



# Purchasing & Supply Chain Management (PSCM)

“Improving Warfighter Readiness through PSCM Transformation”



## FACT SHEET #3: An Introduction to Market Intelligence

### Introduction

One of the key steps of a commodity council process is to conduct technology and supplier market intelligence (MI). The discoveries from a viable MI program are a key aspect of a commodity council's strategy and ongoing performance monitoring and management.

### What is Market Intelligence?

Market intelligence (also known as “competitive intelligence”) can be defined as the knowledge obtained from a systematic process of collecting and analyzing information about your customers, suppliers and the marketplace to further your goals and objectives. MI has a structured analytical framework for implications-focused analyses (Clayborn, *Competitive Intelligence: Where Spies Go...*). An analysis is the process of adding value to data/information to create intelligence. It should produce insights and occasionally the proverbial “aha”.

Market intelligence provides you the knowledge and foresight to spot opportunities and weaknesses in your commodity management strategy. It will help you make decisions for strategy formulation, implementation, and global coordination. By following a structured process for gathering MI, you will be able to put data into a “so what?” format and understand the implications of the data. The technique is to look for trends that mean something, verify information, and point out information that you may otherwise miss.

The objectives of conducting market intelligence are to:

- Achieve a general understanding of industry and marketplace
- Develop strategic planning / strategic commodity council support
- Enable supplier monitoring and assessment—know what they are doing
- Provide for strategic and tactical decision-making support
- Understand early warning signs of opportunities and threats

To perform MI is to analyze market intelligence with implications for your commodity and to develop a strategy for action.

Commodity subject matter experts (SMEs) may be caught unaware when a supplier fails to deliver on promises, introduces new, innovative products, declares bankruptcy, or suddenly increases prices. The problem is not that you have too little information about your suppliers, but that you have too little intelligence about your suppliers. We are often overwhelmed with too much information, but not enough intelligence. The major difference between the two is that information is factual in nature but does not provide a basis for action or decision-making. “Intelligence, on the other hand, is information that has been filtered, analyzed, and formatted in such a manner that it answers the key questions. When this happens, the decision-making process should be made easier” (Clayborn, *Competitive Intelligence: Competitive Advantage*).

## **Why is MI Important?**

Commodity SMEs have the responsibility to ensure that they consider all relevant supplier and market information prior to formulating a commodity strategy.

These responsibilities include the following:

- Collect and analyze information in response to specific strategic business issues
- Perform early warning reviews in strategic business areas—trends, environment, economic issues, new competitors, new products
- Use all available resources, especially the knowledge of other individuals (customers and partners) in your organizations across all regions
- Know information on market—size, development, competitive performance in market
- Assess customer/partner attitudes
- Collect marketing information—advertising, pricing, distribution, etc.

By developing and using a systematic process for collecting and analyzing market intelligence, you can improve the ability to:

1. Analyze the marketplace concerning changes in trends, technology, regulations and new, innovative products or services
2. Understand suppliers' strengths and weaknesses and their ability to provide the products and services that your customers need at competitive prices
3. Improve service to the customer by identifying new, innovative products and services that are available to satisfy their requirements
4. Answer the question, "Are we buying from the best place in the world?" (Clayborn, *Competitive Intelligence: Where Spies Go...*)

## **MI Applied**

A prime example of how market intelligence can be applied to our business is the historical purchasing pattern of bearings.

On the F100 [engine] Purchasing and Supply Management Pilot program, a detailed, comprehensive spend analysis revealed that the Air Force awarded over 230 contracts to 36 different entities for engine bearings over the previous three years. DLA awarded almost 800 contracts to 130 separate entities during the same period. Market intelligence revealed that in reality there were only five actual manufacturers that produced engine bearings for the USAF! MI will allow us to focus rapidly on an area where we could apply one of the key tenets of PSCM – leverage our buying power to improve performance and reduce costs.

Consequently, with this critical MI knowledge, future strategies might include placing only a limited number of strategic contracts with the manufacturers and key distributors, then combining the requirements with DLA to leverage increased demand reducing unit costs and total costs. Additionally, having fewer contracts with fewer suppliers will reduce the pass-through costs of resellers and distributors, and will reduce acquisition lead time and indirect costs by placing fewer contracts. Finally, such a strategy will enable us to achieve another PSCM tenet – managing suppliers versus managing items.

## **How Can I Learn More About PSCM?**

For more information, we invite you to contact us at [PSCM.Info@wpafb.af.mil](mailto:PSCM.Info@wpafb.af.mil), or visit our website on AF Knowledge Now:

- <https://afkm.wpafb.af.mil/ASPs/CoP/OpenCoP.asp?Filter=OO-LG-OO-SC>