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# FEDERAL GOVERNMENT STRATEGIC SOURCING OF INFORMATION PRODUCTS AND SERVICES

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## **PREFACE**

This report describes the current landscape of the federal marketplace regarding the acquisition of information goods and services, which includes electronic databases, books, and serials. It compiles comprehensive data on the amount that federal agencies are spending on these products and services and also identifies the major vendors of these products and services. In addition, the report forecasts through FY2015 the potential savings to the federal government if agencies purchased these products and services through a strategic-sourcing initiative. The data are presented in the form of tables, graphs, and charts, accompanied by narrative explanation and analysis.

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## **INTRODUCTION**

This report provides an analysis of the federal government’s information market from fiscal year (FY) 2000 to FY2011, as well as estimates of cost savings the federal government could realize from FY2012 to FY2015 by procuring information goods and servicing through a strategic-sourcing process. Among the topics analyzed in this report are the products and services that compose the information market, the federal agencies that have been major purchasers of those products and services, and the contractors that have provided them. Throughout this report, data tables, graphs, and charts detail and illustrate the findings.

Briefly summarized, the findings are that from FY2000 to FY2011, federal government agencies spent an estimated \$5.9 billion—nearly \$500 million annually—on print publications, electronic databases, information retrieval, and other commodities that can be collectively described as an “information market.” If all federal agencies procured information products and services through the federal government’s existing strategic-sourcing program, the Federal Strategic Sourcing Initiative (FSSI), the federal government could realize savings ranging from 9 percent to 20 percent, or around \$127 million to \$500 million in total savings for the four-year period from FY2012 to FY2015. In addition to these direct savings on purchases, the government could realize indirect savings on labor and other costs associated with procurement.

## **METHODOLOGY**

The data in this report are from USAspending.gov, a Web site that the Office of Management and Budget maintains to disclose details of federal awards, including funding agency, award amount, and award recipient. The federal government also maintains another Web site that provides such data, the Federal Procurement Data System (FPDS); however, the researcher has found the data available on FPDS to be less extensive for specific fiscal years than the data available from USAspending.gov.

The first step in the research process was to determine the categories of goods and services that can be reasonably considered to constitute an information market, by identifying the “Product Service Codes” (PSCs) that federal procurement contracts use to classify contracted products and services. The researcher concluded that 15 PSCs cover information commodities (see table 1, below, for a listing of these PSCs) and then used the USAspending Web site’s

“Primary Award Advanced Search” to search for information on those PSCs.<sup>1</sup> Focusing on a) the federal agencies that awarded contracts for all 15 PSCs and b) the contractors that were awarded those contracts, the researcher downloaded more than 400 comma-separated value-format (CSV-format) files, converted the files to Microsoft Excel, and then used Excel to produce the analysis detailed herein. The data are accurate as of November 17, 2011, the date on which they were downloaded. The years of coverage for the data in this report—FY2000–FY2011—reflect all of the fiscal years for which USAspending.gov provided federal award data as of November 2011.

## **OVERVIEW OF THE FEDERAL STRATEGIC-SOURCING INITIATIVE**

In May 2005, the Office of Management and Budget and the Office of Federal Procurement Policy issued a memorandum requiring federal agencies to identify commodities that the government could efficiently purchase through strategic sourcing. The document defined strategic sourcing as “the collaborative and structured process of critically analyzing an organization's spending and using this information to make business decisions about acquiring commodities and services more effectively and efficiently.”<sup>2</sup> Soon after, in November 2005, the General Services Administration (GSA) and the Department of the Treasury launched the Federal Strategic Sourcing Initiative (FSSI), and the federal government later established FSSIs for domestic delivery services, office supplies, and wireless telecommunications services.<sup>3</sup> According to GSA, federal government agencies utilizing these FSSIs have collectively saved \$16 million on office supplies (8.4 percent savings on products and services valued at \$180.2 million) and \$134 million on domestic delivery services (71.3 percent savings on commodities valued at \$188.7) in FY 2011.<sup>4</sup>

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<sup>1</sup> The first iteration of this study used 16 PSCs in its analysis. One of those PSCs—“Miscellaneous Printed Matter” (PSC 7690)—has been dropped in this second analysis of the federal information market because it included substantial spending on products and services that were determined not to be information products and services.

<sup>2</sup> U.S. Office of Management and Budget, “Implementing Strategic Sourcing” (memorandum, Washington, DC, May 20, 2005), <http://www.uspto.gov/web/offices/ac/comp/proc/OMBmemo.pdf> (accessed July 15, 2011).

<sup>3</sup> U.S. General Services Administration, “About Strategic Sourcing,” <http://strategicsourcing.gov/gsa/about-strategic-sourcing> (accessed July 26, 2011).

<sup>4</sup> U.S. General Services Administration, “Strategic Sourcing Metrics,” <http://strategicsourcing.gov/gsa/index.php> (accessed November 16, 2011).

## **DEFINING THE FEDERAL INFORMATION MARKET**

In order to present an analysis of the federal government’s spending on the “information market,” it is necessary to define the term operationally as it is used in this paper. The U.S. federal government does not formally define the information market, but a taxonomy of products and services that constitute an information market can be constructed from classification systems that federal agencies use in procurement contracts. One such system is the aforementioned PSCs, specifying goods and services purchased under government procurement contracts, and another is the North American Industry Classification System (NAICS), which outlines categories of industries and commercial activities that provide products and services.<sup>5</sup>

The information in this report is based on data organized by PSC rather than NAICS categories, because PSC categories are more appropriate for identifying procured products and services. In federal procurement contracts, NAICS classifications specify the industries that produce and distribute goods and services, whereas PSC designations identify the procured products and services.<sup>6</sup> Moreover, federal contract data on PSC classifications are more readily available than are contract data organized by NAICS categories. The reason for the greater availability of PSC data is that the USAspending.gov Web site allows users to download federal contract data for PSC categories but not for NAICS classifications.

Based on PSC classifications, 15 categories of products and services can be considered to be components of the federal government’s information market. These products and services, which are listed in table 1 (see below), consist of a diverse array of commodities, including books, electronic databases, and library services.

One finding that emerges from the data in table 1 is that federal government agencies spent around \$5.9 billion on information products and services in the 12 years from FY2000 to FY2011, an average of \$488.6 million annually for that period. The figures, however, likely undercount the actual value of information commodities, because they include only contract values for product service codes that can be reasonably categorized as part of an information market and not all contracts awarded to companies that provide only information products and services. For example, the \$5.9 billion in federal spending on information products and services

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<sup>5</sup> U.S. General Services Administration, “Frequently Asked Questions About FPDS-NG,” [https://www.acquisition.gov/faqs\\_whataboutfpds.asp#q16](https://www.acquisition.gov/faqs_whataboutfpds.asp#q16) (accessed July 28, 2011).

