

Diving in the Deep End:
**The Top Things a CEO Needs to Know
Before
Entering the Government Market**

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There are a number of things people, especially CEOs and other top managers, new to the government market and government contracting have to be aware of if they are to succeed in this highly competitive and complex market. But perhaps the biggest thing everyone needs to grasp is that it takes time.

I have asked several very talented people from different disciplines in the government market to give a “tip of the iceberg” view—five tips—on what CEOs need to know before they enter the government market. This is not a complete list by any measure, but these are things you need to consider and understand when you are entering the government (Federal, state, local or education) market.

So just how big is the government market? Let me give you an idea of the scope of government in the U.S.

Business-to-Government: Key Facts & Statistics

The attraction of the Business-to-Government (B2G) market for any company continues to grow, especially in a bad economy. While most companies testing the B2G market experience little success, some have tremendous growth, even without those hard-to-come-by big government contracts. The two keys are **education and perseverance**.

All levels of government (Federal, state, local, school districts) buy every type of legitimate business product or service imaginable. Since the late 1980s, I have had the good fortune to work with several hundred B2B catalogers. Most of these companies have grown successful government business units, many without even having a government contract. Some of these firms are very significant players in their respective niches.

Here are some statistical reasons which could account for the interest in this market, and in the ability of many companies to grow their government business without contracts.

SmartPay (Federal Credit Card) Program

Formerly the IMPAC program, the SmartPay credit card is a Visa or MasterCard used by Federal employees for small purchases. Until recently, the “micro-purchase” threshold (the level at which a card could be used for any business-related purchase, even from vendors with no contracts) was \$2,500. That level has been raised to \$3,000. For B2B catalogers, this means if your catalog reaches a Federal office, you have every chance of getting orders for up to \$2,999.99 and being paid immediately via a credit card. My research over the past 15 years with over 100 B2B catalogs indicates the average order size from a Federal buyer averages 15-20% higher than a traditional B2B order.

The FY 2007 (2008 final #s are not yet available) statistics for the SmartPay program are as follows:

- Total spent YTD is 3% ahead of previous year for a total of \$18.3 billion.
- The total number of transactions is down by over 40,000 per month over the previous FY.
- The number of cardholders is down 7,000 over the same time last year.
- The average order size is up to \$759.23, up almost \$60 over the previous FY

State and local governments also use credit cards for small purchases, but I am not aware of any source for the usage statistics. Using guess-timates from other sources, we can assume we are dealing in the tens of billions. Conservatively estimating state and local government credit card spending is twice that of the Feds, we are talking \$54 billion with 3% annual growth.

Actual Number of Governments

Whenever I use this statistic when I am speaking, the first reaction is doubt. There are over 88,000 governments in the United States, counting the Federal government as one and each state as one.

- 3,034 counties
- 19,429 municipalities

- 16,504 townships
- 35,052 special district governments
- 13,506 school districts
- 512 Native American nations
- 50 states
- District of Columbia
- 6 U.S. territories
- 1 Federal government
- Total 88,095

Employment Statistics

According to the U.S. Bureau of Census (www.census.gov) as of the end of 2006 there were 151,000,000 full-time employees in the United States. Of these, over 20,000,000 were government employees, not including uniformed military personnel. Better than one in eight of full-time employed people in the United States works for some level of government.

Other Data

According to data I have heard and read but not verified, 15% of all dollars spent in the world are spent in or by the United States. We know from the Bureau of the Census, government (Federal, state and local) spending in the United States represents **over 25% of the Gross Domestic Product**. So if the world statistic is accurate, based on (again) Bureau of the Census statistics, almost 1.5% of the spending in the world is spending by Uncle Sam—the U.S. Federal government.

This means that Uncle Sam is not simply Fortune One, but Global One!

Other research (in progress) I have done indicates that if you replace “sales” with “tax revenue,” over 50% of the Fortune 100 would be some level of government many state governments, some counties, and certainly most Federal cabinet departments). My guess is the same would hold true on the Fortune 1000 list.

Recap

Business-to-government spending is over 25% of the U.S. economy. Over \$54 billion annually is spent by government employees (Federal, state and local) via credit cards, often with no contract required. We also know that government credit card usage has grown ever since the program deployment (on the Federal side) in 1989. On the Federal side, the micro-purchase level, which was \$2,500 per order since 1989, has finally gone up to \$3,000. We also know that governments purchase every business product imaginable.

