

# US Government Sales

**A Briefing for Canadian IT Firms**

**March 18, 2002**

**Canadian Embassy, Washington, DC**

Rozycki Associates

[www.govt-contracts.com](http://www.govt-contracts.com)

# What is the US public sector?

🍁 US Government - \$50 billion+ IT budget

🍁 State and Local Government

🍁 Other Non-Governmental Organizations  
(United Nations, IMF, World Bank, etc.)

# Overall State of the Government Market

**Booming due to two factors:**

- 1. Dot-Com crash** - commercial companies are turning to the government market.
- 2. Security Spending** - more than just military spending.

# **4 Government Market Myths**

- 1. Government sales are too bureaucratic.**
- 2. The Government buys only "mil-spec" products.**
- 3. The Government pays \$500 for hammers.**
- 4. All purchases are made in Washington, DC.**

# Entering The Market

The three "legs" of US Government sales:

1. Market research and segmentation
2. Distribution strategy
3. Contracts strategy

# Market Research

 **Size the market**

 **Know your competition**

 **Find the installed base**

 **Learn the coming major procurements**

 **Research technical standards**

# Market Segmentation

 Segmentation is ESSENTIAL

 by agency?

 by function?

 by geography?

# Market Research Sources

Washington Technology - [www.WashingtonTechnology.com](http://www.WashingtonTechnology.com)

Government Computer News - [www.GCN.com](http://www.GCN.com)

Federal Computer Week - [www.FCW.com](http://www.FCW.com)

Government Technology - [www.GovTech.net](http://www.GovTech.net)

GSA Advantage - [www.GSAAdvantage.gov](http://www.GSAAdvantage.gov)

Electronic Posting System - [www.EPS.gov](http://www.EPS.gov)

General Accounting Office - [www.GAO.gov](http://www.GAO.gov)

FirstGov search portal - [www.FirstGov.gov](http://www.FirstGov.gov)

# Distribution Strategy

- ❖ Hardware/software firms **MUST** consider this.
- ❖ Many Gov't sales made through distribution
- ❖ Existing distributors may or may not be able to target the U.S. Government

# Contracts Strategy

- 🍁 Gov't sales still very contracts-intensive
- 🍁 Based on Federal Acquisition Regulations (FAR)
- 🍁 Two Distinct Strategies:
  - direct with the Government
  - indirect through prime contractors

# Direct Contracts

 **Micropurchase Threshold - \$2,500 and below**

 **Competitive Bidding**






 **IDIQ Contracts**

 **Sole Source Procurement (unlikely)**

# IDIQ Contracts

- ❖ **Indefinite Delivery, Indefinite Quantity**
- ❖ **No guaranteed sales - a fishing license**
- ❖ **Negotiated centrally, used globally**
- ❖ **Prequalified terms, conditions, pricing**

# **GSA Schedule Contract**

-  **Group 70 IT Schedule - 3,000+ companies**
-  **\$8+ billion in FY2001 (\$6.3 billion services)**
-  **5 year contracts**
-  **Sell to the whole U.S. Government**
-  **Hardware, software, and services**

# How GSA Schedules Work

- ✿ Aggressively negotiated pricing
- ✿ Benchmarked to a commercial customer type
- ✿ Liberal maximum order limitation
- ✿ Fly "beneath the radar" - minimize competition
- ✿ Price monitoring and other obligations

# Canadian Companies

- ❖ **Canadian Companies face few restrictions.**
- ❖ **Trade Agreements Act and Buy American Act**
- ❖ **Restrictions on non-US citizens**
  - **Justice Department**
  - **possible coming DoD restrictions**
  - **Canadians can hire US citizens**
- ❖ **To open a US office or not?**

# Overall...

 **The U.S. Government market is ripe.**

 **Remember the three strategic legs:**

**- market research and segmentation**

**- distribution**

**- contracts**

 **Good luck selling!**