<sup>6</sup> U.S. Census Bureau, *2007 NAICS Definitions* (Washington, DC, 2007), n.p. [page 376 of downloadable PDF], <http://www.census.gov/cgi-bin/sssd/naics/naicsrch?chart=2007> (accessed July 19, 2011).

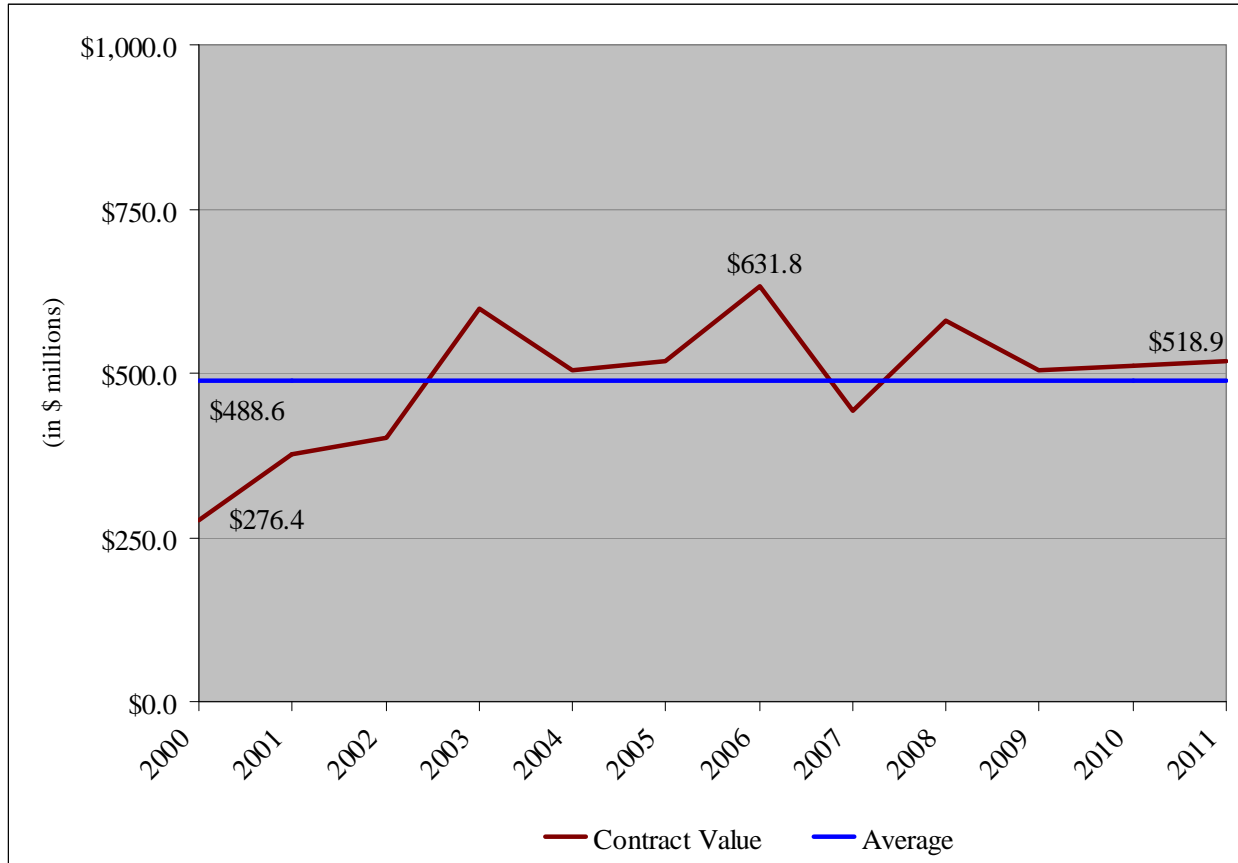
does not include contracts such as a Reed Elsevier agreement with the Department of the Treasury for the Lexis/Nexis electronic database under PSC 7030, “Automatic Data Processing Software.” PSC 7030 covers commodities not defined as part of the information market such as a Dell Incorporated contract with the Department of the Treasury for Dell Optiplex, a desktop computer system, that is also classified as PSC 7030.

**Table 1. Federal Information Market, Products and Services, FY2000–FY2011**

<b>Products and Services (Product Service Code)</b>	<b>Contracts (in \$ millions)</b>	<b>Percentage of Total Contracts</b>	<b>Cumulative Percentage</b>
Automated news services, data services, or other information services. Buying data the electronic equivalent of books, periodicals, newspapers (D317)	1,228.8	21.0%	21.0%
Books and pamphlets (7610)	1,175.8	20.1%	41.0%
Library services (R605)	905.9	15.5%	56.5%
Maps, atlases, charts, and globes (7640)	802.2	13.7%	70.1%
Information retrieval (R612)	790.8	13.5%	83.6%
Newspapers and periodicals (7630)	664.9	11.3%	95.0%
Microfilm processed (7670)	92.5	1.6%	96.6%
Drawings and specifications (7650)	87.2	1.5%	98.0%
Digital maps, charts, and geoditic products (7644)	77.1	1.3%	99.4%
Technical representation services— Books, maps, and other publications (L076)	26.8	0.5%	99.8%
Aeronautical maps, charts, and geodesic products (7641)	4.3	0.1%	99.9%
Sheet and book music (7660)	2.8	0.0%	99.9%
Hydrographic maps, charts, and geodesic products (7642)	2.2	0.0%	100.0%
Topographic maps, charts, and geodesic products (7643)	1.7	0.0%	100.0%
Books, maps, and other publications (76)	(\$934)	0.0%	100.0%
<b>Total</b>	<b>5,863.2</b>	<b>100%</b>	
<b>Annual average, FY2000–FY2011</b>	<b>488.6</b>		

Another finding that emerges from data available from USAspending.gov is that federal-government spending on information products and services increased from about \$276 million in FY2000 to more than \$631 million in FY2006. Spending declined in FY2007, rose again in

