

Entering The Federal B2G Marketplace In Six Steps

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The 2009 stimulus package, known formally as the American Reinvestment and Recovery Act, was designed to give an immediate shot in the arm to an ailing U.S. economy. While the majority of the funds were aimed at activities starting within 120 days of the law's passage, the bulk of actual spending will occur from 2010 through 2013. With appropriations totaling \$787 billion — \$311 billion of which is direct federal spend — now is the time for companies either to enter or to refocus on the federal government market.

While the government works to make the large business-to-government (B2G) marketplace bidding system very competitive, the model requires a wide range of companies to actively participate. Entering or expanding efforts within the complex B2G marketplace requires a level of research and analysis much like the due diligence that precedes entry into a new or emerging global market. Companies must take into account unique language, procurement methods and agency business models.

To navigate effectively through the federal government market requires knowledge of conventions and methods that work, combined with a systematic approach to building your organization's value proposition specifically for the sector. Creating a strategy to target this significant and growing B2G market, can be broken down into

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six initial steps.

Step 1: Understand the procurement process

Learning to navigate the unique procurement process that the federal government uses can be a challenge. But mastering the rules can be invaluable as companies discern what contracts to bid on, what to pass on and what work they may be precluded from pursuing.

The federal government bidding process includes both centralized and non-centralized purchasing. The General Services Administration (GSA) acts as the central procurement agency for the federal government; but, purchasing is also driven separately by agencies — some of which have their own centralized procurement department (i.e. Defense Logistics Agency within the Department of Defense). These systems result in differing contractor databases and contracts up for bid and can be confusing to navigate. Keep in mind that companies do not need to have existing contracts to enter the bidding process.

Step 2: Understand the types of contracts



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Agencies within the federal government reduce their costs by buying long-term contracts known as Indefinite Delivery/Indefinite Quantity (IDIQ) contracts and Blanket Purchase Agreements (BPA). Once awarded, IDIQ and BPA contracts can give the chosen supplier a competitive advantage and a very aggressively priced contract to fulfill. Large agencies utilize IDIQ and BPA contracts the most.

Prime vendor contracts, or long-term contracts with supply chain contractors that take over the procurement of supplies, are also used most by large government

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agencies. The maintenance repairs and operations program within the Defense Logistics Agency is a primary example of a prime vendor contract.

When the federal government awards contracts, purchasing is influenced by elements different from those that may drive private sector buying. Policy goals — such as the “buy American” provision in the stimulus package and the overall emphasis on small, minority and disadvantaged businesses — drive purchasing. And, the competitive request for proposal and request for quotation processes drive price points. Policy goals and price points are balanced in the decision making process, so having the cheapest offering on the table may not ensure a contract win.

Step 3: Focus on a specific sub-market

To assess the market size and attractiveness for a particular product or service, it can be helpful to analyze the many government databases available. Searching each by specific product description, federal procurement service and product codes, as well as by North American Industry Classification System (NAICS) code provides the most detailed view of spending. Details searchable in the databases include: contract recipients, types and values; funding sources; agencies involved; and reasoning for procuring products or services.

The federal government continues to increase disclosure of information online, and many states have followed suit. But making sense of the data takes effort. A good place to start is by finding category managers through the GSA or defense procurement organizations. Combining analysis of the various data sources with assumptions about the specific product or service will offer a high-level view of the market size — both for the general market and for stimulus-specific spending. The same will help with the estimation of current sales into the government.

Step 4: Develop a detailed point of view for targeted sub-markets

As with any market entry strategy, the devil is in the details, so profile the sub-markets within the government that you want to pursue. Develop a detailed profile of the organization, its procurement imperatives for your product or service, key people to work with and what is known of the organization’s strategy. This living document will help enable sales to refine its target and help the broader organization understand the potential for the account.

Step 5: Weigh the options to sell direct or through

An ecosystem has developed around the federal government. Just as there are opportunities to sell directly to the government, there are also opportunities to sell as a sub to a master contract. Frequently, selling as a sub is a more effective means to market. Many companies find that selling through or with another company when bidding is a more useful and efficient approach than trying to sell directly, as it allows newer market entrants to learn from the expertise of collaborators who may have existing government relationships.

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Step 6: Build the business case and plan, then execute

As with any other market, make sure the strategy developed makes sense through use of a business case. Develop a plan to execute the strategy if it makes sense. Be flexible and change paths as you learn from successes and mistakes. Measure progress, communicate successes — and move quickly, agilely and aggressively.

Bootstrapping may be a good way to start. Take some time to learn about the market. Then, slowly develop the presence desired. If a very large need is unmet, quick investments may help build and achieve the business case in short order.

Keep in mind that a company without research and development capabilities can often receive government grants to produce technology that may hatch an entirely new product or service developed.

What it takes

Those companies that are most effective over the long haul in the federal government sector have built extensive capabilities that allow them to balance growth, profitability and risk. The key to results is being able to tap into the government in a way that builds a meaningful long-lasting presence. Achieving this requires extensive knowledge of the government and its procurement methods, relationships with potential collaborators and a solid strategy.

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