



U.S. General Services Administration
Northeast & Caribbean Supply &
Acquisition Center

Region 2 Industry Day

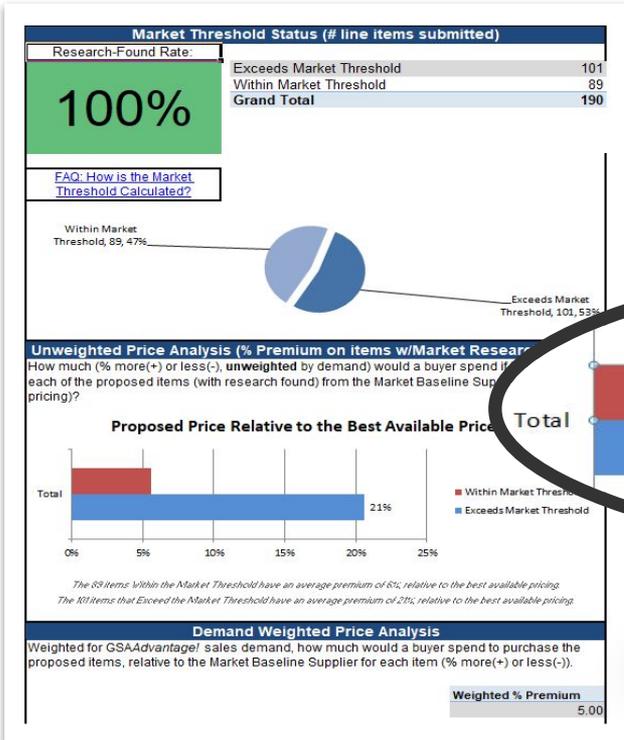
General Supplies and Services

The 4P Report - Demand Weighting and
Negotiations

October 22-23, 2019

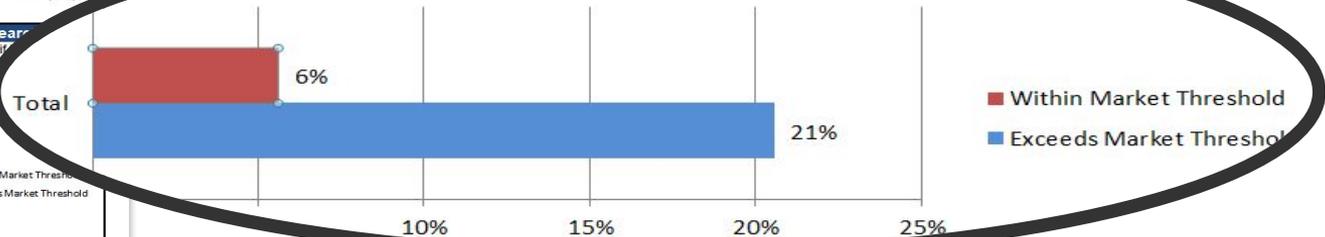


THIS A GOOD OFFER?



Exceeds Market Threshold	101
Within Market Threshold	89
Grand Total	190

Proposed Price Relative to the Best Available Price



Weighted % Premium

5.00



YES!

- Even though more than half the items exceed the market threshold, we can see that on average they only exceed the best available price by just 21%.
- Overall, the offering is just 5% greater (when weighted for demand) than the best available price for each of these items.
 - This means that the items that exceed the market threshold (on average) have a very low demand.
 - Low demand items can be approached from different perspectives, so ask questions / use your best judgement!
 - It's simple to say that if 'we don't need it, don't put it on contract' ... BUT ...
 - Perhaps these are items with low (but real) demand, that are exceedingly difficult to find (e.g. VHS players / tapes)
 - Perhaps they are new to the market and have no yet developed a demand signal
 - Be sure to evaluate 1) how many vendors carry the item and 2) the sales demand at the proposed price



IS THIS A GOOD OFFER?

Exceeds Market Threshold	1820
No Market Research Found	53
Within Market Threshold	16175
Found Only Commercial Research	8
Grand Total	18056

Market Threshold Status (# line items submitted)

Research-Found Rate:

100%

Exceeds Market Threshold	1820
No Market Research Found	53
Within Market Threshold	16175
Found Only Commercial Research	8
Grand Total	18056

[FAQ: How is the Market Threshold Calculated?](#)

Unweighted Price Analysis (% Premium on items w/Market Research)

How much (% more(+) or less(-), **unweighted** by demand) would a buyer spend for each of the proposed items (with research found) from the Market Baseline Supplier (relative to the Market Baseline Supplier pricing)?