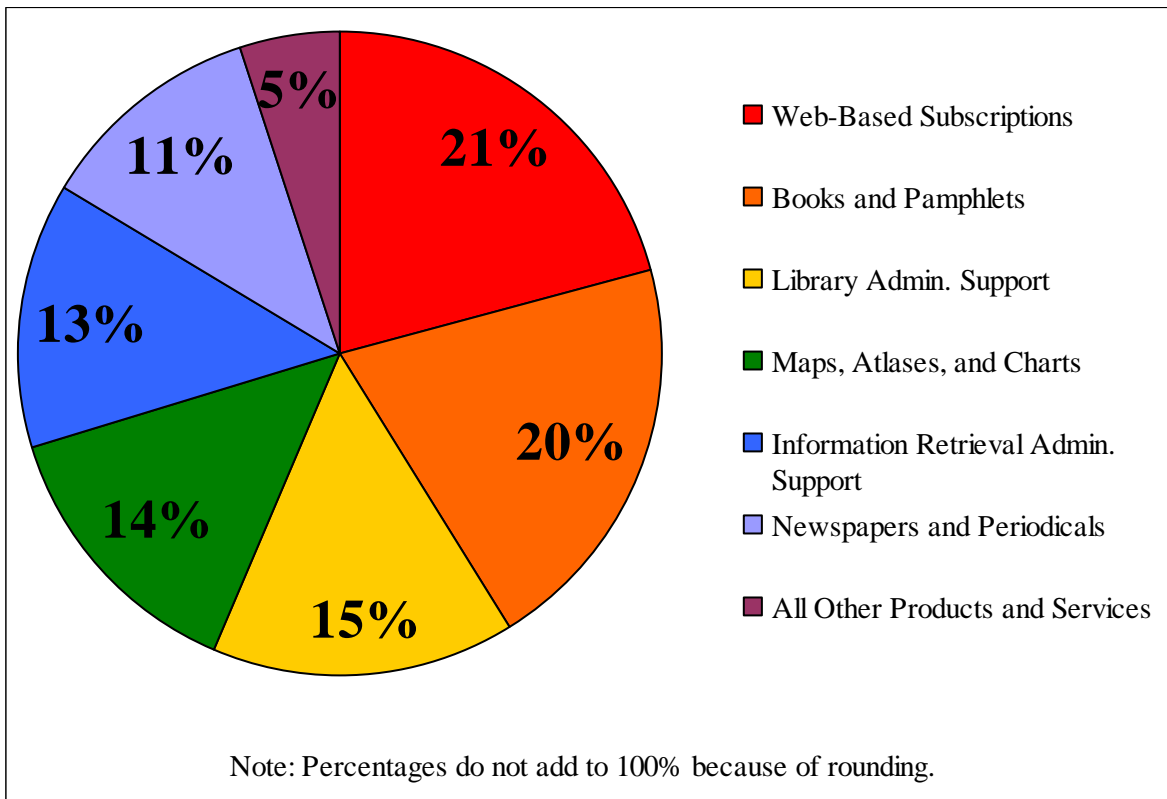
FY2008, and then declined somewhat in FY2009 before beginning a steady increase to nearly \$519 million by FY2011 (as of November 2011; see figure 1, below).



**Figure 1. Value of the Federal Information Market, FY2000–FY2011**

With regard to the major products and services in the information market, six of the 15 types of information products and services accounted for nearly 95 percent of federal-government spending, as measured by contract value from FY2000 to FY2011 (see figure 2, below).





**Figure 2. Federal Information Market FY2000–FY2011, Products and Services**

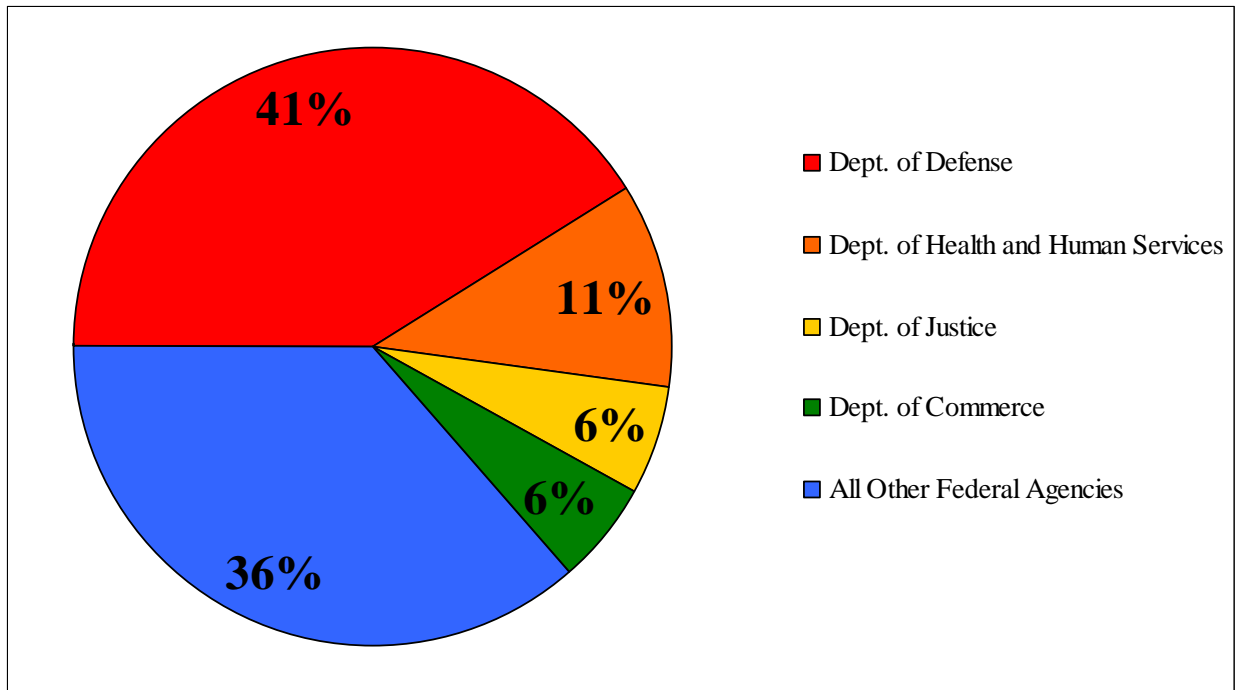
### **INFORMATION MARKET SPENDING BY FEDERAL AGENCIES**

Federal-agency spending on information products and services from FY2000 to FY2011 varied substantially, from approximately \$5 million (Small Business Administration) to nearly \$2.4 billion (Department of Defense). Furthermore, the average spending by federal agencies on information products and services from FY2000 to FY2011 was \$226 million per agency (see table 2 and figure 3, below).

