

## CHAPTER I

# *What It Takes to Play*

## *Tips and Caveats for Chief Executive Officers, Boards, and Others Looking for Shortcuts*

### **A TALE OF TWO COMPANIES**

By all appearances, it was the best of times. The late 1990s was a time of loose money, grandiose business plans, and the fervent belief that things were only going to get better—forever. Start-ups were being funded on what seemed to be whims. In the words of Alan Greenspan, it was a time of “irrational exuberance.” Nowhere did this seem more apparent than in the staid business-to-government (B2G) arena.

Out of the literally hundreds of B2G start-ups from that time, two stand out in my mind: eFederal and PlanetGov.

PlanetGov had a business plan that apparently ran on for hundreds of pages, but the gist was to be all things possible to the feds, including a one-stop shop for all products and services. They wanted to provide information for federal

employees on retirement, promotions, investments (the government 401(k) program), and other jobs, and oh, by the way, products and services, too—absolutely everything under one roof; no need to look elsewhere. They even hired top government reporter Mike Causey from the *Washington Post*, hired editors and reporters from trade journals, and set out to build the biggest Web site with the most bells and whistles imaginable.

Ambitious, to say the least.

On the other hand, eFederal wanted to be the first completely virtual store for the federal market, initially targeting the SmartPay (the federal credit card) market for micro-purchases (at that time, anything under \$2,500), then migrating up to higher-end products.

Then came the dot-bomb crash, and eFederal was among the early casualties. They and their venture capital (VC) backers assumed the feds would line up for the convenience of an online shopping experience. However, the government is not known as an early adopter, and the reticence of government credit card holders to buy off Web sites (at that time) was still high.

The assumption of eFederal was a fatal flaw in their business plan. Shopping online with a government credit card was not a given, and there were many valid restrictions in place, among them the security of the shopping experience. Fads, even trends, outside the government market should not be used as building blocks for penetrating the government market. Even if they are adopted, it will be on “government time”: glacial.

PlanetGov represents a different outcome. The core plan was to pursue government business in the traditional way, bidding on contracts that fit the skills of the company. The bells and whistles were jettisoned, the company had some significant layoffs (18 of the 20 reporters and editors were let go in December 2000), and PlanetGov regrouped and focused on the real business of government.

PlanetGov’s core business allowed it to emerge as a significant player in the government market, rapidly becoming

a top-50 contractor according to *Washington Technology*. In July 2004, PlanetGov changed its name to Apptis, adopted from the company's slogan, "Applying Technologies, Inspiring Solutions." For the 2010 fiscal year (FY), Apptis was ranked number 35 among *Washington Technology's* top 100 contractors.

PlanetGov/Apptis jettisoned the dot-com-era flash and got down to the core business, pursuing government contracts and building deep relationships with key customers and partners.

In good times or bad, one must grasp how the government operates before making a play to enter the market. If you predicate your growth on unrealistic assumptions, things that have occurred elsewhere, or things that are predicted to occur, you are doomed from the outset.

## BASICS

This book is a "basics" book—the things you need to know if you are new to the market or to be reminded of occasionally, even if you are a veteran. I wrote this book for companies entering the government market, but government market veterans can and will relearn from it as well. This is an introduction for chief-level (C-level) executives in companies of any size, from home-based mom-and-pop operations to multibillion-dollar-plus enterprises. It is designed to deliver much of the pertinent information you need to understand how to successfully enter the government marketplace. I would like to say it delivers all of the information you need, but that is a claim beyond my capabilities. However, I draw upon the expertise of many of my advisors and colleagues throughout this book, people who are masters of many of the knowledge niches we'll discuss.