We also know there are LOTS of governments in the U.S and that we better stop telling government employee jokes, as better than **one-in-eight** of the full-time

employees in the United States works for some level of government—Federal, state, local or education.

The opportunity on the B2G market is **real**, it is **big**, it is **everywhere**, and if you are not bothering to understand what this could mean to your business, you are possibly missing up to 25% of your top line revenues.

So...does the government market have your attention yet?

Yes, I probably have your attention. But what are the pitfalls? What is **the real scoop** on doing business with the government?

Now that you have a concept of how big the government is in terms of GDP, feet on the street, etc., it's time to show you what you need to know **before** you make a commitment to enter the market. To get the best advice, I've asked a number of the experts I rely on for expert advice in the B2G market—experts in the area of contracting, small business, bid and proposal, market research, business development and more. Those who responded are recognized experts at various aspects of the government market, and the following are their tips, unedited.

I will start with my own tips, predicated on more than a quarter century of watching and advising the “beltway bandits” you have all heard about. So these are from me, **Mark Amtower**, and you can find me at www.FederalDirect.net.

1. Do not enter the market without understanding the financial record keeping necessary. If you have a GSA contract, you rebate .75% of your sales to GSA on a quarterly basis—and GSA can and will come audit you any time they like to make certain you are doing this properly. And this is literally the tip of the accounting iceberg. Regardless of what your in-house CFO/accounting department says, seek some outside expert assistance in this area.
2. Your house legal team will not have the experience necessary to make certain your government contracts are properly done to leverage all your strengths without ceding certain things to the government because you overlooked them. Same thing applies here as in #1—seek outside legal counsel that does nothing but government contracts.
3. Your advertising and marketing must address the issues of this market. Unlike commercial (B2B) issues, the government is not concerned with “profit”, so your marketing materials (including your web site) must address this market differently. Your in-house and/or outside ad agency will say they can do this: 99% of the time, this is not accurate. The government market is very different and requires messaging and targeting that is vastly different from traditional B2B. Again, seek outside help from someone who does nothing but B2G.

4. Training your in-house B2B sales people to sell to the government may seem like a good idea, but the process is slow and you will never maximize your potential in this market without sales people who speak the lingo, know when a deal is wired to a competitor, and know when to go for it. I have seen several companies with great potential enter this market and insist on using the sales model that made them strong in B2B. It does not translate. **Hire some people who have done nothing but government sales and who have proven track records**—check their W2s to make sure they have delivered!
5. Understand that if you do not give this market the **time** and **resources** necessary, you are setting yourself up to fail regardless of the potential your product and service has in this market.
6. **Focus on your strength.** Do not be a company that does “everything”, be a company that does one thing exceptionally well. Too many companies think this limits them. In fact, it opens the door, and once inside, when asked if you can do something else, say yes (but only if you can).
7. Focus on 1-2 agencies to get started. This market—any market—is all about relationships and trust. Build the relationships first.

From **Courtney Fairchild**, president of **Global Services Inc.**, a government contract advisory firm, www.GlobalServicesInc.com. Based in the heart of Washington, DC, with an office in New York, Global Services delivers winning strategies for every stage of marketing to the government—analyzing your opportunities, helping you obtain a GSA Schedule, and building your company’s self-sufficiency in Federal contracting.

1. Stick to just 1-3 agencies to target.
2. Do the research to find the agencies that have the greatest need, authority, and budget for your products and services to target number one above.
3. Figure out how the agencies procure. Which contract vehicles will be needed given the space you are looking at? Will you need to go through a prime that already has the preferred contract vehicle?
4. Be realistic about the time it takes to start and grow the government contracting side. Do you have the resources necessary to dedicate the marketing staff internally and externally and can you wait for the return to be around 12 -16 months?
5. Find a good organization for networking within the space you have chosen.

Tips provided by **Michael Keating**, Senior Editor, Government Product News and Government Procurement, www.govpro.com, part of Penton publishing. Michael has been doing research into the government market for two decades.