**Table 2. Federal Agencies' Spending on Information Products and Services, FY2000–FY2011**

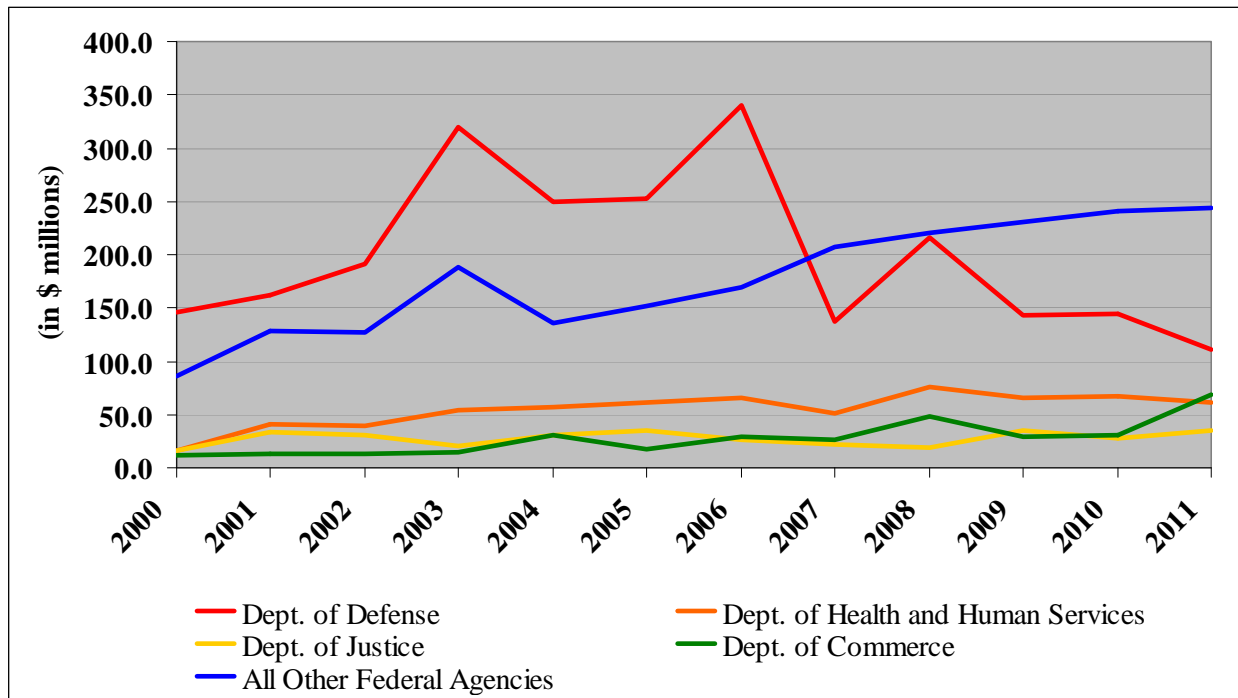
<b>Agency</b>	<b>Spending (in \$ millions)</b>	<b>Percentage of Total</b>
Department of Defense	2,414.1	41.2%
Department of Health and Human Services	655.5	11.2%
Department of Justice	331.4	5.7%
Department of Commerce	331.1	5.6%
General Services Administration	260.0	4.4%
Environmental Protection Agency	246.9	4.2%
Department of Veterans Affairs	243.2	4.1%
Department of the Treasury	224.8	3.8%
All other agencies	191.2	3.3%
Social Security Administration	171.0	2.9%
Department of Homeland Security	153.2	2.6%
Department of the Interior	130.2	2.2%
Department of State	104.5	1.8%
Department of Agriculture	90.1	1.5%
National Aeronautics and Space Administration	69.7	1.2%
Department of Education	49.3	0.8%
Department of Transportation	38.9	0.7%
Department of Energy	34.9	0.6%
U.S. Agency for International Development	34.3	0.6%
Department of Labor	28.9	0.5%
Department of Housing and Urban Development	26.0	0.4%
Nuclear Regulatory Commission	11.4	0.2%
Office of Personnel Management	10.2	0.2%
National Science Foundation	6.9	0.1%
Small Business Administration	5.3	0.1%
<b>Total</b>	<b>5,863.2</b>	<b>100%</b>
<b>Average</b>	<b>234.5</b>	

Four agencies accounted for nearly 64 percent of all contracts for information products and services from FY2000 to FY2011, which, in dollar terms, represented \$3.7 billion in spending during that period. Those four agencies were: Defense (41 percent of total spending), Health and Human Services (11 percent), Justice (6 percent), and Commerce (6 percent).



**Figure 3. Federal Information Market Spending by Agency as a Proportion of Total Spending, FY2000–FY2011**

Agency spending on information products and services fluctuated from FY2000 to FY2011, but in general most agencies' spending on information commodities either remained essentially constant or trended upward over the period. One apparent exception to this trend was the Department of Defense, as available data indicate a precipitous decline in that agency's FY2011 spending on information commodities (see figure 4, below).



**Figure 4. Federal Information Market, Top Federal-Agency Spending Trends, FY2000–FY2011**

### CONTRACTORS IN THE FEDERAL INFORMATION MARKET

From FY2000 to FY2011, federal agencies contracted with thousands of organizations to provide the 15 categories of information products and services listed in table 1 (see above). Among this multitude of contractors, 14 contractors stood out for receiving 50 percent of all contracts, as measured by the value of those contracts. The top contractor for information commodities for the federal government was Reed Elsevier, with \$398 million in contracts, followed by GeoEye<sup>7</sup> (\$385 million), Thomson Reuters (\$329 million), and Computer Sciences Corporation (\$285 million). These four companies alone received \$1.4 billion in federal-government contracts for information products and services, nearly one-quarter of all contracts, as measured by contract value.

All of these contractors and others appear in table 3, below, which lists the top 50 recipients of federal-government contracts for information products and services from FY2000 to

<sup>7</sup> This figure includes the combined contract totals for GeoEye and the two companies that combined to form GeoEye: Orbital Sciences Corporation and Space Imaging LLC. In 2006 Orbital Sciences Corporation (also known as ORBIMAGE) purchased Space Imaging LLC’s assets and formed the company GeoEye. See GeoEye, “About Us,” <http://www.geoeye.com/CorpSite/about-us/> (accessed July 29, 2011).

FY2011. These 50 contractors collectively received \$3.8 billion in contracts for information commodities, representing nearly two-thirds (i.e., 66 percent) of the information market for that period.

It is important to note that information in table 3 is intended to be a readily accessible listing of the prominent contractors in the federal information market and thus includes the names of parent companies rather than subsidiaries. Consequently, the value of contracts for some contractors in this table includes contracts awarded to parent companies and their subsidiaries. For example, the value of contracts awarded to Reed Elsevier includes contracts awarded to Reed Elsevier and its subsidiaries Elsevier B.V., Elsevier STM, Inc., LexisNexis, etc. Similarly, the contract value for Thomson Reuters includes the values of contracts awarded to that company and its subsidiaries (West Government Services, Westlaw, etc.). It should also be noted that while some contractor names in this table are enigmatic and unclear—namely “Government of the United States,” “Miscellaneous Foreign Contractor,” and “State of California”—these are the contract awardees as they are listed in USAspending.gov.<sup>8</sup>

