



# MARKET RESEARCH

## Market Research to Do or Not to Do?

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**D**epartment of Defense (DoD) acquisition teams currently struggle to obtain clear and consistent market research documentation on a regular basis. They also struggle with the question of whether market research should be completed. And many firms or agencies sometimes become confused somewhere between the market research and the solicitation phases. In 2015, the Government Accountability Office (GAO) completed a review of 28 DoD contracts, at least 50 percent of which had inadequate, inconsistent and unclear market research documentation.

In 2017, the *International Journal of Market Research* noted that no one possesses a “crystal ball” for obtaining information on a specific market, especially given the regular disruptions or changes in various market sectors over the last 30 years. Does your acquisition team have a crystal ball for obtaining information on a specific business market sector? Are your team’s research methodology and documentation adequate to get clear and concise results?

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For an interpreter of public contract law and regulations, many more catechisms will come to mind: Do acquisition teams place any value or importance in completing market research? What are the required elements in market research? What is the proper time to complete market research? Should market research be undertaken at all?

## Background

The governance statute of market research comes from Competition in Contracting Act of 1984 (CICA). Many sources state that the empirical requirement of market research comes from the Federal Acquisition Streamline Act of 1994, which only clarified the differences between the commercial and noncommercial items. CICA requires research of a market for competition and possible sources for a requirement. The governance regulation for market research is found in Chapter 10 of the Federal Acquisition Regulation (FAR). According to FAR Chapter 10, market research documentation needs to entail and describe requirements from the acquisition team.

One source of guidance provided to agencies is found in GAO's bid decision and case studies. GAO's publication, *Market Research: Better Documentation Needed to Inform Future Procurements at Selected Agencies*, GAO-15-8, describes market research as a dynamic process of examining a marketplace or obtaining intelligence about a sector. The publication, issued late in 2014, noted that market research provides the dynamics "used to collect and analyze data about capabilities in the market that could satisfy an agency's procurement needs."

Decisions in the federal court system, including the Supreme Court, have clarified the role of market research in procurement processes. In 2015, the U.S. Supreme Court ruled in *Kingdomware Technologies v. the United States* that market research is required in order to understand products and services in a particular market sector.

Observations over the last 30 years indicate that many acquisitions teams "put the cart before the horse" when obtaining the outcome of a hypothesis or question about possible sources for a product or service. These thoughts transcend public and private sector acquisition teams and lack value or purpose in market research. From the start, we need to understand what research entails and its importance.

In 2017, the *Merriam-Webster's Dictionary* noted that research is a planned exploration of materials and sources to establish facts and conclusions. Documentation of research must include methodology, structure and guidance on how to interpret the data. Without a general framework or structure for interpretation, the data collected are worthless to the acquisition teams and customer.

Furthermore, in 1992, *The Journal of Marketing Research* noted there is a relationship between the source and the customer of market research. All stakeholders need to be able to trust the

outcome of the market research. Not just the information, but the sources and interpretation of the whole process.

In 2017, *The Balance* website (thebalance.com) noted that the purpose of research on business marketplaces is to narrow results to a specific target in a market. Additionally, in 2017, *Entrepreneur* magazine reported that market research is a dynamic to gather, evaluate, and illuminate market information about a product or service for sale. Also, the term "market intelligence" has popped up in the business world in connection with market research. There is a slight difference between market intelligence and market research. In 2015, *Business News Daily* defined market intelligence as the information obtained to make a business determination—i.e., acquisition strategy.

And in 2017, the Bureau of Labor Statistics classified market research as the process of evaluating market conditions concerning a probable need for product or services by a customer and obtaining data from various sources. This information provides a clear understanding of vendors' marketplace positions and their pricing and ability to perform the work required.

## Methodology and the Right Question

Now that there is an understanding the purpose and value of researching a market sector for products and services, your team needs the right tools for acquiring this knowledge. In July 2015, *Raconteur's Future of Market Research* publication noted the five critical steps to obtaining the best outcome of researching a market sector: compute a meaningful topic; compile new or old results; have questions in any survey seek more information than the price; and enable effortless communication of the results.

In 2017, *Entrepreneur* magazine noted that an acquisition professional's research of a business sector would acquire primary and secondary information or data. Primary data is directly received from the source. This information typically derives from a Request for Information (RFI) or Sources Sought (SS), industry days or questioning vendors. Secondary data research assembles information from governmental organizations—e.g., agencies, trade associations and local chambers of commerce.

In developing the requirement, RFI or SS can be complicated and a challenge for most teams. As stated earlier, GAO's case study of DoD's contracting of market research was inadequate in many ways, including its determination of price reasonableness. The typical technique for finding price reasonableness is to look at a vendor's published pricing, historical data or industry surveys. For example, a government survey can ask, "What have you charged for this product or service in the past?"

At times, the acquisition teams forget to ask the right questions. Initially, asking the right questions in developing the market intelligence is very important. The topics should include cost, historical experience information, technical information, and management information.