1. **Research the market.** Use sources like the GovPro Buyers' Guide at www.govpro.com, FedBizOpps or BidNet to find out if governments are buying your products or services. Even if you see no government purchases or applications, that might just mean that government buyers and specifiers don't know about what you are selling. Contact the nearest Procurement Technical Assistance Center; they can assist you in landing government business. Go here to locate the nearest center: http://www.aptac-us.org/new/Govt_Contracting/find.php. Also, see if any industry trade groups your firm belongs to have government contracting committees that can assist you in the selling-to-government process.
2. Determine if your business qualifies as an MBE (Minority Business Enterprise), woman-owned, small, Native American, or other special business classification. Maybe there's a set-aside program that can give your firm a leg up on the competition. Also, check out Buy American or Buy Local preferences that might be applicable.
3. Register your company with government purchasing offices at all levels of government (Federal, state, city, county, township, special district, school district). Get on the bidders' lists for the products or services your firm is selling, and bid for the business when you get an Invitation to Bid from governments.
4. Build a list of government purchasing offices and consuming-agency prospects. Market your products or services to those installations using all available channels.
5. Network and spread the word about your products and services and successful applications in governments. Send your government case studies and success stories to Government Product News and Government Procurement magazines. E-mail: michael.keating@penton.com
6. Also, exhibit at conferences for government purchasing officials, such as the National Institute of Governmental Purchasing's annual Forum and Products Exposition—go here for details: <http://www.nigp.org/events/Forum.htm>

From **Guy Timberlake**, **The American Small Business Coalition**, www.theasbc.org. The American Small Business Coalition, LLC (**The ASBC**) is a for-profit business association focused on assisting small companies in doing business in the government sector. The ASBC is committed to supporting the efforts of government organizations as they acquire the information, products, services and solutions they need from trustworthy industry partners. A strong emphasis is placed on professional integrity, a prerequisite for entry and continued participation in our membership

programs which are available to select small, medium and large companies. Our goal is to help small companies develop market intelligence specific to the government contracting arena while learning industry best practices as they identify and pursue needs and relationships for both direct and subcontract business opportunities.

1. Understand the company resources necessary for standing up/maintaining a government sector practice.
2. Gain an appreciation of the unique differences associated with doing business in this market.
3. Manage your expectations. Know that it will be at least two years before you realize substantial business.
4. Strategy and focus will be your friend. Plan your work and work your plan.
5. Ask lots of questions of prospects—partners and customers.

From **Michael Balsam**, Vice president, **Onvia**, www.Onvia.com . Onvia provides current information on upcoming contracts from Federal, state and local government agencies on every type of product and service.

5 Tips for CEOs New to the B2G Market

1. **Know Your Sales Cycle.** Government agencies are some of the most reliable clients out there. The rigorous award process provides a lot of transparency, and there's little danger they'll skip town and not pay the bill. However, because of the process involved in government contracting, it can take longer to receive payment for government work – sometimes up to 30 to 45 days after the work is completed. Make sure you factor in this longer payment cycle in your budget planning: can you cover your overhead until the payment comes in?
2. **Build Relationships Now.** 80% of government contracts are never put up for bid. If a contract is under a certain dollar threshold, the agency is under no obligation to put out a bid or RFP. Government agencies rely on preferred vendor lists and pre-existing relationships to fill these contract needs. Start building relationships with decision-makers at your target agencies—you never want your bid to be the first time they've heard of your company. Having a solid relationship with government agencies will also help your company get specified on larger-dollar contracts.
3. **Tackle the Competition.** The majority of government contractors lose more bids than they win. Research your target agencies' purchasing history to find trends in their buying activities (do they prefer local contractors? Small businesses? Have they awarded the last several projects to the same company?) to make sure it's a project you want to pursue, and research your competitors to position your

strengths against their weaknesses. The good news is that government agencies are likely to go with the incumbent on a contract renewal, so once you've won a contract, perform well and you'll drastically increase your chances of winning another project with that agency.

4. **Sweat the Small Stuff.** A government request for proposals is a seriously dense piece of work. It's about on par with your tax documents, only this involves the government paying you money! However, it's important to read the RFP closely and pay attention to every detail. It's easy to get lost in all the government-speak, but doing so could mean bidding on a project you're ineligible for, having your proposal disqualified on a technicality, or—worst of all—bidding low because of incorrect pricing. You don't want to be awarded a contract you'll lose money on, or spend a lot of time and money drafting a proposal for a contract you have no chance of winning.
5. **Stay on Top of Bid Notifications.** Your proposal team will need as much time as possible to draft a killer proposal. The earlier you can find out about an opportunity, the more time your team will have to research, write and revise the proposal—giving you more of a competitive edge.

