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PROCUREMENT, LOGISTICS,
AND READINESS DIVISION

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AUGUST 30, 1982

The Honorable John G. Tower
United States Senate

Dear Senator Tower:

Subject: Federal Government's Use of International Data
Corporation's Subscription Services
(GAO/PLRD-82-118)

This is in response to your October 23, 1981, letter concerning the Federal Government's procurement of automatic data processing (ADP) information subscriptions from the International Data Corporation (IDC). You asked us to investigate a constituent's complaint that the Federal Government is paying too much for IDC subscriptions and receiving few benefits.

IDC is a market research and management consulting organization in the information processing field. It gathers, analyzes, and interprets data on the computer/communications industry, and serves the Government and the commercial marketplace offering nine separate annual subscriptions, each dealing with an ADP subject.

The Government users we contacted indicated that IDC's services were worthwhile and they cited examples of benefits received. We found that the Government pays less for IDC subscriptions than commercial customers pay. However, the Government may be able to obtain better prices if it consolidated and controlled the procurement of IDC subscriptions.

OBJECTIVES, SCOPE, AND METHODOLOGY

Our objectives were to assess the reasonableness of prices paid by the Government for IDC services and to determine if the services are beneficial to Government users. Three



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subscriptions--Information Systems Planning Service (ISPS), Procurement Information Management Service (PIMS), and Strategies for Office Systems (SOS)--account for 95 percent of all the IDC services used by the Government, and we concentrated our review on these three. We contacted over half of the Federal agencies who have purchased IDC information services and obtained the following information:

- Number of IDC subscriptions purchased by the Government.
- Cost to the Government for IDC services.
- Usefulness of IDC services.

Our contacts included the Departments of the Army, Navy, and Air Force; the Defense Logistics Agency; the Departments of the Interior, the Treasury, Labor, and Health and Human Services; the General Accounting Office; the General Services Administration; and the National Aeronautics and Space Administration. We selected these agencies because records indicated that they had purchased the largest numbers of IDC subscription services. We also held discussions with IDC personnel in their Washington, D.C., sales office and several Government agencies that had not renewed their IDC subscriptions.

A listing of all IDC subscription services and a narrative on the ISPS, PIMS, and SOS subscriptions are in enclosure I.

GOVERNMENT USE OF IDC SUBSCRIPTIONS

The Government spent about \$1.1 million for IDC subscriptions in fiscal year 1981. As of December 31, 1981, 90 individual IDC subscription services were being purchased by 23 Government agencies. Included were 37 PIMS, 11 SOS, and 42 ISPS subscriptions. Approximately 38 percent of the subscriptions were purchased by DOD and 62 percent by civil agencies. (See enc. II for a listing of Government users of IDC subscription services.) Approximately 56 percent of the Department of Defense's (DOD's) subscriptions and 84 percent of the civil agencies' subscriptions are purchased for users located in the Washington, D.C., area.

We found that agencies generally do not consolidate or centrally control the purchase of ADP information services or match users' needs with the most cost-beneficial subscription. As a result, IDC subscription users are unaware of the types and number of ADP information subscriptions available within their agencies.

IDC policy restricts subscription use to the group within an agency paying for the service. We identified multiple subscriptions within the same agency. An agency that purchases a subscription can circulate the research reports, newsletters, and other written material within the agency as it wishes. However, copying IDC material is prohibited by copyright laws. The IDC telephone inquiry service and access to IDC's central data banks are limited to three or fewer authorized persons in the user's department, division, etc. IDC prohibits use of these services by others outside the user's group.

Two examples of agencies with multiple subscriptions are the Departments of the Navy and the Treasury. At the time of our review, the Navy had purchased 17 IDC subscriptions--6 ISPS, 7 PIMS, and 4 SOS. Twelve of the annual subscriptions (5 ISPS, 5 PIMS, and 2 SOS) were purchased by commands that are located in the Washington, D.C., area. Treasury purchased six annual IDC subscriptions--two each of ISPS, PIMS, and SOS--for offices or departments located in the Washington, D.C., area.

An example of an agency that purchases only one annual IDC subscription service is the Department of the Army. Army has established a technical reference center to provide technical information for its project and action officers. The center was established by the U.S. Army Computer Systems Selection and Acquisition Agency, located in the Washington, D.C., area, which is responsible for keeping abreast of ADP developments. The center annually purchases an ISPS subscription from IDC to help obtain, maintain, and supply current information on ADP hardware and software and other ADP-related material.

IDC'S MARKETING AND PRICING METHODS

IDC contracts with the Government are negotiated with individual organizations within the DOD and civil agencies. IDC's prices varied before implementation of its new pricing schedule on January 1, 1982. The following chart shows IDC's annual subscription prices for Government users.