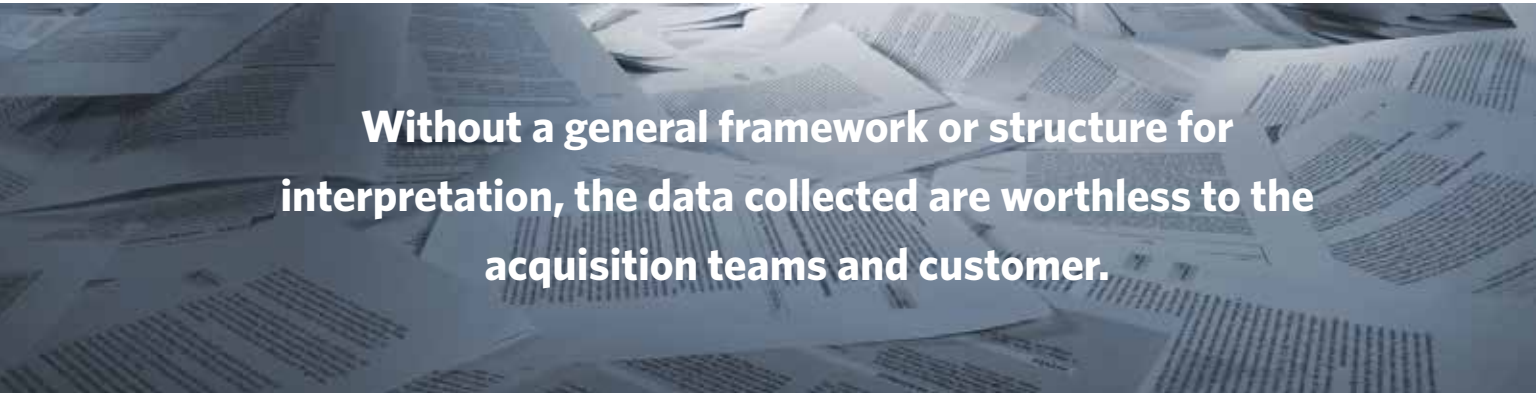
The following additional questions should get your team thinking:

- To what agency have you provided the product or service?
- After reviewing the RFI, SS or draft Performance Work Statement or Statement of Work, is your firm interested in submitting a proposal to the following Request for Proposal [RFP], Request for Quote [RFQ], or Broad Agency Announcement?
- Is your firm interested in Prime or Subcontractor work?

a vendor's response to a customer's need that can affect or improve performance.

### Results

Acquisition professionals can use market research results or market intelligence in various ways to arrive at a business decision for the federal government. The data outcome should represent a cross-section of a market sector. The market research processes should have built-in validity and reliability methods to make sure the data represents a particular market sector. The acquisition team should look



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### Responsiveness Versus Responsibility

From my experience, acquisition professionals use the market research process as a "Down Select" or Pre-Source Selection instead of obtaining market intelligence. Businessdictionary.com defines a "Down Select" as a reduction in sources as the acquisition team proceeds through the process. Acquisition professionals use methodology for determination of responsibility to eliminate a possible source of a product or service that is felt to lack sufficient responsibility. Procurement dynamics of responsibility determination or FAR Chapter 9 requirements need to be completed by the contracting officer and acquisition team later in the process. This step usually is completed after proposals from an RFP or RFQ are obtained, which makes responsibility determination a part of source selection.


In 2011, GAO stated that the contracting officer only needs to make a determination of responsiveness from the market research tools—e.g., RFI, Industry Days. Additionally, the market intelligence will assist in deciding acquisition strategies—e.g., Small Business Set-Asides (SBSA) or Full and Open Competition. For example, the respondent to a RFI or SS need only answer the intent of a question to its fullest, then the vendor's information should go toward an acquisition strategy, such as SBSA. The *Cambridge Dictionary* defines responsiveness by an organization or individual to a communication or request as one that is made in a satisfactory speedy manner. For this discussion, 'respondent' is typically a business or vendor that provides a service or product in a certain market. In 2010, the *Journal of Business & Industrial Marketing* noted that responsiveness consists of

at each data point. The market research also needs to address limitations and delimitations. A data point could be anomalous and not genuinely represent a market sector or be generated within a constantly changing industry, such as that of information technology.

Another example of understanding the market intelligence would be the following: The results or market intelligence from an RFI or SS show no responses or interest to provide a service or product. In such a case, an acquisition team typically would go to a different route or source. First, the acquisition team should re-evaluate the requirements package and research methodology for shortcomings, inconsistencies and clarifications. The more information provided to a market sector in market research the better will be the market intelligence that a team acquires.

### Conclusion

As public servants, we need to ensure that research and intelligence of the market sector are done completely and thoroughly as outlined in CICA and FAR 10. Also, acquisition professionals need to ask the right questions and provide correct information to the market sector in order to obtain precise results. Furthermore, the market research documentation should always include a robust method, timeframe, analysis of the data, and a recommended procurement strategy.

Passing on a little knowledge provides us with purpose and direction. 

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