information

Analysis involves reviewing data and information and identifying relevance to the focused questions with which market research began.

Generate Reports

Reports are an integral part of the market research process. They are used to relay the information that has resulted from the research and analysis. Reports should be generated in a way the data can be dissected, arranged, and interpreted. Charts, graphs, and other visuals can be used to further delineate the results on topics such as:

- Market Trends
- Competition and Market Conditions, e.g., available suppliers, price, and cost
- Market Type, e.g., perfect competition, oligopoly, monopoly
- Cost Drivers

Types of reports include:

- Price/Cost Analysis
- Total Cost of Ownership
- Value Analysis
- Trend Analysis
- Supply Market Analysis
- Make/Buy Analysis



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Utilize Data and Information

Data from the reports should provide a clearer understanding of the market and the necessary insights to develop procurement strategies for the procurement of the goods or services.

Intelligence

Market intelligence is ongoing, rather than a sequence of steps, and refers to the continuous strategic process of gathering and analyzing information relevant to a supply market to support accurate and confident decision making in the procurement process.

Market intelligence allows entities to adapt to changes taking place in the market and, if needed, to apply knowledge gained to restart the market research process. The entity should continually be building its market intelligence and applying that data and information to existing procurements.

Findings from market research and analysis, whether from specific procurements or ongoing research, should be added to the repository of knowledge about the market, i.e., market intelligence. Successful intelligence provides answers to questions such as are there:

- New patterns and trends emerging regarding products, supply, innovations, industries?
- Discontinued or obsolete goods, practices, or industries?
- New products being introduced?
- New supply sources in the marketplace?

Conduct Broad, Ongoing Research

At its core, intelligence uses multiple sources of information to create a broad picture of the market. Intelligence information can be gathered from similar sources as those utilized in the initial market research such as the Internet, the supplier community, industry associations, professional organizations, and other governmental agencies.

To ensure that intelligence is relevant and continually updated, information can be gleaned from research within normal activities such as keeping up with world news, attending trade shows, and reading industry publications. Research can also be scheduled, e.g., six months before a contract is scheduled to renew.

Apply Relevant Intelligence to Specific Procurements and Existing Contracts.

Continuously conducting market intelligence and being aware of the market environment provides procurement professionals, end users, and clients with insights into how internal, e.g., entity initiatives, and external elements, e.g., technology, are impacting goods and services. Insights may include:

- Items no longer being used or obsolete.
- Whether a new solicitation is needed.
- New information being incorporated into future solicitations.

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Conclusion

Market research is no longer seen as an isolated task. Rather, research is a step in a continuing process that acknowledges the interdependence and cyclical nature of research, analysis, and intelligence. Conducting the market research process contributes to Procurement's strategic value in achieving entity goals. Therefore, whether applying the market research process to managing risk or procuring goods, services, and construction, it should be conducted with due diligence.

Resources

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