Research Brief

RAND PROJECT AIR FORCE

Market Research Can Help the Air Force Maintain a High-Quality Supply Base

The U.S. Air Force is adopting widely accepted commercial "best practices" to change the way it purchases goods and services, with the goals of reducing costs and improving performance to better support its missions. Part of this effort involves the establishment of "commodity councils" (or commodity teams), cross-functional teams of stakeholders who develop and implement Air Force–wide strategies for purchasing specific categories of commodities such as computers or medical supplies.

Commodity teams need information and analyses in order to do their jobs effectively. Market research is essential to assembling and maintaining a supply base that best meets the Air Force's needs. A RAND Project AIR FORCE (PAF) study provides a "how-to" guide to help Air Force commodity councils conduct market research. The guide emphasizes the following tasks:

- **Focus market research resources and efforts where they are most needed.** Commodity teams must understand various aspects of the Air Force itself, such as its strategic goals, competencies, and requirements; spending patterns for goods and services; and the sourcing strategy.

- **Analyze the industry for a good or service.** Commodity teams should understand the factors that affect sourcing: the competitiveness of an industry, standards and norms, and costs. These factors are not static; teams should analyze historical trends, cycles, and forecasts to identify and address risks and opportunities.

- **Identify potential suppliers.** These may include current, former, and new suppliers. The key to supplier identification is to find and develop good internal and external sources of information about suppliers. Some useful resources are an internal supplier database (or other internal forms of supplier records), supplier Web sites and materials such as annual reports and catalogs, personnel within the Air Force enterprise and at the supplier, industry sources, trade organizations, journals, and phone directories.

- **Evaluate potential suppliers.** This iterative process eliminates unsuitable suppliers at each of the following stages: (1) Collect data about potential suppliers' management, finances, references, size, trends, future plans, and other issues; (2) evaluate indicators of financial health such as liquidity, funds' management ratios, profitability, and long-term strength; (3) analyze past performance, cost, and capabilities; (4) if needed, conduct evaluation conferences with each of the remaining suppliers.

- **Manage suppliers.** Market research does not end when suppliers are selected and the contracts are signed. Commercial enterprises use market research to monitor suppliers and changes in markets, to ensure that current suppliers remain their best option by tracking performance and other factors, and to recognize supplier development needs for current and potential suppliers.

Next Steps for the Air Force

The Air Force has made progress toward implementing purchasing and supply chain management and market research. But the implementation of the market research process outlined above requires additional support from the Air Force. The overriding lessons from the literature and interviews with commercial enterprises are relevant to ensuring the Air Force's success: (1) Improve data availability, quality, and utilization; (2) provide training for commodity teams; and (3) ensure the support of top Air Force management and buy-in among personnel. ■

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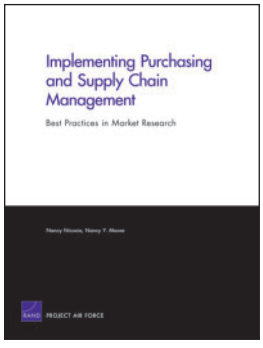

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