

***The Hidden Secrets of Winning Federal Contracts: A Seven  
Page eBook for CEOs with Money to Invest in the Federal  
Market***



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## **Newcomers to the Federal Market Encounter a Glass Wall**

***Don't believe the propaganda about the "open market":*** The Federal government doesn't want more vendors, but the public posture of congress and the federal agencies is:

- "Come on in, the water is warm" and
- "We love more vendors to get better prices for the taxpayer."

The red tape involved in federal contracting has overwhelmed contracting offices to the point that more vendors only add to the procurement overload.

The market can be exceptionally lucrative, yet it takes investment dollars to get through the "newcomer glass wall." Federal buyers have plenty of sales people pounding on their doors and are resistant to sales calls from people they don't know. This, coupled with their risk aversion, creates a thick glass for newcomers.

Why the glass wall? Because, like almost everything in life, it's an insider's game. Insiders use their federal customers to:

- Win more dollars from the customers who know about their performance.
- Establish personal relationships with new federal customers through referrals and the knowledge gained by working in a specific federal submarket.

The problem for newcomers to the market is they don't have existing federal customers to use as a basis for an "insider based" sales program. Accordingly, for newcomers the key is winning their first federal contract, which is far more time consuming and expensive than most companies realize.

The federal buyers inherent risk aversion and the severe competition in the market make relationships harder to develop in the federal market and a federal sales program more expensive than a comparable sales program in the commercial market.

This is probably not a secret to experienced sales people with "street smarts." Unfortunately, CEOs are not noted for patience and willingness to invest money.

### **Characteristics of the Market**

The federal market is lucrative because of the huge revenue potential and leverage for those with relationships. But it's not for the faint hearted.

I personally built a federal contracting company from my garage to \$170 million in revenue over 15 years. Thousands of startups have done the same thing. Like me, they probably had a hook in the market developed while working for an insider.

You have all heard the *Location, Location, Location* secret in real estate investment. Well, in federal contracting its *Relationships, Relationships, Relationships*.

Successful market entry requires the intense involvement of top management and a significant investment. Most CEOs are not patient and don't like making investments in new markets; it goes with the job.

### **How it typically Works for Newcomers to the Market**

1. CEOs and owners will probably not take the time to participate in this presentation.
2. Management believes federal hype that says: just register and then "do business" with us, implying that it's easy to win federal contracts; neglecting to mention the need for significant sales dollars to develop relationships with federal buyers.
3. Management loads federal sales onto the load of overburdened sales people.
4. Management and sales people decide to bid (take flyers) at "public bids" without realizing that they have probably already been sold.
5. Management just says: "let's bid" and then doesn't want to be involved in the expensive, gut wrenching, and demoralizing process of writing federal proposals.

The following are the most frequently asked questions when I assist companies new to the federal market.

**Question:** How does the federal market differ from the commercial market?

**Answer:** At its core it's the **same** with the need for extensive relationship building with the buyer but:

- Buyers number hundreds of thousands and are difficult to find.
- Buyers are risk resistant and even harder to sell to than commercial buyers.
- The competition is intense from insiders who already have a network of relationships (existing customers).

How is it different?

- It involves front end red tape; a relatively straight forward but frustrating process. (Assign red tape to a new and tenacious employee. Your comfortable veterans will give up.)
- Long term success in the market requires a Multiple Award Contract (MAC) (more about MACs later).
- Federal proposal writing is expensive and requires extensive involvement of your best people. The bureaucracy purposely makes proposal writing difficult to create an appearance of intense competition, when in fact the competition probably took place well before a proposal is written.
- It's demoralizing when you lose. Unless you win, which requires a strong relationship with the buyer.

## **Multiple Award Contract (MAC)**

The federal market is rapidly moving to the use of Multiple Award Contracts (MACs) because the bureaucracy has to cut down further on competition to operate under tight purchasing budgets. You must have a MAC to win contracts unless you sell products priced under \$3,000.

### ***What are MACs?***

MACs are contracts with a number of “qualified” companies (“the chosen”) to deliver a particular type of product or service at pre-negotiated government prices. The key is the proposal to the government about your qualifications and your “special government pricing.”

The contract periods for MACs range from 3 to 10 years, and some have additional periods of performance than can be exercised at the option of the government.

A transaction (revenue receipt) takes place only when an order is placed with one of the chosen few.

Buyers save purchasing dollars because they only have to compete the purchase among the chosen few.

Some MACs can be used by any federal buyer worldwide while most MACs are for the use of a specific agency.

### ***Agency Specific MACs***

The number of currently active “agency specific” MACs probably exceeds 4,000. The government does not have an accurate count. Does that surprise you?

The number of companies holding an agency specific MAC will range for 3 to 50 or so.