For over 12 years, I have offered a research program on successfully entering the federal market that is designed to help companies make the go-no-go decision and lay out their initial market penetration plan. It is a multistep process, where

I provide research on the market potential for your product or service, including the following:

- The General Services Administration (GSA) spending for the specific product or service for the last three years. I use the GSA Schedule as a market barometer.
- A list of your top competitors and what they make. This provides a “food chain” view of the market.
- The visibility your company has in the government market, as measured by the Google government search tool (which searches only government Web sites) and by searching other pertinent Web sites or industry publications. Being known in your niche is important, and occasionally measuring your visibility is a good thing to benchmark.
- An analysis of the “government friendliness” of your Web site, making certain your Web site, a primary information portal, is designed to attract government visitors.
- A glossary of the right “gov-speak” phrases to attract government buyers. The government uses its own language, which you will see as we proceed. If you don’t speak it, you will have a much harder time entering the market.
- Who the buyers are for your products and services. Once I see what you sell, I can make a determination—an educated guess—on who the audience is for those products or services. This allows you to target your message to a much tighter community.
- Recommendations on how to sell, which contracts would work best for you, and why.
- The type of personnel required to pursue government business. Your current staff may be excellent for the markets you pursue but may not be a great fit for the government market.

- A realistic assessment of your chances of growing a successful government business if you dedicate the right resources.

This book will show you how I do this research and more. I will be more than happy to accept payment from you to perform this research on your behalf, but I'd be happier to have you call me in 6, 12, or 18 months and say, "Hey, Mark, I used that book and we have some great new government customers."

However, do not expect immediate results from the government market. You have to give yourself a window of 12 to 24 months in order to gain any traction here. That is your first big lesson.

The scope of what you need to know varies somewhat from niche to niche and can depend on the size and ownership of your company. But the B2G market entry *knowledge base* required is basically the same, regardless of your product or niche. There are many things you must *understand and accept* before attempting to enter this market, and these will be outlined in some detail here.

The U.S. government market represents the largest single market in the world. It is truly Global One. Government contract tracking firm Onvia estimates that government business—federal, state, local, and education—represents over 45 percent of the gross domestic product (GDP). Read that last part again: over 45 percent of the GDP. If you exchanged "revenue" for "sales," many states, counties, and municipalities would replace more than half of the *Fortune* 1,000 list. Federal agencies would dominate the top 25.

The government market is a *huge* market, and anyone can play in it. But not everyone will, and of those who do, most will not succeed.

Why?

Most companies come in with unrealistic expectations predicated on second- and thirdhand knowledge, bad advice, and little or no adult supervision. They fail quickly and blame it on anything but their own ignorance.

It is not that you have to know *all* this stuff, but you need the right resources available to tell you which parts are germane to *your* success. And you have to be able to adapt your organization to the way business is done in the B2G arena. It will not adapt to you.

The importance of being adaptable for a manufacturer entering the government market is the focus of our first vignette from a market veteran, shared by Dendy Young, former chief executive officer (CEO) of GTSI. Dendy is a long-time friend, former CEO of two government resellers, market veteran and expert, and the first CEO to meet with me, going back to 1991.

## **DOING BUSINESS WITH THE GOVERNMENT REQUIRES A LOT OF LISTENING**

When Panasonic Corporation wanted to enter the personal computer (PC) marketplace in the early 1990s, they knew they could not just walk in and compete with Dell, HP, Compaq, IBM, and the rest.

So, they differentiated: They created a PC laptop that was more rugged and reliable than anything else out there. They called it the CF-22, and they gave it a rugged magnesium case.

I was at GTSI Corp at the time when they asked us to carry the product. They realized that we had the contracts and the customer relationships and the sales force and that we needed something to sell. They had the CF-22, a product that should be well suited to military use.

So, we worked with them to market and promote the product. We wanted them to brand their product: To give it a catchy name and spend time and money on promoting it. They came up with the name “ToughBook,” which seemed

like a good fit. We added it to all our contracts, we invested heavily by training our sales force and our support organization, and we demonstrated it directly to customers and at every tabletop show and symposium.

We were constantly asking Panasonic for changes: Some of our customers wanted the product to be more rugged; some wanted it to be more elegant, but still rugged. Others wanted it to be smaller, and some wanted it to be lighter or less expensive. Panasonic was very attentive to our requests: They would bring engineers to Washington to listen for themselves, and they would let us show our customers prototypes to get feedback. Slowly, in time, they added new models that responded to our customers' requests until, within seven or eight years, they had a broad and very responsive product line.