From **Bob Lohfeld**, Lohfeld Consulting www.LohfeldConsulting.com. Lohfeld Consulting is a leading bid & proposal, business development and capture consulting firm. Their clients represent the top tier of contractors in the government market.

1. **Understand your market.** The government market is enormous and it is made up of many different agencies and buying organizations with different needs and buying preferences. To be effective in selling to the government, you need to understand the market, understand which organizations are likely to have an interest in your product or services and which ones are not. Because the market is so large, you must focus and prioritize your pursuit and, as an old fisherman might say, "Fish where there are fish." A good analysis of this market is an essential first step.
2. **Understand why the government might buy your product or service.** You might be surprised to learn that the government market attracts lots of firms all trying to sell their product or service. The good thing about the government market is that it is very open about what it plans to buy, assuming you know where to look. The bad thing, from your perspective, is that all your competitors can generally discover the same selling opportunities you can. For that reason, you need a well-thought-out strategy to differentiate your offering from others and a well-defined value proposition that addresses the government's needs. Commercial selling jargon like "increase your profits" will fall on deaf ears with government buyer whereas "improve service to the citizen" may be just what the government wants to hear. Having your strategy in place and knowing your value

- proposition before you start selling will keep you from giving up after a few unproductive meetings with government executives.
3. **Know how the government buys.** All government agencies operate under procurement rules defined in the Federal Acquisition Regulations and the many variants of these rules that have been adopted by specific government agencies. These rules seem strange to commercial practitioners, but are just part of the learning process you'll go through when you start doing business with Uncle Sam. The government has preferred mechanisms for buying products and services. These range from smaller purchases under GSA schedule contracts to large multi-agency contracts that serve as vehicles to push through billions of dollars in contract awards. You'll need to understand these contract vehicles and be ready to offer one or more as closing mechanisms when your customer wants to buy. Without these, you'll have little chance of selling your wares in the government market.
 4. **Be ready to pursue an opportunity.** Going from deal identification to deal closure is called Capture Management in the government market and successful Capture Managers can close north of 50% of the deals they chase. If you want to win significant contract awards, you'll be up against some of the best Capture Managers in the business. There are lots of tricks of trade that will help you be successful in your pursuits and a good capture professional can guide along the journey. Capture Managers work to discover customer requirements, needs and preferences; position your firm to win and build customer advocacy in the process; understand your competition and build win strategies and pricing strategies; build and execute teaming and subcontracting agreements; and oversee the development of your proposal. There is a lot to do in closing your deal and the more experience you have at doing this in the government market; the more likely you are to be successful.
 5. **Be ready to write your winning proposal.** Most government procurements of any significant value require you to write a proposal and proposals are often several hundred pages long and must be written within a few weeks. When the government issues a Request for Proposal, all serious contenders will snap into high gear assigning their best and brightest people to the task of writing their proposal. Successful companies have this process well in hand and have ready access to superstar talent needed to write winning proposals. If your company is not an expert at this, then get help. Proposals are major undertakings and even the largest companies in the government market go outside for talent to manage and write their proposals. This is not an exercise for novices.
 6. **Be ready to perform.** In the government market, your past performance will become your key to future success. The government goes to great lengths to track contractor performance and archives this data in various databases that are accessible to all government procurement officials. Because the government places such a high premium on past performance, you must do an outstanding

job on your first contact and every contract thereafter. Being risk averse and pursuing only contracts you can perform well will pay dividends for you in the long run. Be forewarned that, for each government procurement you bid, the government will ask you to explain whether or not your company met the cost, schedule and technical objectives of your past contracts. The government may cross-reference your answers with past performance databases and they will call other government agencies to double check your performance record. Outstanding past performance is indeed a prerequisite for future work.

7. **Be patient and be prepared to go the distance.** The government moves at its own pace and will buy when it is ready to buy, not when you are ready to sell. Government executives work their budgets through Congress often requiring multiple years to get programs approved and funded. They are not be moved by your need to book sales at the end of your quarter or because you boss wants to make a big splash with the company's shareholders. For the new practitioner, be ready for a long hard journey into the competitive world of government contracts. For those who stay the course, the journey can produce significant rewards, but for the many, they will run out of resources and patience before their first deal arrives. If you are going to enter this market, be realistic and be patient. Good things will come in time.