One might think that agency specific MACs might involve less revenue than government-wide, but that is not necessarily true. Some agency specific MACs can have budgets in the billions or in some cases tens of billions. Agency specific MACs for information technology products and service can exceed \$50 billion over their term.

### ***Government-wide MACs***

Government-wide MACs require White House approval. The number of currently active government-wide MACs is around 10 - 12. The number of companies holding a government-wide MAC will range from 3 to 50 or so and in the case of GSA schedules over 20,000.

Annual revenue through government-wide MACs and agency specific MACs is greater than \$200 billion and is rising year-by-year as a percent of total contract dollars.

### **GSA Schedules**

GSA schedules are a unique type of MAC and violate the norms for MACs.

Uniqueness makes schedules harder to understand than normal MACs, and the following is only an introduction to GSA schedules.

Congress legislated GSA schedules as a unique class of MAC to bring commercial companies into the government market. The General Service Administration (GSA) now offers companies the opportunity to make offers to hold one or more of around 40 product/service specific GSA schedules.

An award of one or more of the 40 schedules to a company results in a unique contract for the type of product/service covered by the schedule.

The purpose of GSA schedules is still true, but the General Services Administration (GSA) now allows pure federal contractors to hold schedules for the convenience of the government. You will probably not be surprised to hear that most of the revenue through GSA schedules goes to federal contractors, not newcomers.

### **Unique Aspects of GSA Schedules**

A unique aspect of GSA schedules is that they are always open for an offer. The “bidding window” for other MACs opens and closes in 30 – 60 days and the winners become the chosen few. No more vendors are allowed into the game until the MAC reopens after the 3 – 5 year contract term.

The “always open” aspect of GSA schedules makes them ideal for newcomers and small businesses.

GSA schedule awards are for 5 years with 3 five-year option periods exercisable at the option of the government. Options are normally exercised by the government if you sell through the contract.

As discussed earlier, over 20,000 companies have active GSA schedules but only around 8,000 companies actually have sold through their schedule contracts. That should tell you a lot; the companies not selling were either unwilling to invest in a sales program, should not have entered the market in the first place, or have the money but don’t believe a glass wall exists. “They will place an order with us soon” syndrome.

### **Proposal Writing**

Federal proposal writing is misunderstood, frustrating, expensive, and demoralizing. You must have an experienced federal proposal writer (commercial experience doesn’t count), hire someone with experience, or use an outside service.

Most federal insiders consider proposal writing the Achilles heel of the business but know how to play the game and keep their proposal costs within reason.

**Secret 1 for newcomers:** Don’t write proposals for customers to whom you haven’t sold, or at a minimum, who at least know who you are. Bidding opportunities galore may appear wide-open to all,

but invariably they have already been pre-sold by one or more companies well before the opportunity becomes publically announced.

**Secret 2:** Some federal contracting officials may imply to newcomers that pre-selling is “naughty” when in fact it is encouraged by federal regulation. How could they buy things without knowing what they are buying? Do you buy software without knowing what you are buying and its value way before you spend the money?

**Secret 3:** Requests for Proposal (RFPs) are made purposely complex to justify contract awards to aggrieved losers, federal auditors, or the public and press, if they ask.

### **Typical Sale for Professional Services and Technology Products**

A typical federal sale usually looks something like this:

Company meets with end user with a need and money; getting the meeting is the hardest part.

The bigger the deal, the more the need for a personal meeting.

Sell the end user by stressing risk reduction and value. Risk reduction is a huge value factor in federal sales.

The end user says: “What multiple award contracts (MACs) do you hold that we could use to close a transaction? We don’t have the contracting staff to do a public bid.”

End user works with contracting office to transact the deal using a MAC that you hold. If you don’t have a MAC, maybe the contracting office can arrange for you to be a subcontractor to someone with a MAC or someone already under contract to the agency.

Commodities are sometimes ordered using a MAC, but many require the same sales process as complex services and products.

### **Thoughts on Starting a Sales Program**

Be where the customers are, visit the military base near you.

As discussed earlier, insiders use their customers to sell more customers. In many cases they are paid to be at a customer’s facility. So sales are free or very cheap.

Newcomers without customers need a reference to customers with a need and money. Federal end users gladly make referrals due to the lack of a profit motive.

Use your “outside federal network” to obtain references, e.g., your business partners, your employees and friend, etc.

Cold call as a last resort, it can produce revenue but it’s a costly and discouraging process.

## **Recommendations**

It boils down to: Do you have the money and patience needed to win federal contracts? Don't try unless you have both.

Don't tell your sales person: "For now let's get a virtual office set up with a pretty web site and a phone number, and we will move a sales person to DC when you win a big one." It's a catch 22.

I will be happy to accept calls about this eBook anytime, without charge.

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