In time, as the revenues grew, Panasonic expanded their own support organization to include more channel support and business development. However, they never lost their commitment to the channel. Their revenues grew into the hundreds of millions of dollars in the government sector.

In all, it was a very successful partnership for both Panasonic and GTSI.

## **WE'RE TALKING COMPETITIVE**

As of March 23, 2010, there were 591,988 active registrants in the central contractor registration program, available at [www.ccr.gov](http://www.ccr.gov), the official Web site where companies register to do business with the federal government. In good or bad economic times, hundreds of companies look to enter the government market every week. In bad times, this activity picks up, as the government market seems to represent a safe haven—the only recession-proof market segment.

Let's simply start with the scope of the market we are addressing, the U.S. government market: federal, state, local, and education, or for those semiconversant in gov-speak, Fed and SLED.

Go to [www.ccr.gov](http://www.ccr.gov) for the latest number of active registrants.

## **MARKET STATS AND FACTS**

According to the government contract tracking firm Onvia, the U.S. government market represents nearly 50 percent of the GDP and is comprised of nearly 90,000 separate governmental entities:

- 3,034 counties
- 19,429 municipalities
- 16,504 townships
- 35,052 special district governments
- 13,506 school districts
- 512 Native American nations
- 50 states
- 1 District of Columbia
- 6 U.S. territories
- 1 U.S. federal government

Total: 88,095

Many of these governmental units would qualify for the *Fortune* 100 list. There are states, cities, and counties that spend more than some major corporations.

*Buildings and facilities:* On the federal side alone, there are over 37,000 occupied office sites (buildings and individual offices) in the continental United States (CONUS in gov-speak). This does not include any military or U.S. postal facilities.

Doing research on a presentation for the Modular Building Institute in 2008, I discovered the building activity at federal, state, and local levels is virtually nonstop. With the



military Base Realignment and Closure (BRAC) program in full swing, the activity in and around the bases being eliminated and the bases gaining activity will be with us for several years to come.

*Fleet:* Government fleet activity is huge. Don't think simply ships for "fleet," which includes any vehicle that runs on land, air, or sea. When I spoke to the National Truck Equipment Association in 2008, my federal research found the following:

- Trucks/truck tractors: 380,765
- Trailers and semitrailers: 4,792
- Buses: 5,499
- Automobiles: 110,339

For the same presentation, the research for state and local government found the following:

- Trucks: 1,822,210
- Trailers and semitrailers: 252,953
- Buses: 470,055
- Automobiles: 1,265,456

This research was largely based on Michael Keating's annual *Keating Report on Government Spending*. Michael is senior editor and top researcher for Penton Media's GovPro Group ([www.govpro.com](http://www.govpro.com)), which publishes *Government Product News* among other magazines for the public sector. I also utilize Onvia ([www.onvia.com](http://www.onvia.com)) statistics supplied by Michael Balsam, the chief knowledge officer at Onvia. Both Penton and Onvia provide great research and actionable data. I use both every time I am conducting research for an article, book, or presentation.

*Employment:* According to a 2007 report from the U.S. Census Bureau, one in eight adults employed on a full-time

basis is employed by some level of government, and almost 20 million full-time employees (FTEs in gov-speak) work at some level of government. These people represent every discipline you can think of, from research scientists to welders, white collar and blue collar, janitorial services to executives, and everything in between.

*Products and services spending:* The U.S. government market buys every legitimate business product and service imaginable—and many consumer products as well. The federal market alone spends more than \$600 billion annually for these products and services. When you add in the state, local, and education markets, we are approaching \$2 trillion.

*SmartPay credit card spending:* In FY 2009, the federal government used the SmartPay card for nearly \$30 billion of purchases. The categories for the purchases are fleet (all things vehicle related), travel expenses (the first government credit card was the Diners Club card, which was exclusively for travel), and small purchases. Of these, the small purchases accounted for nearly \$20 billion, with fleet accounting for over \$6 billion and travel over \$3 billion. Some cards are used for more than one category of purchase.