**Table 3. Top Contractors in the Federal Information Market, FY2000–FY2011**

	<b>Contractor</b>	<b>Contracts (in \$ millions)</b>	<b>Pct. of All Contracts</b>	<b>Cumulative Percentage</b>
1	Reed Elsevier	396.9	6.8%	6.8%
2	GeoEye	384.9	6.6%	13.3%
3	Thomson Reuters	324.0	5.5%	18.9%
4	Computer Sciences Corp.	285.0	4.9%	23.7%
5	Arctic Slope Regional Corp.	241.5	4.1%	27.8%
6	DigitalGlobe	173.5	3.0%	30.8%
7	Ebsco	168.5	2.9%	33.7%
8	Gartner	139.1	2.4%	36.0%
9	IHS, Inc	96.3	1.6%	37.7%
10	Koniag	91.8	1.6%	39.3%
11	Swets & Zeitlinger	89.0	1.5%	40.8%
12	American Chemical Society	72.9	1.2%	42.0%
13	Wolters Kluwer	70.1	1.2%	43.2%

<sup>8</sup> It should be noted that the amounts in table 3 differ from those provided in the equivalent table in the first iteration of this report, with some vendors showing lower amounts and others showing higher amounts. These variations are the result of the discontinuation of one product service code (PSC) in these calculations (PSC 7690, see footnote 1) and of updated data available from USAspending.gov.

**Table 3. Top Contractors in the Federal Information Market, FY2000–FY2011**

	<b>Contractor</b>	<b>Contracts (in \$ millions)</b>	<b>Pct. of All Contracts</b>	<b>Cumulative Percentage</b>
14	Calista Corp.	69.1	1.2%	44.4%
15	Lockheed Martin	66.4	1.1%	45.5%
16	Cenveo	62.7	1.1%	46.6%
17	Pearson	58.9	1.0%	47.6%
18	Boeing Company	57.4	1.0%	48.6%
19	Afognak Native Corp.	57.0	1.0%	49.5%
20	McGraw Hill	54.6	0.9%	50.5%
21	Miscellaneous Foreign Contractors	53.7	0.9%	51.4%
22	Cambridge Information Group	44.7	0.8%	52.2%
23	Basch Subscriptions	49.8	0.8%	53.0%
24	Information International Associates	47.3	0.8%	53.8%
25	Dun & Bradstreet	45.2	0.8%	54.6%
26	Hewlett-Packard Company	34.1	0.6%	55.2%
27	Wilson Information Services	29.9	0.5%	55.7%
28	Jim Pattison Group	29.8	0.5%	56.2%
29	Dynamics Research Corp.	29.4	0.5%	56.7%
30	New Directions Technologies	28.4	0.5%	57.2%
31	Techna-Graphics	27.7	0.5%	57.6%
32	Logical Technical Services Corp.	27.6	0.5%	58.1%
33	International Health Terminology Standards Development Organisation	26.8	0.5%	58.6%
34	Bureau of National Affairs	26.4	0.5%	59.0%
35	GRB Environmental Services	26.2	0.4%	59.5%
36	SAIC	25.9	0.4%	59.9%
37	CSR, Inc.	25.0	0.4%	60.3%
38	WPP plc	24.6	0.4%	60.8%
39	Divine, Inc.	24.5	0.4%	61.2%
40	Scholastic Corp.	24.4	0.4%	61.6%
41	BAE Systems	24.2	0.4%	62.0%
42	ICF International	24.1	0.4%	62.4%
43	State of California	23.8	0.4%	62.8%
44	QuickSeries Publishing	23.1	0.4%	63.2%
45	Readmore, Inc.	23.1	0.4%	63.6%
46	Library Associates	21.8	0.4%	64.0%
47	McKing Consulting	21.6	0.4%	64.3%

**Table 3. Top Contractors in the Federal Information Market, FY2000–FY2011**

Contractor		Contracts (in \$ millions)	Pct. of All Contracts	Cumulative Percentage
48	Times Holding Company	21.0	0.4%	64.7%
49	Government of the United States	19.6	0.3%	65.0%
50	Faxon Company	18.1	0.3%	65.3%
<b>Total</b>		<b>3,831.3</b>	<b>65.3%</b>	

With regard to small-business vendors' participation in the information market, small businesses received nearly 40 percent of all contracts for information products and services between FY2000 and FY2011 but only 33 percent of federal spending on those commodities (see table 4 and figure 5, below). This disparity suggests that small businesses received a substantial number of contracts for information products and services but that their contract values were lower than those of large-business vendors. Additional key findings are as follows:

- Small-business vendors received the majority of contracts for five categories of products and services: 1) library services (64.4 percent); 2) topographic maps, charts, and geodesic products (62.3 percent); 3) aeronautical maps, charts, and geodesic products (53.7 percent); 4) hydrographic maps, charts, and geodesic products (50.9 percent); and 5) drawings and specifications (50.7 percent).
- In terms of contract value, small-business vendors received the majority of contracts for four categories of products and services, some of which are different than those listed above: 1) hydrographic maps, charts, and geodesic products (91.9 percent); 2) library services (72.6 percent); 3) topographic maps, charts, and geodesic products (62.6 percent); and 4) books, maps, and other publications (50.6 percent).
- Among the six commodities that accounted for nearly 95 percent of federal-government spending on information goods and services, small businesses were a major provider of only one of those commodities—library services (see figure 1, above).

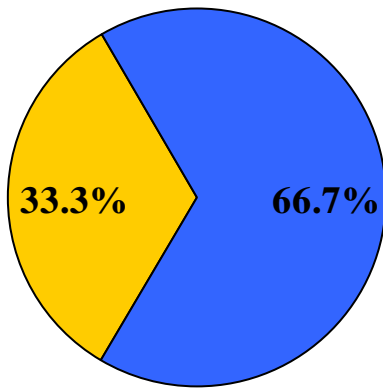
**Table 4. Small-Business Participation in the Federal Information Market, FY2000–FY2011**