Proposed Price Relative to the Best Available Price

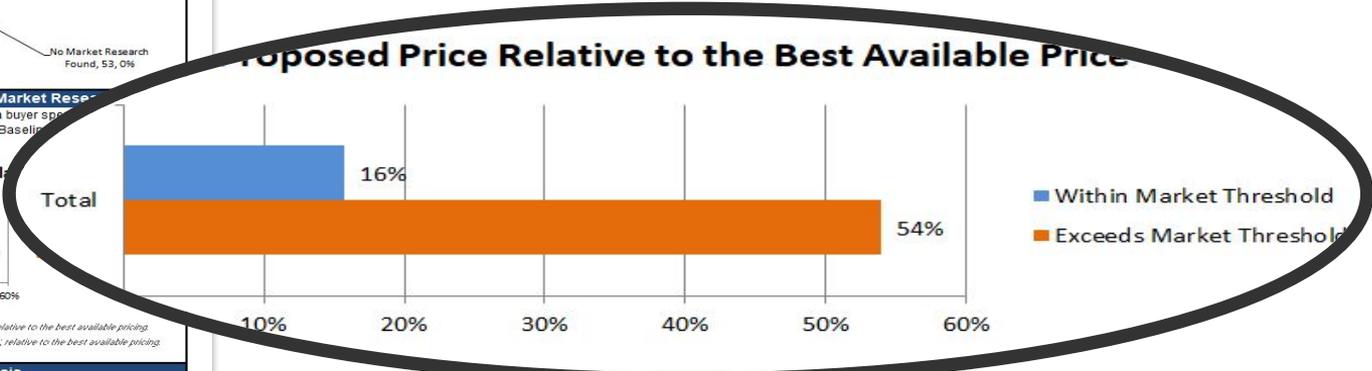
*The 16175 items Within the Market Threshold have an average premium of 16% relative to the best available pricing.
The 1820 items that Exceed the Market Threshold have an average premium of 54% relative to the best available pricing.*

Demand Weighted Price Analysis

Weighted for GSA Advantage! sales demand, how much would a buyer spend to purchase the proposed items, relative to the Market Baseline Supplier for each item (% more(+) or less(-)).

Weighted % Premium

5.66



Weighted % Premium

5.66



YES!

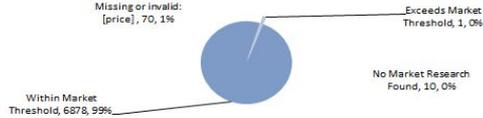
- This is a good offer, by most of the same metrics noted in the previous example.
- Don't be thrown off by the higher unweighted price difference (54%)! It's a bit tricky, but notice that (as a percentage) far less items in this example exceed the market threshold (~10%).
- So, what are general principles that make this and the previous offer good?
 - A low demand-weighted premium has more importance than the number of items exceeding the market threshold
 - And the inverse of this heuristic is what's most important at the line item level: an item that exceeds the market threshold *and* has a relatively high demand weighted index score is usually not in the government's best interest to allow on contract ...
 - ... **this is why the results are sorted primarily by Demand Weighted Index Score and secondarily by Market Threshold**



IS THIS A GOOD OFFER?

Market Threshold Status (# line items submitted)	
Research-Found Rate:	
99%	
Exceeds Market Threshold	1
No Market Research Found	10
Within Market Threshold	6878
Missing or invalid: [price]	70
Grand Total	6959

How is the Market Threshold Calculated?



Unweighted Price Analysis (% Premium on items w/Market Research Found)

How much (% more(+) or less(-), unweighted by demand) would a buyer spend if they purchased each of the proposed items (with research found) from the Market Baseline Supplier (relative to the best available pricing)?



The 6878 items Within the Market Threshold have an average premium of 26%, relative to the best available pricing.
The 11 items that Exceed the Market Threshold have an average premium of 32%, relative to the best available pricing.

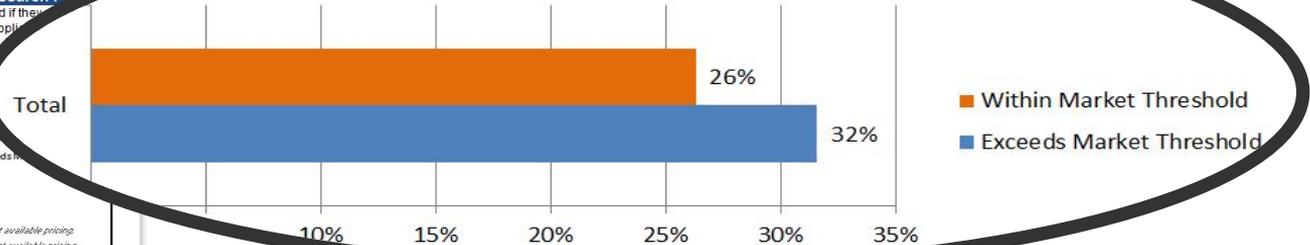
Demand Weighted Price Analysis

Weighted for GSA Advantage! sales demand, how much would a buyer spend to purchase the proposed items, relative to the Market Baseline Supplier for each item (% more(+) or less(-)).

