Transforming IT Procurement: A Four-Part Series

Part 2: Understanding the Marketplace

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In Part 1 of this series, we looked at some common issues with IT procurement in state and local government and suggested initial steps for designing procurements around problem statements rather than prescriptive solutions. Once there is consensus on the problem to be solved and on the goals and desired outcomes of an IT procurement, you'll need to conduct market research to determine whether the market can provide what you need. This post discusses how to productively engage with the IT marketplace, describes several market research tools, and shares tips for expanding IT vendor diversity and competition.

Market research is helpful for most procurements, but especially when buying IT. Not only is technology constantly changing, but also IT departments are continually revising their standards, policies, and requirements. Keeping up with changes in the marketplace and IT standards is critical for the IT/procurement team working on RFPs and other procurement documents.

If an RFP includes a clearly framed problem statement and goals as described in Part 1 and demonstrates a good understanding of solutions available in the marketplace, it's likely to generate a greater number of responses, which should lead to lower prices and better solutions. But governments face many challenges in researching the marketplace and issuing successful IT procurements, such as:

- Procurement laws and policies may restrict communications between government staff and vendors
- At the same time, IT managers face a barrage of marketing emails and sales pitches from vendors (at conferences, webinars, etc.)
- Skillsets in IT departments generally support legacy technologies, not emerging ones
- Procurement cycles may be so lengthy that market solutions have already evolved
- Embracing the latest technology can be risky: firms may fail, support may sunset, or skilled resources may become scarce

Designing an IT procurement that meets these challenges requires transparency, fairness, and efficiency on the part of the IT/procurement team during the market research phase. Transparency means interacting with potential vendors in an open, public forum. Fairness means using popular channels (including social media) to conduct outreach and giving advance notice to offer non-incumbent firms the same information and level of engagement as incumbents. Efficiency means treating the research phase as a project with assignments and due dates, documenting all interactions, and organizing information so it's useful when drafting the RFP. And remember the dual nature of market research: you are gathering the information you need to write the RFP, but you're also sending a message to the marketplace that you want an innovative solution to a problem and responses from a wide, diverse array of vendors.

Tools for market research

Let's assume you've completed the steps outlined in Part 1: understanding the problem(s) to be solved and defining the goals and outcomes of a procurement in consultation with the users and customers of the current solution(s). You are aware of some of the issues with the current vendor or solution and know what's working well and what's not. You also know that things have changed in the technology market since the last time this solution was procured, and new and different (and maybe better) solutions may be available today.

At the same time, you're under some pressure because the existing contract is expiring soon, the procurement process will take some time, and some people in your organization just want to dust off and reissue the existing RFP.

Tips for communicating with vendors

In the private sector, collaboration among IT vendors and customers is essential to innovation in operations and service delivery; and while there still may be barriers to collaboration, these are generally within the control of the companies. Usually, the free flow of information between partners is enabled by non-disclosure agreements (NDAs).

In the public sector, however, there are often strict limits on the communications that occur between IT vendors and governments. Many cities and states have procurement and ethics laws that prohibit private communications between vendors and agencies about forthcoming procurements and during the procurement process.

Make sure to check with your local procurement or ethics office; in most jurisdictions, it is okay to have conversations with potential vendors if you operate transparently, include many firms or organizations in the discussions, and cease communications at the start of RFP drafting.

There are ways of doing market research and communicating needs to the marketplace that can produce better IT procurements and are generally allowed under procurement statutes or ordinances. When Boulder, CO was planning a citywide community broadband project, it held public meetings with community groups and published a detailed project summary on the city's website. Advertising efforts directed to associations of minority- and women-owned businesses led to strong attendance at a pre-solicitation webinar, with nearly 70 unique attendees.

Try These Strategies: There are various strategies a government can take to learn about technology market innovations and trends, from speaking with peers to contacting vendors and requesting demonstrations (prior to release of a solicitation) to attending trade shows or using a Request for Information (RFI). Again, local laws or policies differ as to what types of communication are allowed with potential vendors, but we recommend being as open, transparent, and fair as possible.

A useful, relatively low-effort way to do research is to reach out to peer jurisdictions that have experience with similar IT projects or products. Your peer cities, counties, or states have likely worked through some of the same challenges as you, and hearing from them can be helpful in finding the right direction for your solicitation. Don't be shy about picking up the phone, sending an email, or engaging the GPL's Procurement Excellence Network. Understanding issues and risks

that have arisen on similar projects can help you avoid or mitigate them on your own project, and this knowledge can inform the scope of work, roles and responsibilities, and evaluation criteria in your RFP.

RFIs are increasingly common tools in more complex technology procurements. The purpose of an RFI is to obtain insights directly from vendors in an open, public way before issuing an RFP. RFIs typically don't lead to an award, price data may or may not be collected, and it's usually not mandatory for vendors to respond to RFIs prior to submitting a response to an RFP.

RFIs should be simple to respond to—typically just a short list of questions (Boston used a Google form). Vendors respond to RFIs because they want the government to know they're interested in selling to them and because the information they provide might result in an RFP they're more likely to respond to. For more information on writing RFIs, see our how-to guide and template.

Since RFIs take time to write, issue, and review, if time is limited or an RFI is not cost-effective, you could shift to a lower-effort approach. The table on the next page summarizes several current market research tools arranged from lower effort/ more passive (e.g., internet research) to greater effort/more active (e.g., concept papers or even prototyping competitions).

Examples: Requests for Information (RFI)

Boston, MA used an RFI process to obtain feedback from vendors on a draft RFP for capital projects software. By soliciting feedback on the draft RFP, Boston was able to revise the final RFP to include more appropriate specifications and questions. The city tried to make it as easy as possible for vendors to respond to the RFI by providing a simple Google form for responses.