<u>Subscription</u>	<u>Price before Jan. 1982</u>	<u>Jan. 1982 price</u>	<u>Condition</u>
ISPS	\$ 18,000	\$18,000	First ISPS purchased by an agency
ISPS	\$10,000-15,000	\$15,000	Subsequent agency pur- chases of ISPS
PIMS	\$ 9,995-12,000	\$12,000	Each subscrip- tion
SOS	\$ 9,000-12,000	\$12,000	Each subscrip- tion

The price variances before implementation of the new price list can be attributed to introductory prices to new subscribers, lower prices to charter subscribers, and agency purchase of extra services. Effective negotiating by the Government has also affected the price of IDC subscriptions.

The Geological Survey, Department of the Interior, is an example of an agency that has negotiated with IDC to pay less for ISPS than most agencies. In October 1980 the Geological Survey negotiated for an indefinite delivery, indefinite quantity, fixed-price type contract to include all of Interior's bureaus and offices. The price was based on a sliding scale, depending on when the delivery order was written and the number of annual subscriptions the bureau or office purchased. For example:

<u>Date delivery order was placed</u>	<u>Annual rate of initial order</u>	<u>Optional 2d year rate shall be no more than</u>	<u>Optional 3d year rate shall be no more than</u>
Before 12/31/80	\$ 9,995	\$ 9,995	\$12,000
1/1/81-12/31/81	12,000	12,000	15,000
After 12/31/81	15,000	15,000	18,000

Applying the new IDC price schedule and assuming the number of subscriptions to be constant, the estimated annual cost to the Government for these three IDC subscriptions will be \$1.2 million. The Government's price for the IDC subscriptions is, according to IDC officials, less than the same subscriptions to commercial users. The following chart shows the comparison.

<u>Subscription</u>	<u>Commercial customer price (note a)</u>	<u>Government price</u>
ISPS	\$20,000	\$15,000 or \$18,000
SOS	15,000	12,000
PIMS	18,000	12,000

a/Prices were furnished by the IDC Washington, D.C., office and were not verified.

VALUE OF THE SUBSCRIPTION SERVICES

Over half of the Government users of the IDC subscriptions were contacted and the value of the subscriptions discussed. The overall response was favorable toward all the IDC subscriptions. The Government users we contacted were typically involved, in varying degrees, with the procurement of ADP equipment and/or systems and are becoming involved in office automation. The ISPS subscription provides information concerning state-of-the-art ADP equipment available to satisfy requirements, contacts in the private or Government sector using similar equipment or systems, the residual value of ADP equipment, and compatibility of different manufacturers' equipment. The PIMS subscription provides up-to-date information concerning new procurement regulations and laws, and the SOS subscription provides information on office automation systems. The most popular benefits, according to the users contacted, are the unlimited telephone inquiry service, which is very responsive and timely, and the research reports and the various written information documents that provide current ADP information.

The semiannual executive conferences received mixed reaction from users contacted. Although the conferences were judged excellent by most agency personnel attending, and two free tickets were provided with each subscription, limitations in travel funds have prevented some agencies from attending. This is particularly true in the civil agencies whose budgets have been cut. Several civil agencies were interested in obtaining lower subscription prices by eliminating the conference benefit.

The Navy Material Command in Washington, D.C., cited an example of dollar savings attributable to information provided by the IDC subscription service. Before finalizing a contract to procure a piece of equipment, the command contacted IDC using its ISPS telephone inquiry service. IDC was able to identify a similar piece of equipment from another vendor which saved the Navy approximately \$300,000.

The majority of users contacted stated that IDC's value is in staff-days saved on research and analyses of technical ADP matters. Most users said that they do not have the personnel available to research, analyze, and maintain a data base of ADP information.

OTHER SOURCES OF ADP INFORMATION

We identified two other major commercial sources for ADP information available to Government users--AUERBACH Publishers Incorporated and DATAPRO Research Corporation.

AUERBACH provides two separate subscriptions--Information Management (IM) and Computer Technology (CT). IM has 10 individual subject areas, each providing the subscriber bimonthly reports. The total IM subscription cost is \$1,700 annually. Individual subject subscriptions range from \$145 to \$325 annually. The CT subscription consists of monthly reports on 12 different subjects. Individual CT subscriptions range from \$340 to \$4,825 annually.

AUERBACH provides information on such subjects as office automation, compatibility of hardware, and ADP market analyses. AUERBACH also has a telephone inquiry service staffed by three AUERBACH people.

DATAPRO publishes 16 volumes of information on ADP-related subjects, including network communication systems, computer mainframes, small computers, office automation, data base management, electronic data processing solutions, and others. Each volume includes monthly updates and newsletters. DATAPRO also has a telephone inquiry service and maintains a limited information data base. The cost for all 16 DATAPRO volumes is approximately \$7,550 annually. The individual subject subscriptions range from \$360 to \$755 annually.

The major difference between the IDC subscriptions and the others we identified is that IDC provides more analyses, trends, and opinions based on research, and the others provide hard facts, statistics, and ADP information requiring analysis by the user. IDC is set up to minimize the user's research. IDC will research the subject and provide analyses and opinions based on its research. The other ADP information subscriptions provide the information to the user with little analysis.