Weighted % Premium
157.43

Exceeds Market Threshold	1
No Market Research Found	10
Within Market Threshold	6878
Missing or invalid: [price]	70
Grand Total	6959

Proposed Price Relative to the Best Available Price



Weighted % Premium

157.43



THESE RESULTS DON'T MAKE SENSE!

- If nearly all the items are within the market threshold, having a demand weighted premium of 157% is virtually impossible.
- This would mean that this offer (even with the items being almost entirely within the market threshold) is somehow 1.5 times more expensive than the baseline offering when weighted for demand. ... But remember that *largest* margin between the baseline and a price proposed within threshold is 50% for items with a baseline price of \$1.
- So what's happening here? Any guesses?



THINGS TO KNOW ABOUT THE 'DWIS'

- The Demand Weighted Index Score **[DWIS]** is **aggregated at the contract level**
 - Why? So that we can compare the 'value' of one contract to another, even when they don't contain the same items.
- There are a few cool ways to think about the DWIS, but the easiest is this:
 1. Imagine you have a grocery list... each time you shop, there are items you always buy (eggs, milk) and items you *occasionally* buy (spices, paper towels).
 2. Conversely, the items you never buy will never make your list, right? If you're allergic to carrots --- no matter how good of a carrot sale there is, you will never buy carrots, period.
 3. Eggs and milk are cheapest at Whole Foods; paper towels are cheapest at Kroger; spices are cheapest at Trader Joes. --- **Which store do you shop at?** The one that gives me the best overall value for your high demand items, of course!
- The DWIS shows you how much you'd spend at a single store (i.e. the store == the contract modification), to get the items you typically buy. The stipulation is:
 - Buying each item from the best-priced store would cost you \$100, but a entail a lot of hassle going from store-to-store.

- **So now that we know this: any idea what's going on with the previous example?**



ODD RESULTS? ...IT ALL COMES BACK TO MAPPING

- *Some* COs / Program Managers use 4P to intentionally run reports against multiple contracts -- they are assessing BPAs / Program performance, etc.
 - The sorting by DWIS (at the item-level) in this case is still highly effective / accurate
 - However, using the demand weighted premium (on the Overview) as a 'at-a-glance' score is discouraged given this usage!
- Most users are **not** doing that type of analysis – they are either introducing errors when auto-filling the contract / DUNS number, or making mistakes when mapping the file.
 - Pro tip: Before submitting a file ... Familiarize yourself with the data. For example: does the 'contract number' field contain the *correct* contract number? Remember, the 4P front-end interface is **not** checking for correctness, only completeness.
- In the case of our 'nonsense' example, the SIN was mapped to the contract number field at submission

- **Checking the mapping will become even more important as we transition to having vendors submit their own files!!**



NOW LET'S TAKE A DEEP DIVE INTO A REPORT

Things to do / remember:

1. Check the mappings to ensure your report is valid.
2. Handle duplicates / compliance issues first.
 - If the issues are extensive, pull the [LANDSCAPE](#) report for the entire contract and remediate everything all at once.
 - If the items are on contract already, this typically means a deletion mod also needs to be initiated!
3. **High-demand items are the only items worth negotiating**
4. Don't fixate on the Market Threshold alone.
 - We've seen modifications denied, even though the vendor was *lowering* their asking price, because the proposed price still exceeded the market threshold ... this is an obvious mistake!
5. Don't forget the research contained in the original file (now on the far right in the 4P report)!

USE THE DWIS TO MAXIMIZE YOUR EFFORT

- In our example report, there were 1820 items that exceeded the market threshold.

The screenshot shows a Microsoft Excel spreadsheet with a data table. The table has the following columns: #Flags, Summary, Market Threshold Status, Manufacturer Name, and Manufacturer Part Number. The data is filtered to show items that exceed the market threshold. The filter menu is open, showing the following options:

- (Select All)
- Exceeds Market Threshold
- Found Only Commercial Research
- No Market Research Found
- Within Market Threshold

The status bar at the bottom indicates that there are 1820 items that exceed the market threshold out of 18056 records.