From **Judy Bradt**, Principal & CEO Summit Insight, www.SummitInsight.com
Summit Insight is the leading advisory firm for women-owned business in the government market.

1. **Get Financing:** It takes money to pursue, and then perform, and then stay alive 'til the government pays you.
2. **Past Performance Helps You Focus.** Look for opportunities most similar to the very best projects you've already done.
3. **FedBizOpps Isn't Prospecting:** Dramatically increase success and cut costs through research, referrals and personal introductions.
4. **Use the OSDBU's:** Small business specialists open doors for you if you've done your homework and prepared a kickass capability statement.
5. **Relationships Are The Whole Game:** People do business with people they like and trust—and help their friends.

From **Lisa Dezzutti**, President, Market Connections, Inc. Market Connections is a leading market research firm focusing on the Federal government.
www.marketconnectionsinc.com

1. Set realistic sales targets and be willing to make the investment. Results won't happen overnight. If you're expecting big Federal revenues within six to 12 months, don't bother getting in the game.
2. Target the right audience. You must target end-users of your product or service. Companies that focus efforts primarily on procurement and contracting personnel fail in this market.
3. Know the needs and requirements of your targeted end-users. Learn what motivates their behavior. How? Ask them. Use a third party research firm to survey your target audience.
4. Act on what you learn. Adjust your strategies. Fine-tune your messaging and sales approach. Companies that do this achieve double digit growth rates in the Federal market.
5. Hire someone with Federal experience to help your team navigate the world of Federal contracting. Too many companies have gotten in over their head because they assumed winning and then delivering on a government contract would not be that different than what they have done in the commercial world.

These are just the “tip of the iceberg” tidbits from some of the more seasoned professionals in this market, people who have witnessed up close what it takes for a company to come in and make it, or not make it.

If you are in a management position in a company that is seeking to enter the government market, take this advice to heart. Call a couple of these people and tell them who you are and what you do and get a little advice up front so you understand the landscape and get a better feel for what *you* need before you enter this market.

For a wrap up, I thought I would include two more items: first, an article co-authored by Steve Charles of the ImmixGroup (www.ImmixGroup.com) and Robert Silverman of ReachSolutions (www.ReachSolutions.com) which is reprinted with permission; and second, a speech I have given a few times (it is updated). The first time I gave this speech was at a MeritDirect business marketing conference about 8 years ago.

And remember, if you need help, give me—or any of the people who offered advice above—a call.

Ten Tips for Technology Manufacturers in the Government Market

By: Robert Silverman, CEO, ReachSolutions and Steve Charles, Co-founder/EVP,
immixGroup

With government spending about to dramatically increase, technology manufacturers are rightly pursuing and making investments in the government marketplace as a strong and stable source of revenue. Dozens of new technology companies enter the government market each year and an even larger number of companies are trying to expand or reenergize their public sector presence now. What are the common themes of those organizations that have found success in this market?

Over the years, working for, and consulting with numerous technology companies selling to the government, we have discovered these tips, primarily because so many entrants fail to achieve the level of success they expected.

1. Government business strategy clearly defined

A clearly defined government business strategy is critical for new entrants as well as companies looking to scale to the next level. Without a complete business plan, few companies establish a track record of success and sustained revenue growth year after year. While commercial success and having "cool technology" will always generate a few sales in the government market; these elements alone won't build a sustainable business over the long run.

To drive success and build a scalable business, a government business plan with sufficient breadth and depth is a prerequisite. More than just an overview of the market and a statement of general tactics, a government business strategy identifies the organizational and infrastructure requirements and establishes a clear focus for sales, channel alliance programs, marketing, contracting vehicles and delivery efforts required. Further, the strategy will include an actionable plan and ROI analysis tying revenue forecasts and timelines with resources and investment requirements under various scenarios.

2. Government market opportunity clearly identified

The U.S. government is the largest single consumer of commercial technology products in the world. If your company is successfully selling in the commercial sector, there are likely sufficient requirements in the government sector to justify entering the market. The question you need to answer when determining your potential government market opportunity is not whether there is a market for your products and services, but precisely where in the government is your greatest market opportunity.