The *GSA Schedules* (discussed in more depth in Chapter 2) provide an overview of the breadth and depth of products purchased by the federal government. If you sell a business product or service—and even many consumer products—you probably have an audience here.

Any way you slice it, it's a big market. And when you are on the outside looking in, the U.S. government market is perhaps the most intimidating market anywhere.

So, why aren't you doing business with the government right now? If you are not doing business with the government, it is usually because of one of two reasons: either you've never tried because of what you've heard or you tried it once and got burned—maybe badly. In either case, your market approach, or market avoidance, was probably caused by market myths.

## GOVERNMENT MARKET MYTHS

Most markets have myths, rumors, and other semiplausible informational tidbits surrounding them. There are myths that keep companies out of the market and myths that bring them in. Each can be equally harmful. Myths that keep you out are simply making you leery for the wrong reasons; myths that bring you in are usually those that scream easy money.

Regardless, the myths abound for every market, and the government market is no different. There have always been myths and semitruths floating around about doing business with the government, so let's dispense with a few of them right now. Throughout the book, we will find other myths and dispense with them as well.

On the side of never having tried government, these are the most recurrent myths:

**Myth 1:** *The government market is too big, and we can't do it.* The government market is big, but it is not a single, homogeneous market. Rather, it is a quagmire of niches: information technology, office supplies, hospital equipment, fleet (land, sea, and air), finance, facilities, agriculture, environmental—you name it, it is probably in here. If you ferret out your niche, you will start to find your comfort zone—people who speak your language (well, sort of) and share your background. Niche it down and you'll find your sweet spot.

**Myth 2:** *Government contracts are wired. If you don't use the right people, you'll never get the work.* Wired bids are a thing of the past. There is a transparency in the U.S. government market that does not exist elsewhere, and wired bids are largely out. That does not mean that congressional earmarks are a thing of the past, but these are different than contracts. As for knowing the right people, this part is true in every market. Knowing the right people in any market can give you leverage, and this market is no different. However, there is nothing stopping *you* from meeting the right people as you grow your knowledge base.

**Myth 3:** *The government demands the lowest price, and we can't afford that.* The government strives to save the taxpayers money on most contracts, but it does not always work out that way. If you enter the market without sufficient guidance, you may end up offering products and services at prices so low, you will never make a profit. If there is a service component to your offering, there is always room for profit. With the proper help, you will find that a good living can be made in this market. Otherwise, there would not be so many companies here.

On the side of “I’ve tried it and failed,” we have these myths:

**Myth 4:** *We have a great product; resellers will line up to sell our stuff.* I have never been approached by a company that stated, “I have a crappy product . . .” Everyone, it seems, has a unique product, the best, the cutting edge, or has a brand name behind it that is bound to drive hordes of feds into a buying frenzy. This is wrong in all instances. The government buys products that are commercially viable—proven elsewhere. Name brands do not matter in the government market, and the smart resellers line up for products with a track record and companies behind the products that can and will help drive sales. When a name brand sells here, they have earned the right to do so.

**Myth 5:** *A GSA Schedule (“number”) makes the cash register ring.* There are many misconceptions about what a GSA Schedule is and what it does for you. This is among my favorites, and this myth survives in spite of vast evidence to the contrary. Of the 12,000-plus companies on the GSA, at least 2,000 make zero dollars. While the GSA Schedule can be a part of your go-to-market plan, it requires salespeople skilled in selling from a Schedule to leverage it properly.

**Myth 6:** *The government has set-asides for small businesses, so we're bound to find easy work.* Many companies assume their small business status (small, disadvantaged, minority owned, veteran owned, woman owned, etc.) will guarantee them a contract; all you have to do is show your credentials at the small business

office and the work is yours. Nothing could be further from the truth, and few things irritate small business officers in the government as much as companies making this assumption. First, you have to have something to sell that the government wants. Your business status comes later.

There are other myths, but these seem to be among the most recurrent.