#Flags	Summary	Market Threshold Status	Manufacturer Name	Manufacturer Part Number	Prop
1	High	Sort A to Z	3M	38504RD	
3	High	Sort Z to A	Quality Park	46065	
4	High	Sort by Color	GO-JO INDUSTRIES	194402	
5	High	Clear Filter From "Market Threshold ..."	3M	38506	
6	High	Filter by Color	Clorox Company	30358	
7	High	Text Filters	Georgia-Pacific	28124	
8	High	Search	Rubbermaid	9W2700GRAY	
9	High		VERBATIM	98658	
10	High		Kimberly-Clark Professional	25836CT	
11	High		Kimberly-Clark Professional	9992	
12	High		Eveready Battery Co Inc	522BP2	
13	High		Avery	5392	
14	High		Iceberg	64517	
15	High		3M	6800	
16	High		Clorox Company	01593CT	
17	High		SQWINCHER	015309TC	
18	High		Rubbermaid	1779739	



USE THE DWIS TO MAXIMIZE YOUR EFFORT

- Of the 1820, only 79 had a DWIS > 0. This means only 79 items had a significant demand signal.

The screenshot shows a Microsoft Excel spreadsheet with the following data table:

#Flags	Summary	Market Threshold Status	Manufacturer Name	Manufacturer Part Number	Proposed Price	Demand Weighted Index Score	Commercial M
1	High	Exceeds Market Threshold	3M	38504RD	30.1		
3	1 High	Exceeds Market Threshold	Quality Park	46065	2.67647058		
4	1 High	Exceeds Market Threshold	GO-JO INDUSTRIES	194402	73.6764705		
5	1 High	Exceeds Market Threshold	3M	38506	47.4		
6	1 High	Exceeds Market Threshold	Clorox Company	30358	47.7352941		
7	1 High	Exceeds Market Threshold	Georgia-Pacific	28124	61.1		
8	1 High	Exceeds Market Threshold	Rubbermaid	9W2700GRAY	182.470588		
9	1 High	Exceeds Market Threshold	VERBATIM	98658	27.5441176		
10	1 High	Exceeds Market Threshold	Kimberly-Clark Professik	25836CT	83.2		
11	1 High	Exceeds Market Threshold	Kimberly-Clark Professic	9992	143.588235		
12	1 High	Exceeds Market Threshold	Eveready Battery Co Inc	522BP2	13.5588235		
13	1 High	Exceeds Market Threshold	Avery	5392	23.3		
14	1 High	Exceeds Market Threshold	Iceberg	64517	266.0		
15	1 High	Exceeds Market Threshold	3M	6800	235.352941		
16	1 High	Exceeds Market Threshold	Clorox Company	01593CT	53.9264705		
17	1 High	Exceeds Market Threshold	SQWINCHER	015309TC	69.3		
18	1 High	Exceeds Market Threshold	Rubbermaid	1779739	383.83929		

The 'Demand Weighted Index Score' column is filtered to show only values greater than 0. The status bar at the bottom indicates '79 of 18056 records found'.



USE THE DWIS TO MAXIMIZE YOUR EFFORT

- Of those 79, the top 34 items represented 81% of the sum of the demand index that exceeded the market threshold. **FOCUS YOUR EFFORT ON THESE ITEMS.** In general, this means the items that give the greatest return for your / the vendor's effort.

	J	K
1	Demand Weighted Index Score	Commercial Market Threshold
64	0.01	649.16
65	0.01	15.66
66	0.01	349.68
67	0.01	111.04
68	0.01	326.87
69	0.01	188.25
70	0.01	94.34
71	0.01	318.05
72	0.01	77.92
73	0.01	441.42
74	0.01	11.44
75	0.01	13.68
76	0.01	62.67
77	0.01	40.45
78	0.01	9.18
79	0.01	212.21
80	0.01	46.34

	J	L	M	
1	Demand Weighted Index Score	Advantage Sales Demand	Sales Likelihood	Price Relativ
23	0.03	High	Unlikely	
24	0.02	High	Unlikely	
25	0.02	High	Unknown	
26	0.02	High	Unlikely	
27	0.02	High	Unlikely	
28	0.02	High	Unlikely	
29	0.02	High	Unknown	
30	0.02	High	Low	
31	0.02	High	Unknown	
32	0.02	High	Unlikely	
33	0.02	High	Unlikely	
34	0.02	High	Unlikely	
35	0.02	High	Unlikely	
36	0.01	Medium	Unknown	
37	0.01	Medium	Unlikely	
38	0.01	Medium	Unlikely	
39	0.01	Medium	Unlikely	



USE THE DWIS TO MAXIMIZE YOUR EFFORT

- In short:
 - Vendors: Resist the urge to negotiate *every* item; we are concerned about the quality of effort, not quantity / NOT items that likely won't sell!
 - CO's: Resist the urge to negotiate *just because*. If the offer is good overall, save your effort for the (inevitable) offer that has serious pricing / compliance issues.
 - When you do negotiate: utilize the sales likelihood / transaction pricing to show that lower pricing is in the *vendors* best interest.