The most successful technology companies focus carefully on the most relevant targets of opportunity in the company's commercial sweet spot and thus avoid chasing empty envelopes. The same is true in government. Those companies that are disciplined about positioning their products to address specific problems that they are uniquely capable of solving vis-à-vis their competition (not always another manufacturer), gain traction and increase market share by repeating the sales process in government agencies across the entire government sector.

3. Government treated like a sector, not a vertical

Only a few commercial technology companies make a concerted effort to understand precisely how the government sector is different from the private sector. This sector spans quite a few verticals like transportation, finance and healthcare. Each agency has a unique mission. Each has its own language, values and rules. Multiple verticals combined with this different culture make entering the government market more like expanding into a foreign region than a new industry. The government market requires a unique approach to selling, marketing, partnering and contracting. Companies that understand and embrace this uniqueness, while leveraging their commercial processes to keep it simple and streamlined, are the most successful.

4. Synchronized expectations

Setting realistic, attainable revenue expectations, and delivering on that commitment, is what builds the corporate trust for making the investments necessary for year-over-year growth. These expectations need to include both the timing and the amount of revenue forecasted. While it no longer needs to take two to four years to achieve success in the government, this market remains a momentum play, requiring early balance and focus on laying the correct foundation to generate downstream ROI. When developing a government strategy it's critical to define both your revenue and non-revenue milestones.

The revenue forecast and its relationship to the required level of resources and investment, whether internal or external, covering activities ranging from business development, sales, operations, legal, financial, marketing, channels, and contracts need to be established. All too often the government sales staff cobbles together the channel, the contract vehicles and the marketing messaging while corporate looks on passively, not fully understanding, appreciating and supporting the business requirements of the government market. A corporate plan for the government market that defines both revenue and non-revenue milestones and links these to required investments and corporate support will result in shared expectations and focused execution.

5. Making the right investments

It's often not a question of whether enough investments are made. More often than not, a company's government initiatives are not part of critically analyzed and focused marketing strategy. This leads to investments being made in the wrong places at

the wrong time. Making initial key investments combined with the right resources driven by a well thought out government business strategy can make an order of magnitude difference in results.

6. Balancing tactical and strategic activities

Many companies fail to develop sustainable traction in government because they do not balance short-term tactical needs with longer-term strategic requirements. Turning initial traction into sustained market momentum requires a balance between tactical and strategic activities. A government strategy that focuses exclusively on short-term, tactical revenue opportunities does not establish the necessary foundation for longer-term program or enterprise-wide deals. Conversely, government teams that focus on strategic programs at the expense of tactical revenue fail to deliver sufficient results soon enough to justify further investment. The most successful companies establish the right balance between measurable tactical sales and programmatic business development activities necessary to sustain growth.

7. Identifying and executing a repeatable process

Quick initial success is sometimes the worst thing that can happen to a technology company unfamiliar with the government market. Companies that, for example, close a sole-source deal or get handed a "bluebird" by a systems integrator begin to assume future deals will be closed just as easily. Expectations are raised and revenue forecasts are increased without doing the hard work of creating a repeatable, predictable business. There are no silver bullets or short cuts to building a strong business in the government sector. Building a sustainable government business requires companies to implement a repeatable sales process with infrastructure components such as opportunity identification, compliant contract vehicles, service delivery partners and relevant market messaging as part of a coordinated strategy.

8. Government team support is part of the corporation's plan

In many cases, government sales initiatives do not get the attention, support, or government-specific resources needed for early success. Because of the unique requirements of the government market, the same corporate resources that created the company's success in the commercial market seldom have the necessary experience in the government market to adequately support the government program. Because the government market is often not well understood by corporate "commercial" departments, the government team often receives insufficient support forcing the team to fend for itself usually with mixed results. Successful government programs are built upon the strong support and involvement of the entire company.

9. Sales practices measured

Technology companies typically find it difficult to evaluate the effectiveness of the business development, sales, marketing and alliance activities necessary in the

government sector. Commercial processes and metrics need to be modified to accurately measure the unique activities and drivers of the government market. Viewing the government sales process and pipeline quality as a black box generally leads to false measurements. Don't assume that your government sales team is failing or being successful in the absence of meaningful metrics that realistically measure the business development and sales pipeline.