## **MARKET GUARANTEES**

Then, there are those seeking guarantees. Over the years, I have had numerous calls, especially from small business owners, asking for proposals. After they review the proposal, I will get a call from some staff person. This staffer has been tasked with asking me what guarantees I can provide that my advice will lead to winning contracts from our favorite uncle.

As you have probably guessed by now, there are no guarantees here any more than there are anywhere else, so that is what I tell them. What I really want to say is that if they find someone who does guarantee them business (and there are several of those out there), they will end up as another chalk outline on the sidewalk of the government market.

What I can guarantee is that for those of you who read this book, take some notes, figure out where you fit in this market, and follow the advice that applies to you, your chances of success are a hundredfold higher. Period.

Bob Davis, a business development professional in the government market and long-time Amtower advisor, made one of the most telling statements when I interviewed him for a CD set we recorded in 2007: *Market share is rented, never owned.*

The ultimate guarantee is that there isn't one.

So, Mr. or Ms. CEO, what's first for you?

## **MARKET RESEARCH**

Some basic market research is always best, and some of this you can, and should, do yourself. Basic research for me starts

with, “Is there a way for me to make money in this market?” I want to see if traction is going to occur or if I will simply be spinning my wheels. Simple enough, right? You need to familiarize yourself with the market and start the educational process.

I think it is important for executives to know how to do some basic research on their own for several reasons, not the least of which is to verify what you may hear from outside or internal sources that may not have it right. Many people providing data on the B2G market are using older, oft-repeated information, and a few just make it up as they go along, assuming no one will check the facts.

There are several excellent sources for research in the B2G market—many paid; others free. There is good free research that you can do on your own. Doing it yourself will pay both near-term and long-term dividends. In fact, there is useful information available on most U.S. government Web sites that can help you when you are planning to enter the government market. There has always been a fair amount of publicly available information if you know *how and where* to look.

Among these are the trade publications for the government market, the few books published on doing business with the government, trade associations, meetings with government personnel (executives and managers, contracting and procurement officers, small business officers), many research firms willing and able to provide custom research (some better than others), and government Web sites (a good list of the useful government Web sites can be found at [www.GovernmentExpress.com](http://www.GovernmentExpress.com) on the “Resources” page).

Among the trade publications on my regular reading list are *Washington Technology*, *Federal Computer Week*, *Government Executive*, *Government Computer News*, *Public Manager*, *Governing*, *Government Product News*, *Government Procurement*, *American City and County*, *Government Security*, *Government Fleet*, and a few others. Often, I will scan these at their respective Web sites. Select those that fit your niche, and find the other publications

that do as well. Share the most germane articles with key staffers. This does two things: It informs the staff of good information, and it tells them you are on top of the game.

There are many associations that are directly or indirectly involved with government business, and I try to mention several in the associated appendix, but here are a few to give you an idea: the Armed Forces Communications and Electronics Association (AFCEA), the American Council for Technology and its Industry Advisory Council (ACT/IAC), TechAmerica, the Professional Services Council, the American Small Business Coalition (ASBC), the International Facilities Management Association, Women in Technology, and many more. Each of these is worthwhile in its own right, and when you find the association or special interest group that works for you, then join it. Join with the idea of participating. I will address this in more detail later.

There are also hundreds of Web sites with solid information—too many to list here. We will list some of the best in the related appendix.

The best known way to sell to the federal government is through the GSA Schedules (Myth 5, right?). The GSA Schedules will be discussed in length in Chapter 3, but basically, they are a set of government contracts (41 in all) that segments what the government buys into categories. Companies apply for and negotiate a GSA Schedule contract so that they have a contractual vehicle through which to sell.

In all, there are over 20,000 GSA Schedule contracts (many companies have multiple GSA Schedules)—hundreds, if not thousands, for each of the 41 categories. Before you enter the market, you need to be able to see what kind of money happens in your category through this popular contract. This will be a barometer for you to measure your potential in the market, and later, to measure your growth.

