



Market Research

SPO 005

Audience

Executive Branch Departments and Agencies conducting market research prior to a solicitation, to ensure that the Government purchases goods and services from responsible sources at fair and reasonable prices

Topics

- Market Research Process
- Research Factors and Questions
- Research Tools and Resources
- References

Regulations

- Hawaii Revised Statutes (HRS) §103D-312 & §103F
- Hawaii Administrative Rules (HAR) §3-122-121 to 130



Market Research Process

Market research is the process of examining information resources to find a variety of supply sources for goods, services, and construction. It enables you to develop better cost estimates to determine whether contract prices are acceptable. The unbiased data from market research is used to support those price determinations, quantifying your decisions. This data can be cited to back up your decisions in response to protests or complaints.

Market research is applied throughout the procurement lifecycle to address a variety of issues, such as: economic environment (demand and supply), industry-accepted terms and conditions, industry-accepted delivery and shipping prices, reasonable market prices, contract types, new competition, and post-award modifications.

The level of effort and time spent on market research is determined by the size and complexity of the procurement. There are several steps you can take ensure a good return on your time spent gathering information.

Process Step	Description
Perform Market Research	<ul style="list-style-type: none"> Do not rely exclusively on prior knowledge about specific goods, services, or suppliers. Utilize informational resources such as the Internet, industry organizations, advertisements, and industry publications. Consult with other public Procurement Officers with similar purchasing needs. Review current contracts and historical data. Reach out to the vendor community to request information.
Develop Internal Government Estimate	<ul style="list-style-type: none"> Develop an internal estimate for the anticipated cost of the requirement that reflects information obtained from market research. Identify the first indications of a reasonable contract price. NOTE: This estimate must be independent from the offeror's proposal.
Determine Contract Type	<ul style="list-style-type: none"> Use market research to help determine the type of contract to solicit. Consider how the contract type defines how offerors will price the goods, services, or construction.
Update Procurement Strategy Plan	<ul style="list-style-type: none"> Document all information in one place. Update the original Procurement Strategy Plan based on market research data. NOTE: The Procurement Strategy Plan is a dynamic document that should be updated as new information is received.
Finalize Specifications and Scope of Work	<ul style="list-style-type: none"> Use market research to gather requirements from stakeholders to determine the essential features and functions that must be met by the provided goods or services. Develop specifications and a Statement of Work based on the gathered requirements.
Develop Proposal Evaluation Strategy	<ul style="list-style-type: none"> Assess proposal components, including mandatory requirements, evaluation criteria, and cost or price. Use these criteria to consider similarities and differences of competing proposals, as well as their and strengths and weaknesses, in order to make a sound decision.



Research Factors and Questions

When performing market research, start by reviewing historical data. This data may come from current government contracts and your own prior procurements. You may want to reach out to people in your networks or contact industry leaders. You may also want to get in touch with other state, federal, or government contacts. These people all have historical knowledge that could assist with your market research.

There are many factors to consider and questions to ask when conducting market research to collect and analyze historical pricing information and current trends about supply sources. These factors and questions provide a framework for your market research. Not all questions will be applicable for every procurement, and there may be more questions you want to ask for each specific procurement. Common factors and questions are listed in the following table.

NOTE: Each time you conduct market research, the process will be different because of the variances in government requirements, market conditions, and other factors. The [*Basic Pricing Reference Guide*](#) contains a lot of helpful information to consider when performing market research.

		Factors	Description
Historical Data	Pricing History		<ul style="list-style-type: none"> • What information is available about past prices paid for products? • When did past procurements occur? • Have there been historic differences between prices paid by the government versus other buyers?
	Pattern of Demand		<ul style="list-style-type: none"> • What quantities were solicited for each procurement? • What quantities were acquired?
	Trends in Prices		<ul style="list-style-type: none"> • What was the contract price? • How did the unsuccessful offers compare with the successful offer?
	Start-Up Costs and Pricing Strategy		<ul style="list-style-type: none"> • Did the contract price include one-time engineering, tooling, or other start-up costs? • Should future contracts include similar or related costs? • Were these costs separate from the costs paid for the item or service?
	Sources of Supplies/Services		<ul style="list-style-type: none"> • How many sources were solicited for the prior procurement, and what were they? • How many sources offered bids or proposals, and what were they?
	Product Characteristics		<ul style="list-style-type: none"> • Are there any significant differences between the government requirement documents for the prior contract and the current requirements?
	Delivery/Performance Terms		<ul style="list-style-type: none"> • What was the delivery or performance period in days, weeks, months, or years? • Did the vendor meet the delivery targets? • Was premium transportation required for timely delivery?
	Ownership Costs		<ul style="list-style-type: none"> • What are the historical repair/maintenance costs for each product? • Do the full lifecycle costs of ownership associated with the procurement include shipping costs, maintenance, upgrades, surge, and handover?
	Contract Terms and Conditions		<ul style="list-style-type: none"> • What terms and conditions have been used in other government procurements? • Are there any significant differences between terms of the last contract and those recommended for this procurement?
	Problems		<ul style="list-style-type: none"> • What problems (if any) were encountered during the contract performance? • What has been the historical default rate of others performing similar contracts?