10. Prepare to scale

Government programs often stall because they fail to put in place the organization, processes and investments necessary to evolve to the next stage of their development. Government programs need to progress through multiple stages in order to increase penetration and market share. Depending upon the stage, the program will need to update its organizational structure, practices, support infrastructure, and market approach. Government programs that continually assess and adapt their strategy, processes and capabilities at each stage with an eye toward evolving to the next one can avoid a Darwinian fate.

In summary, companies can build successful and sustainable government businesses if they understand and appreciate the unique aspects of the government market, they approach the market strategically, and they commit the right resources and investments. Usually this requires investing in talent that has a track record of success in this market.

And lastly, my speech:

Ten Myths from the Federal Market

Over the past several years, there has been a revitalized interest in selling to the U.S. government market, Federal, state and local. In part this is because of the vagaries of the economy, as well as interest in Homeland Security, the conflicts in Iraq and Afghanistan. Press coverage has picked up and even Wall Street seems to have a renewed interest in the government market, even though mainstream media are primarily interested only in the sensational news.

While the interest is growing, the market perceptions are, at best, blurred to most. This is especially true for small and medium-sized businesses. The amount of myths, misinformation and half-truths about the government market abound, always on the periphery of otherwise intelligent business meetings, from Wall Street to Silicon Valley.

Part of this perception is also because we in the government market do have our own language and we are loathe to explain it to the uninitiated. Another part is because it

*is easier for many to think they can't play in this market rather than to **work** at getting into the market. **It's always easier to complain than to act.***

There are also a few companies that think it will be simple to enter the government market. They think if they simply announce their presence and money will occur. These companies often end up as chalk outlines on the sidewalk of the government market because regardless of who you are and what you sell, **government market entry is never** quick, seamless, simple, and lucrative.

I receive calls every week from companies wanting to enter the government market. Although I don't have a "one size fits all" response yet (I've only been doing this 23 years), I'm working on one. I try to explain that the market is big enough to accommodate many, but there are very rarely "quick hit" new entries.

Some seem to believe that you get a GSA Schedule and the phone will ring, as if a Schedule was a cure-all—tell that to the thousands of Schedule holders with \$0 in sales. There are 12,000+ GSA Schedule contracts, and in FY 2006, over 4,000 companies on Schedule made \$0.*

The level of voluntary ignorance is staggering.

Everyone is looking for the easy way, the quick hit. The hardest point to get across is there is no single answer for every company, and it all involves hard work and education, and then more of the same. This is a huge market—actually a quagmire of many markets, but it is an incremental market for all vendors entering it. But the government market is worth extra effort because once you are in, once you understand the process and the nuances, you will have a steady and steadily growing income base from the only recession-proof market in the world.

To keep other companies out of the market a number of rumors were perpetuated by those making big money from the government. Over the years, these half-truths, myths and outright untruths have evolved and spread.

This brief introduction is an attempt to dispel a few of the misconceptions about selling to Fortune One—the U.S. government market. So, without further ado, let the countdown begin.

MYTH 10: It's too difficult to break into this market.

Outside of Washington, DC, outside the "beltway", DC is viewed as an insular world, full of intricacies, intrigue, insider partnerships, decoder rings and secret handshakes. Much of this is true. You need to know lots of things and lots of people to play in the arena of the mega-contracts, an arena dominated by Lockheed Martin, Northrop Grumman, Unisys and a handful of others.

The prime contractors spend millions of dollars bidding on specific contracts, putting together the right team (subcontractors as well as key employees), following and *influencing* the direction of a contract as it evolves.

Most companies are not going to enter the arena of prime contracting without serious growing pains.

Does this mean you can't play here? Of course not. But you are not going to do it as a prime contractor. If you have the right product or service, and can offer some other significant "value-adds", there is always the role of sub-contractor, GSA Schedule vendor or selling in the open market. There are many ways to play.

If you are a **product vendor**, start with the open market and develop some marketshare with targeted marketing efforts. The Feds can make purchases up to \$2,500 without contracts, as long as they use the government *SmartPay* credit card. After you build a sales beach-head, then, *and only then*, decide if you need to migrate to GSA Schedule, or some other contractual vehicle. Part of the decision-making process will be input from government customers and prospects *asking* what contracts your product is on. Listen to your customers and make certain you have some way of collecting this data from your in-bound sales staff.