To find out who is making what on the GSA, I use the GSA Schedule Sales Query (SSQ) tool, available at <http://ssq.gsa.gov>.

Here's how you use it. When you go to this page, simply click on "Create Report" from the menu on the left-hand side. This will take you to a form that asks for your name, company name, and so forth. Don't fill this out; just click on "Proceed." This will take you to a page with 11 report options. I normally focus on number 10—"Total by Contractor for a Specific Schedule and Fiscal Year." So, I select that and click on "Generate Report."

You need to know the Schedule you are searching for, because the screen will then ask you to select which Schedule you want a report for. Go to Chapter 3 to see which Schedule you fit in.

Now, you need to select the FY and the report format, for which there are three options: "Text File for Importing," "Text File for Printing," or "Excel Spreadsheet." I always choose "Excel Spreadsheet." Then, I click "Create Report." On the next screen, you are asked to read the disclaimer and approve. Do so. If you don't accept, you don't get the report.

Depending on the report size (some are larger than others), you may need to wait for up to two minutes for the report to be delivered. Scroll to the bottom of the page and click on "RIGHT Click Here to Download Report" (<http://ssq.gsa.gov/getReport.cfm?name=5nhM3i1a.xls>) when it appears. The Excel spreadsheet will be an alpha sort and will run through all Schedule holders for that Schedule for the FY selected.

When I am doing research, I usually run reports going back a couple years to see who is growing GSA market share, who is losing GSA market share, and if there are any new players that I need to watch. This multiyear perspective always gives me more detailed information to share with the company for which I am doing the research.

Note that I said GSA market share, not government market share. This is because the GSA is *only one way* the government buys. Those growing or shrinking on the GSA may be using other contracts, and most of the other contracts are not as easy to follow as the GSA. This is especially true for contracts



involving higher-end products and services—contracts such as the National Aeronautics and Space Administration Solutions for Enterprise-Wide Procurement (NASA SEWP IV). If you want information on what other contracts a particular company is using, go to the company Web site and look at their press releases. If they are public companies, look at their annual reports. Most companies list all of their government contracts on their Web sites so that government employees visiting the site know how best to access the product or service.

I can predict a couple things for any SSQ report you run for a specific Schedule. The top 5 percent of vendors on each Schedule will take at least 50 percent of the total dollars for that Schedule—sometimes as much as 65 percent. The middle tier, about 30 percent, will take 30 to 40 percent, and the bottom 65 percent of Schedule holders will take less than 10 percent of the dollars, many making zero dollars from the Schedule. I will explain why in Chapter 2.

The GSA sales are a pretty reliable barometer to determine who the players are and where they fit as far as sales go. Make the SSQ part of your government arsenal. This provides you a baseline on the food chain for your niche.

As I have already mentioned, I use both Penton's GovPro and Onvia for research. Both Web sites are content rich, but you will have to pay for some custom research from Onvia. I am not certain whether GovPro performs customer research unless you advertise in their publications.

## **YOUR TO-DO LIST**

1. Understand and accept that there are no “near-term” wins for the novice company in this market. Give yourself 18 to 24 months for a successful market entry.
2. Make no decisions based on one seminar, one book, or one source. Deciding you need a GSA Schedule and getting it may be a mistake. Make decisions slowly, as you will have to live with them for a long time.

3. Determine which information resources are best for your niche. Use each regularly, and share the information internally.
4. Run the SSQ for your niche.
5. Start making a glossary of the terms used in the government market for your niche.
6. Regularly check Web sites such as Acquisition Central for news of changes in the federal acquisition process (<https://www.acquisition.gov>). This and other valuable links can be found in Appendix 2.
7. Read over the Federal Acquisition Regulations (FAR), Part 9, Contractor Qualifications, available at <http://www.terafuel.com/content/gov/far/FARTOCP09.html>.
8. Seek advice from qualified professionals. Check out each consultant carefully, including multiple references, before using them.
9. The updated reference guide for this book—the resources and people I recommend—will be available online at [www.GovernmentMarketMaster.com](http://www.GovernmentMarketMaster.com).