Information Goods and Services (Product/Service Code)	Contract Value (in \$ millions)			Number of Contracts		
	All Contractors	Small Business Contractors	Small Business (as %)	All Contractors	Small Business Contractors	Small Business (as %)
Library services (R605)	\$906.8	\$658.3	72.6%	9,787	6,300	64.4%
Books and pamphlets (7610)	\$1,176.8	\$457.5	38.9%	65,123	28,823	44.3%
Newspapers and periodicals (7630)	\$665.2	\$236.1	35.5%	21,474	6,364	29.6%
Information retrieval (R612)	\$802.9	\$234.9	29.3%	15,535	5,436	35.0%
Automated news services, data services, or other information services. Buying data the electronic equivalent of books, periodicals, newspapers (D317)	\$1,229.8	\$171.3	13.9%	11,044	3,110	28.2%
Maps, atlases, charts, and globes (7640)	\$790.8	\$146.3	18.5%	3,251	743	22.9%
Digital maps, charts, and geoditic products (7644)	\$77.0	\$14.4	18.7%	897	307	34.2%
Drawings and specifications (7650)	\$87.2	\$10.0	11.5%	980	497	50.7%
Technical representation services— Books, maps, and other publications (L076)	\$26.8	\$9.8	36.3%	427	181	42.4%
Microfilm processed (7670)	\$92.5	\$8.6	9.3%	1,670	225	13.5%
Hydrographic maps, charts, and geodesic products (7642)	\$2.2	\$2.0	91.9%	53	27	50.9%
Aeronautical Maps, Charts, and Geodesic Products (7641)	\$4.3	\$1.2	26.9%	205	110	53.7%
Topographic maps, charts, and geodesic products (7643)	\$1.7	\$1.1	62.6%	175	109	62.3%
Sheet and book music (7660)	\$2.8	\$0.5	17.2%	577	86	14.9%
Books, maps, and other publications (76)	\$0 (\$934)	\$0 (\$473)	50.6%	8	2	25.0%
<b>Total<sup>9</sup></b>	<b>\$5,866.9</b>	<b>\$1,952.0</b>	<b>33.3%</b>	<b>131,206</b>	<b>52,320</b>	<b>39.9%</b>

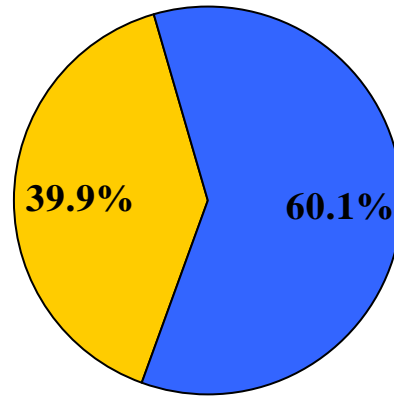
<sup>9</sup> Please note that the totals in this table are slightly higher (by \$3.7 million) than those totals elsewhere in this paper (\$5,866.9 billion in table 4, as opposed to \$5,863.2 billion in other tables). This disparity arises because most data in this paper are current as of November 17, 2011, whereas the data in table 4 are current as of November 23, 2011, and thus reflect additional data uploaded to USAspending.gov between the aforementioned dates.



**Percentage of Contract Dollars for Small Business FY2000–FY2011**



**Percentage of All Contracts for Small Businesses FY2000–FY2011**



**Figure 5. Small-Business Participation in the Federal Information Market**

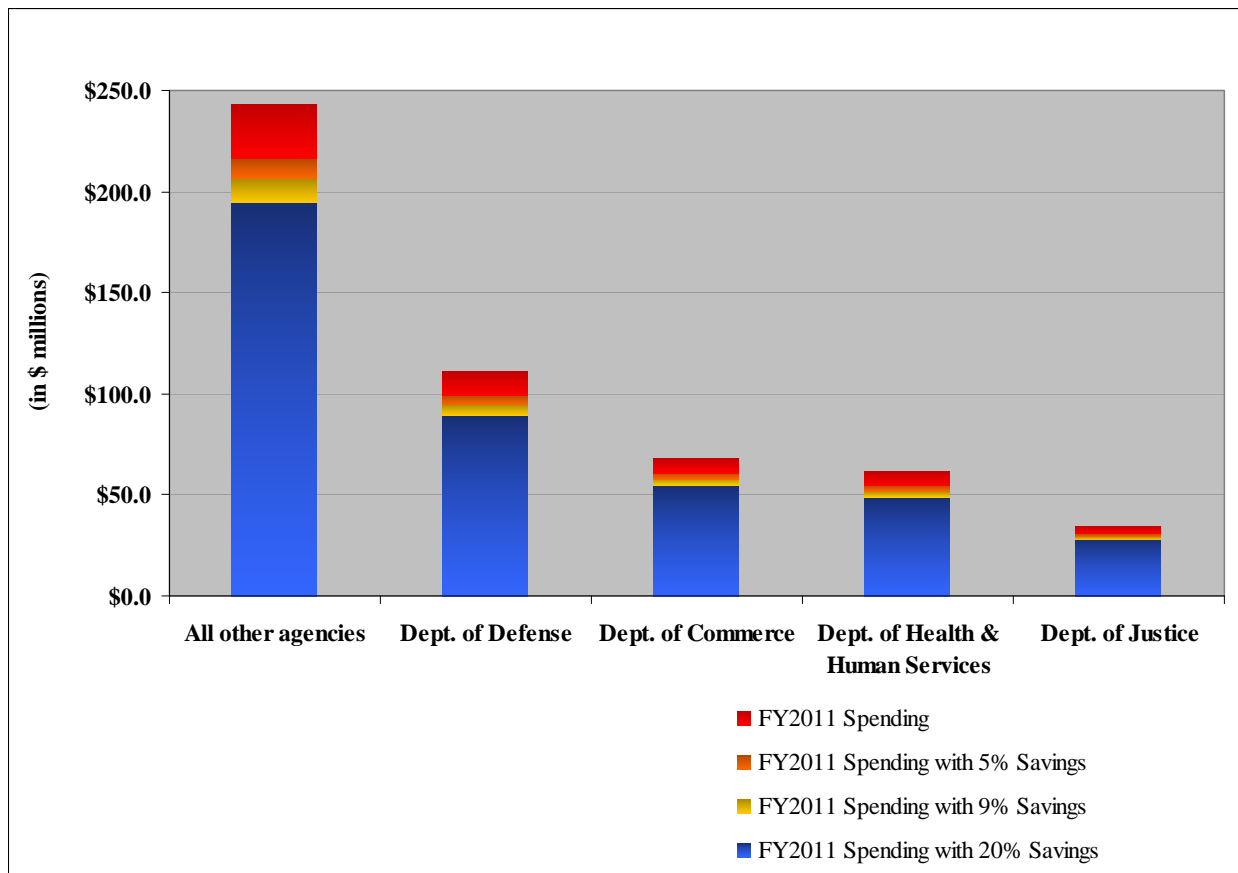
**BENEFITS OF A STRATEGICALLY SOURCED INFORMATION MARKET**

Thus far, the analysis of the federal information market has examined the market as it has existed without a federal strategic-sourcing program for information products and services. Calculations based on existing spending figures suggest that an initiative to strategically source information products and services could yield substantial savings on these products and services. If, for example, information commodities were under the FSSI in FY2011, the federal government could have saved in the range of \$26 million to \$104 million on information products and services. This range of savings is based on different scenarios of 5-percent to 20-percent savings on those commodities. These scenarios are detailed in table 5 and illustrated in figure 6, below. It is helpful to note that in figure 6, the tops of the colored bar segments indicate the total spending levels that could be realized at different discount rates through strategic sourcing of information commodities. Specifically, spending on information commodities with no discount is depicted by the top of the red segments, spending with a 5-percent discount is depicted by the top of the orange segments, spending at a 9-percent discount is depicted by the top of the yellow segments, and so on.