Factors		Description
Current Data (Market Trends and Patterns)	Current Competitive Conditions	<ul style="list-style-type: none"> • How many sellers are in the market? • How many buyers are in the market?
	Current Overall Level of Demand	<ul style="list-style-type: none"> • Will our volume justify a lower-than-market price due to the seller's increased economies of scale? • What is the relationship of the quantity we intend to buy versus the quantities that others buy?
	Trends in Supply and Demand	<ul style="list-style-type: none"> • Will demand be higher or lower at the time of award than now? • Will supply capacity keep pace with demand?
	Other Market Forces	<ul style="list-style-type: none"> • What forces might drive up prices in the near future (e.g., labor shortages, raw material shortages)? • What forces might lead us to expect lower prices in the future?
	Sources of Supplies or Services	<ul style="list-style-type: none"> • Which firms in the market are most likely to submit offers to a government solicitation and why? • What firms in the market are the least likely to submit offers to a government solicitation and why?
	Product Characteristics	<ul style="list-style-type: none"> • What features distinguish one product from another? • Which commercial products match most closely with the government requirements documents?
	Delivery / Performance Terms	<ul style="list-style-type: none"> • What are current transportation costs? • What are the commercial lead times? • Who is responsible for freight charges and owns the goods while they are in transit?
	Ownership Costs	<ul style="list-style-type: none"> • What are the commercial warranty terms and conditions (if any)? • Will ownership of the goods remain with the supplier until goods are delivered and accepted?
	Contract Terms and Conditions	<ul style="list-style-type: none"> • What terms and conditions are used in commercial transactions? • What terms and conditions are recommended? • What type of contract is generally used in commercial transactions? • What type of contract is generally used in government procurements?



Research Tools and Resources

When performing market research, start by accessing government databases.

	Tools and Resources	Description
Historical Data	HANDS	<ul style="list-style-type: none"> The Hawaii Awards and Notices Data System (HANDS) is used to research solicitations and award notices.
	FedBizOpps	<ul style="list-style-type: none"> Use the Federal Business Opportunities (FedBizOpps) site to search similar federal contracts, solicitations, and awards to see how federal solicitations ask for pricing.
	CALC Tool	<ul style="list-style-type: none"> The Contract Awarded Labor Category (CALC) tool is used to search awarded hourly rate prices on the eight General Services Administration (GSA) professional services schedules. The tool can also be used to find awarded prices to use in negotiations for labor contracts.
	Hawaii SPO	<ul style="list-style-type: none"> Use the Hawaii State Procurement Office (SPO) site to find Price and Vendor List contracts.
	GSA eLibrary	<ul style="list-style-type: none"> The GSA eLibrary is used to search for GSA contract award information, including contract terms and conditions and contractor lists. This information relates to the GSA Supply Schedules.
Current Data (Market Trends and Patterns)	Hawaii DBEDT	<ul style="list-style-type: none"> The Hawaii Department of Business, Economic Development & Tourism (DBEDT) is used to view economic indicators/statistics, access federal statistic sites, and review indices such as the Consumer Price Index (CPI) and inflation rate indices.
	Acquisition Gateway	<ul style="list-style-type: none"> The Acquisition Gateway is used to view market research tools, pricing data, and federal acquisition best practices. It provides a way to connect with others in federal acquisition space.
	Department of Commerce and Consumer Affairs	<ul style="list-style-type: none"> The Department of Commerce and Consumer Affairs provides government economic data related to fair and reciprocal trade practices. It can be used to check professional licensures and business fraud.
	GSA Advantage! ®	<ul style="list-style-type: none"> GSA Advantage! ® allows you to view and compare products and services on the GSA online shopping and ordering system. It contains hourly rates for services.
	Bureau of Labor Statistics	<ul style="list-style-type: none"> The Bureau of Labor Statistics provides government economic data. It includes data from the Consumer Price Index (CPI) and Producer Price Index (PPI).
	Published Data	<ul style="list-style-type: none"> Published data includes manufacturer and dealer catalogs, product brochures and promotional materials, trade journals, Yellow Pages, and the Thomas Register.



References

Procurement Wizard

<http://spo.hawaii.gov/procurement-wizard/manual/market-research/>

Hawaii Statutes and Rules

<http://spo.hawaii.gov/references/hrs/>

- HRS §103D-312 (*Fair and reasonable pricing policy; cost or pricing data*)
- HRS §103F (*Purchases of Health and Human Services*)

<http://spo.hawaii.gov/references/har/>

- HAR §3-122, Subchapter 15 (*Cost or Pricing Data*)

Research Tools and Resources

- HANDS
<https://hands.ehawaii.gov/hands/>
- FedBizOpps
<https://www.fbo.gov/>
- CALC Tool
<https://calc.gsa.gov/>
- Hawaii SPO
<http://spo.hawaii.gov/>
- GSA eLibrary
<https://www.gsa.gov/tools/supply-procurement-etools/gsa-elibrary>
- Hawaii DBEDT
<http://dbedt.hawaii.gov/>
- Acquisition Gateway
https://hallways.cap.gsa.gov/app/?utm_source=gsaag&utm_medium=link&utm_campaign=gsacapstie%20
- Department of Commerce
<https://www.commerce.gov/>
- GSA Advantage! ®
<https://www.gsaadvantage.gov/advantage/main/home.do>
- Bureau of Labor Statistics
<https://www.bls.gov/>
- Basic Pricing Guide
https://spo.hawaii.gov/procurement-wizard/wp-content/uploads/sites/2/2016/07/CPTTraining-Manual_SPO-2016_0720.pdf

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