CONCLUSIONS

IDC provides subscription services to Government organizations involved in ADP procurement and policymaking. The subscriptions provide unlimited telephone inquiry service, access

to several extensive information data bases, and customized research reports. These services are provided to Government users at prices which are, according to IDC, \$2,000 to \$6,000 per subscription less than IDC's commercial customers pay. Almost every agency we contacted has purchased multiple IDC subscriptions. Multiple subscriptions occur because agencies are not aware of the number or types of ADP information subscriptions available, in place, and needed.

Agencies have not prepared cost-benefit analyses to determine the number or types of subscriptions that are required. We are concerned that agencies are not managing the purchases of subscription services. While the scope of our work prevented us from developing specific savings, we believe that better management and control over the purchases of IDC subscription services will substantially reduce the Government's cost.

RECOMMENDATIONS

To assure that agencies with a need for ADP information will obtain the most cost-effective subscription, we recommend that the Director, Office of Management and Budget (OMB), direct DOD and all civil agencies to

- determine overall agency needs for ADP information so that the most cost-effective subscriptions will be purchased,
- prepare cost-benefit analyses before purchasing subscription services, and
- centrally control contracts for ADP information services so that only necessary subscription services are purchased.

AGENCY COMMENTS

DOD told us it supports the recommendation to determine information requirements and to perform cost-benefit analyses before purchasing subscription services. It agreed that controls over contracts for ADP information services should be established to avoid purchasing unnecessary subscription services. DOD pointed out that the appropriate level of control will vary among agencies and may not eliminate multiple subscriptions within an agency with activities located in different areas. DOD further commented that the idea of obtaining lower prices by eliminating the conference benefit should be pursued.

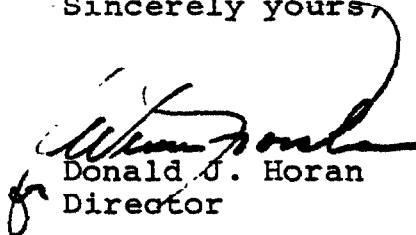
OMB generally agreed with our conclusions and recommendations but had some reservations concerning our recommendation that all agencies should be directed to centrally control contracts for ADP information services. OMB agrees that central information on systems availability is desirable but believes that the contract control level should be determined by each agency.

OMB commented that issuing additional guidance to DOD and civil agencies to improve the purchasing of subscription services is warranted and appropriate.

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As arranged with your Office, unless you publicly announce its contents earlier, we plan no further distribution of this report until 5 days from the date of the report. At that time, we will send copies to interested parties and make copies available to others upon request.

Sincerely yours,



Donald J. Horan
Director

Enclosures - 2

SUMMARY OF
INTERNATIONAL DATA CORPORATION
SUBSCRIPTIONS

IDC offers the following nine ADP information subscriptions:

- Corporate Planning Service.
- Software and Services Information.
- Automated Business Communication.
- Computer Output Program.
- Information Industry and Technology Service.
- Information Systems Planning Service.
- Strategies for Office Systems.
- EUROCAST.
- Procurement Information Management Service.

Each IDC annual subscription provides a number of services maintaining an ongoing flow of information between IDC research activities and IDC clients. Each annual subscription provides the following:

- Four major reports on research projects.
- Frequent memorandums and bulletins on significant events and synopses of research.
- Unlimited telephone inquiry services.
- Personal interaction visits to users' locations.
- Regular newsletters presenting timely state-of-the-art information.
- Access to IDC's extensive data files.
- Annual 1-day briefing sessions concerning industry overview for long-range planning.
- Semiannual executive conferences on topics of major concern.

In reviewing the Government's use of IDC, we found that the three most popular subscriptions were ISPS, SOS, and PIMS.

ISPS is designed to assist large-scale computer users in making data processing-related decisions and in formulating long-range plans for acquiring new equipment, computer usage, and product/vendor analyses.

The SOS subscription is designed to help management plan and implement office automation. SOS combines major research reports with timely research memorandums, news bulletins, vendor profiles, and a newsbrief service.

PIMS is designed to assist managers in procuring ADP equipment and systems software. PIMS will keep the manager aware of existing and new Federal ADP procurement directives and identify the roles and responsibilities of various Federal activities involved with the subject ADP procurement directives. PIMS will also identify and describe current events affecting existing regulations, policies, and guidelines.

GOVERNMENT USERS OF IDC SERVICES

1. Department of the Air Force
2. Department of the Army
3. Department of the Navy
4. Defense Logistics Agency
5. Department of the Interior
6. Department of Justice
7. Central Intelligence Agency
8. Department of Education
9. Veterans Administration
10. Department of the Treasury
11. General Accounting Office
12. Department of Agriculture
13. Department of Commerce
14. Department of Energy
15. Department of Labor
16. U.S. Postal Service
17. Environmental Protection Agency
18. General Services Administration
19. Department of Transportation
20. National Aeronautics and Space Administration
21. Tennessee Valley Authority
22. Department of Health and Human Services
23. Department of State