Tempe, AZ issued an RFI to learn about changes in the market for employee wellness services. This is an example of a market that was significantly transformed over the previous decade by wearable technologies. Fitbit started in 2007 and the first Apple Watch was introduced in 2015; these didn't exist at the time of the last RFP, and wearables now play a significant role in wellness. Tempe received 18 responses to their RFI and—armed with knowledge of the market—they rewrote the RFP with an openness to innovative solutions. As a result, they selected a vendor that better met employee needs (and improved health outcomes).

Level of Effort	Market Research Tool
Lower effort / More passive ↑ (dashed arrow) ↓ **Greater effort / More active**	**Internet research** to discover what firms exist and what solutions they offer.
	Subscription services that publish white papers on IT vendors, market segments, and trends.
	Calls with associations or peer governments/agencies that have recently implemented similar products or services for lessons learned and to obtain sample RFPs and contracts.
	Expert interviews on a contractual basis either directly or through a service.
	Vendor demos, focus groups, or surveys to gather information in a consistent manner or in an open public setting (depending on procurement rules) about products, services, vendors, and trends.
	Requests for Information (RFIs) to solicit ideas, solutions, or recommendations from vendors in an organized and consistent way to support the development of an RFP. This may also include release of a draft RFP for comment.
	Industry days to learn more from industry leaders on technology projects and platforms and to share strategic direction and procurement forecasts.
	Concept papers to announce an upcoming project, describe the vision and goals, and provide a high-level plan.
	Prototyping competitions with vendors where competing teams develop prototypes during the early stages of a project. This may be part of the design phase for smaller projects or a qualifying step before or during an RFP process.

Expanding IT vendor diversity and competition

Sufficient engagement with the IT marketplace in advance of a procurement—including, for example, a published procurement forecast, industry days, concept papers, an RFI, and/or vendor demos—can help level the playing field between non-incumbent and incumbent firms in terms of understanding a government's strategic direction and project pipeline. But there are still many issues with IT procurement that tend to put smaller, BIPOC- and women-owned firms at a disadvantage when competing for contracts against larger, established white-owned firms:

- Major IT projects such as financial and business systems integration are typically suitable for only a few very large firms that specialize in implementing these products.
- The transition from onsite IT services to cloud-based and remote services, such as hosting and application development, favors large firms that have access to global resources.
- Governments may prefer to contract with established firms with deeper benches (and pockets) that are able to absorb more risk, including long contracting lead times and slow payment cycles.

Yet small and emerging firms often tend to be more innovative,[1] and government can play an important role in nurturing emerging tech businesses through grants, competitions, incubators, and access to contracts. So how does government make its IT procurements more small and emerging business-friendly?

Try These Strategies: The city of Boulder, CO designed the **pre-bid conference** for its community broadband RFB as an opportunity for networking among potential prime contractors and subcontractors. The city contacted local BIPOC- and women-owned business associations in advance to get the word out among their members. They required all firms to register to attend the pre-bid conference (via Eventbrite) and provide their contact information, which was then shared among all attendees following the conference to encourage networking. During the pre-bid conference and in the RFB, Boulder stressed the importance of a diverse vendor team and emphasized equity in service delivery). As a result, the winning bid included 18 proposed subcontractors, 13 of which were underutilized businesses (including small and women- or BIPOC-owned enterprises).

Governments can engage with smaller IT firms at a scale that suits them in several ways. These include running **pilots**: designing, implementing, and testing new technologies at a small scale (such as within a bureau or program) before rolling them out in phases to a larger customer base.

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1. https://www.forbes.com/sites/forbescoachescouncil/2019/07/22/11-advantages-small-businesses-have-over-large-corporations-and-how-to-use-them/?sh=31dba5620373

Prototyping may comprise designing and developing a minimum viable product (MVP) in open source, conducting user testing, and then adding or enhancing functionality in iterative builds. This both shortens time to benefits for users and reduces the size of the required development team.

Many governments issue **Requests for Qualifications** (RFQ) that prequalify vendors with specific skillsets. Replacing RFPs with an RFQ and competitive task orders can reduce transaction costs for small firms with limited capacity for responding to lengthy solicitations, thus making them more likely to participate in government contracting. The city of Naperville, IL used an RFQ to prequalify Cisco and Microsoft service providers and issues task orders for short-term service requests. The city of Chicago, IL prequalifies IT vendors in two pools—target market (M/WBE) and non-target market—and defines eight scope categories for each pool ranging from application development to infrastructure design.

Unbundling generally refers to breaking a large, planned procurement into component parts that can be procured separately or as "chapters" in an RFP. This may be as simple as procuring testing, training, or change management services separately from system integration services on large projects, or it may entail a "modular contracting" approach as recommended by 18F (a technology and design consultancy for the U.S. Government, inside the government),[2] replacing "monolithic" software development with a connected yet independent series of smaller vendor team projects. Ideally this reduces the cost and risks of IT projects and provides opportunities for smaller, emerging firms.

Adopting these strategies to conduct market research and expand vendor diversity and competition will set the course for an RFP written in a way that many innovative and diverse firms are excited to respond and offer solutions. Look out for our next series piece on Transforming IT Procurement—how to write the RFP document, including crafting a scope of work and writing strong functional and technical specifications.

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2. https://derisking-guide.18f.gov/assets/state-software-budgeting-handbook-4a5d55baf7731eac3c823e08c87d773058535ec05 fd73f8dfb3b748acdbcac04.pdf

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- Results-Driven Contracting (RDC) 8: Supporting Vendor Participation and Competition

Learn more about how to get your city Certified.