**Table 5. FY2011 Spending by Agency Under Different Savings Scenarios**

Agency	No FSSI	5%		9%		20%	
	Spending	Spending	Savings	Spending	Savings	Spending	Savings
Dept. of Defense	\$111.3	\$105.8	\$5.6	\$101.3	\$10.0	\$89.1	\$22.3
Dept. of Commerce	\$68.2	\$64.8	\$3.4	\$62.1	\$6.1	\$54.6	\$13.6
Dept. of Health and Human Services	\$61.2	\$58.2	\$3.1	\$55.7	\$5.5	\$49.0	\$12.2
Dept. of Justice	\$34.8	\$33.1	\$1.7	\$31.7	\$3.1	\$27.8	\$7.0
All other agencies	\$243.3	\$231.1	\$12.2	\$221.4	\$21.9	\$194.6	\$48.7
<b>Total</b>	<b>\$518.9</b>	<b>\$492.9</b>	<b>\$25.9</b>	<b>\$472.2</b>	<b>\$46.7</b>	<b>\$415.1</b>	<b>\$103.8</b>

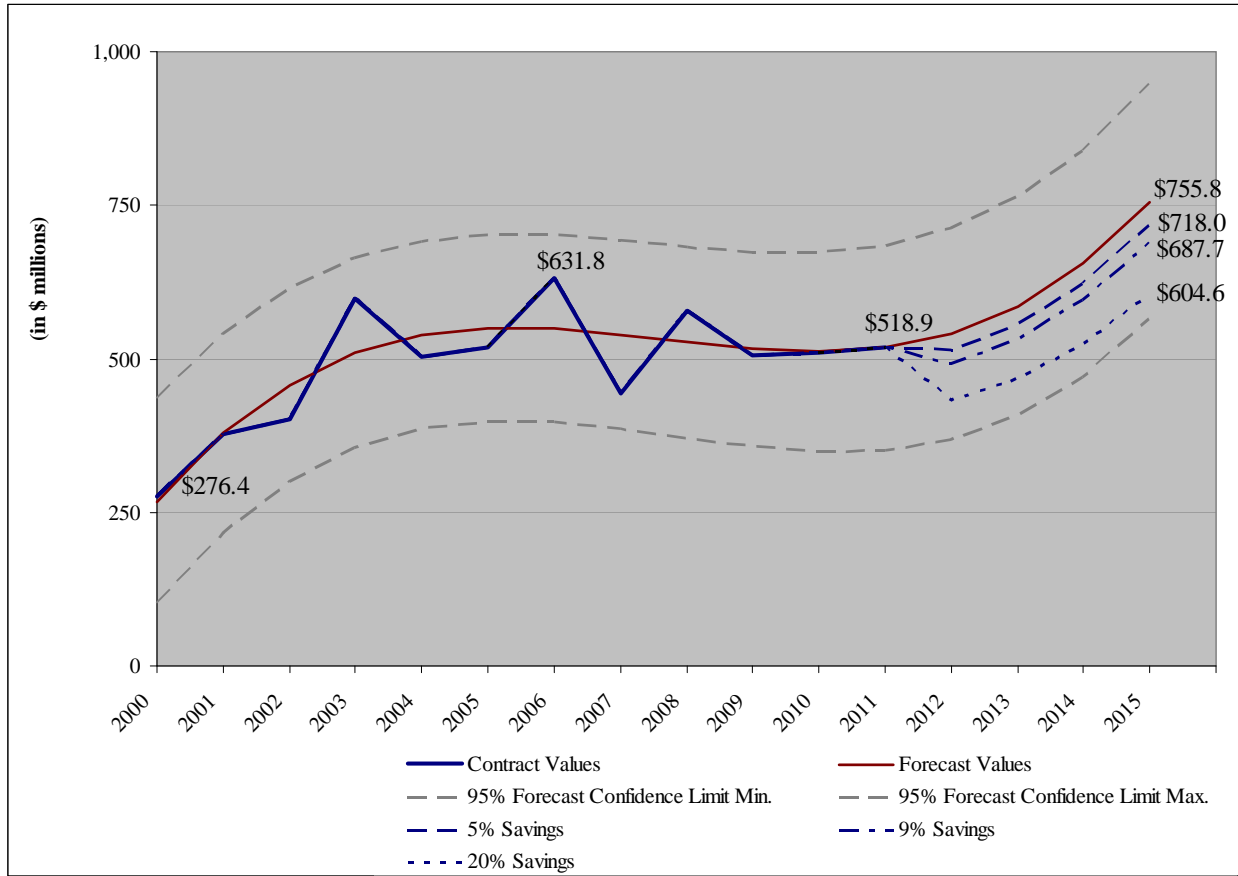
All figures are in \$ millions.



**Figure 6. FY2011 Spending by Agency Using Different Savings Scenarios**

With regard to the potential savings that strategic sourcing could provide for information products and services beyond FY2011, overall growth in the information market from FY2000 to FY2011 suggests that the market can be projected to grow from an estimated \$540 million in FY2012 to around \$750 million in FY2015. If the federal government established a strategic-

sourcing program for information products and services, and if all federal agencies participated in the program, the government could realize total savings in the range of \$127 million to \$500 million over that four-year period (see table 6 in the appendix at the end of this paper). These savings are based on discounts of 5 percent and 20 percent, respectively. Figure 7, below, depicts the estimations of growth in the information market by FY2015 under various discount scenarios.



**Figure 7. Projected Growth and Potential Savings in the Federal Information Market, FY2012–FY2015**

These forecasts are derived from a statistical analysis of changes in the federal information market between FY2000 and FY2011. More specifically, the researcher fitted a cubic regression model to the data for FY2000 to FY2011 and used the model to derive forecasts for FY2012 to FY2015. The cubic regression line is shown in red in figure 7 above, and the solid

blue line depicts actual spending. Forecasts of spending at various savings rates are indicated by the red regression line and various dashed blue lines.<sup>10</sup>

These projections of the future growth and potential savings in the information market are based on the assumption that all federal agencies would participate in a strategic-sourcing program for information products and services. Such calculations are illustrations of the economic usefulness of strategic sourcing, but they are also greatly simplified generalizations and unrealistic estimations based on the performance of existing FSSI programs. More specifically, the number of federal agencies participating in the three currently available FSSI programs has varied. Three agencies have participated in the wireless-services program, and 82 agencies have participated in the program for domestic delivery services, for example.<sup>11</sup>

If these growth and savings scenarios are recalculated to include variations in federal-agency participation, a richer, more detailed picture emerges of potential savings through strategic sourcing. However, such an exercise is beyond the scope of this report, because it entails creating numerous scenarios in which agencies do or do not participate in strategic sourcing at varying discount rates. Thus, for the purpose of gaining some estimation of the different savings that could be realized if varying proportions of agencies participated in an information-commodity FSSI program, more limited calculations were made of savings based on varying proportions of spending through such an FSSI program at varying discount rates. Specifically, calculations were made of spending and savings on information products and services if one-fourth, one-third, and one-half of such spending occurred at 5-percent, 9-percent, and 20-percent discount rates.

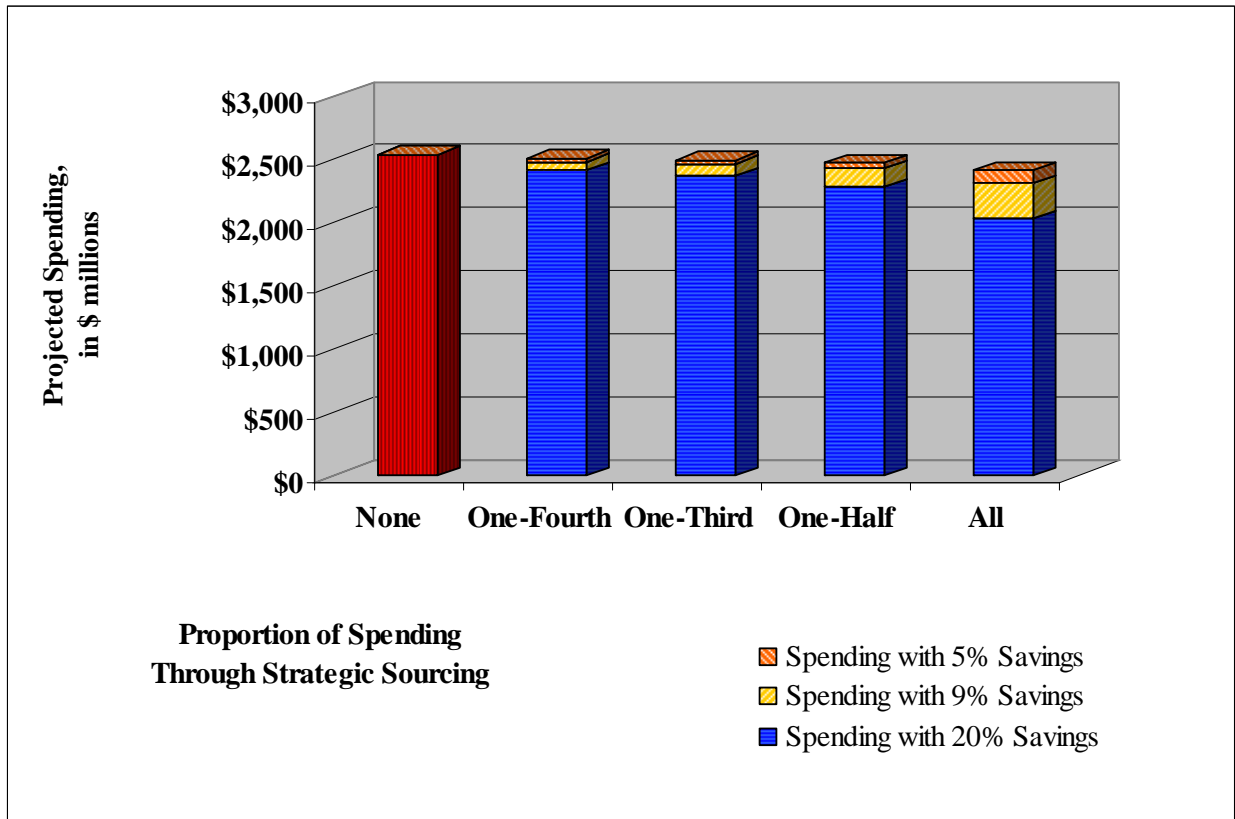
The findings, which are detailed in table 7 (see appendix) and depicted in figure 8, below, are that total savings on federal spending on information commodities would vary from almost \$32 million if one-fourth of such spending occurred at a 5-percent discount to nearly \$500 million if all of this spending occurred at a 20-percent discount. In figure 8, the tops of the colored bar segments indicate the spending levels at different discount rates. For example, spending on information commodities at a 5-percent discount is depicted by the top of the orange segments, spending at a 9-percent discount is depicted by the top of the yellow segments, and so

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<sup>10</sup> The equation for the cubic regression is  $Y=119.5 + 168.4 X_1 -20.9 X_2 + 0.8 X_3$ ;  $R^2=0.709$ , and model standard error of equation is 63.3.

<sup>11</sup> U.S. General Services Administration, “Strategic Sourcing Metrics.”

forth. Future spending estimates with no discount are depicted by the red bar on the left of the graph.



**Figure 8. FY2012–FY2015 Total Spending Projections Based on Various Strategic-Sourcing Scenarios**

**APPENDIX. ESTIMATED SPENDING AND SAVINGS PROJECTIONS**

**Table 6. Projected Growth and Savings in the Federal Information Market, FY2012–FY2015**

Savings	2012		2013		2014		2015		Total	
	Spending	Savings	Spending	Savings	Spending	Savings	Spending	Savings	Spending	Savings
No FSSI	\$541.1	\$0	\$585.2	\$0	\$655.1	\$0	\$755.8	\$0	\$2,537.2	\$0
5% savings	\$514.1	\$27.1	\$555.9	\$29.3	\$622.4	\$32.8	\$718.0	\$37.8	\$2,410.4	\$126.9
9% savings	\$492.4	\$48.7	\$532.5	\$52.7	\$596.2	\$59.0	\$687.7	\$68.0	\$2,308.9	\$228.4
20% savings	\$432.9	\$108.2	\$468.2	\$117.0	\$524.1	\$131.0	\$604.6	\$151.2	\$2,029.8	\$507.4

All figures are in \$ millions.

**Table 7. FY2012–FY2015 Total Spending Projections Based on Strategic-Sourcing Spending**

Proportion of Spending Through Strategic Sourcing	5% Discount		9% Discount		20% Discount	
	Spending	Savings	Spending	Savings	Spending	Savings
None	\$2,537.2	\$0	\$2,537.2	\$0	\$2,537.2	\$0
One-Fourth	\$2,505.5	\$31.7	\$2,480.1	\$57.1	\$2,410.4	\$126.9
One-Third	\$2,495.4	\$41.9	\$2,461.9	\$75.4	\$2,369.8	\$167.5
One-Half	\$2,473.8	\$63.4	\$2,423.1	\$114.2	\$2,283.5	\$253.7
All	\$2,410.4	\$126.9	\$2,308.9	\$228.4	\$2,029.8	\$507.4

All figures are in \$ millions.

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