I have worked with over 150 product vendors that have developed strong marketshare exclusively through open market sales, as much as \$15 million a year, with absolutely no contracts. It can be done, given a definable audience, a product that lends itself to micropurchase (under \$2,500 an order), and a company skilled at selling and delivering at this level. The micropurchase arena is custom built for business catalogs.

The real key to market entry is a good understanding of the **actual** landscape before coming in: does the government buy what you sell; if so, who are the current sellers (your competition); what seems to be the preferred buying method (GSA Schedule, other contract, open market); and what do you offer that might differentiate you from the competition.

Understand this and you now have a chance at success.

MYTH 9: The government demands the lowest price.

For years this was a mantra, especially for companies selling through the GSA Schedule, and there is still a grain of truth to it. However, the government *only gets the best price in certain instances*. A **competitive** price is necessary, but there are other factors that can influence the sale.

Quick delivery is a major differentiator, especially for products. If an employee needs a product today or tomorrow, delivery and a competitive price win. **Not the best price, but a competitive price, with quick delivery.**

Other factors, like quality, reputation, customer service also play a role here, each with greater or lesser influence on each sale

Nobody is saying this is easy, but the potential returns are huge.

Your chances of success are already improving if you know this and act accordingly.

MYTH 8: We have a great product; buyers will line up to get our stuff.

I get calls from people all the time who have invented the latest, greatest widget. Some of these calls crack me up. “I hear you know the President of CDW-G—get me in to see him and I’ll give you a finders fee.” Or, “Who do I talk with at the Defense Department—our troops need this now!”

There are *always* great products. I’ve never had a call someone who had an average or crappy product. They’re all great! **But there has to be more.**

If you are selling direct, you have to understand that the government only buys **commercially viable** products—stuff other people have already bought and used. They do not buy brand new, untried and untested (on the market) products. If you are attempting to attract the attention of the reseller channel (resellers already selling to the government), you have to add value. Will *your* marketing drive sales to your reseller partner? Can you supply your reseller with market development funds (a.k.a. “co-op dollars”)? Are you already a commercial success? Is there a definable audience in the government for your product whose needs are not currently being met? Or is the incumbent vulnerable for other reasons?

If you are selling services (and the government buys lots of different services), there is a similar set of criteria that comes into play.

The right market entry strategy is the key to your ultimate success!

What do you bring to the table aside from the product or service? How can you differentiate yourself? Define these, and your chances of success are looking better.

MYTH 7: Having a GSA Schedule makes the cash register ring.

Selling exclusively through the GSA Schedule is myopic and rarely leads to significant marketshare, except for those at the top of their respective categories. It also brings serious headaches to those who are not fully prepared.

You need the proper accounting in place to be able to rebate the .75% Industrial Funding Feed to GSA on a Quarterly basis. Don't know about the IFF? Well, there's more! How about an audit for EEO compliance? There are many things that come along with a government contract.

That is not to imply you may not need a GSA Schedule. It is simply to warn you that there are things about getting a government contract that you have to be aware of before you go after one!

If that is not enough, consider this: **The top 2% of GSA Schedule vendors take 60% of all Schedule dollars. Why? Because they understand the marketing and sales nuances demanded by this market, and they are able to use the Schedule to their advantage. Further, the Schedule is usually a part of the strategy, not the entire strategy.**

Understand that the GSA is not a **cornucopia**, and that intelligent, targeted marketing is required, and your chances of success have again improved.

MYTH 6: We can send press releases to the government publications and reporters will call.

This is akin to planning your retirement by purchasing lottery tickets. Every company and every PR firm sends press releases to virtually every publication, and the government trade press is no different.

Every morning each reporter and editor goes through the many releases in their email in-box or at the fax machine to see if something important is there. If not, it goes into the trash bin. A cursory glance is all most press releases ever get.

Expecting a reporter to read a press release is not realistic. Expecting an editor to read a press release is less so. Understand what each reporter writes about, then **specifically target your messages to one reporter** with something newsworthy. Follow up with them to see if they read the release and explain what made it different. Re-send the release **if they ask for it**. Develop relationships with specific reporters, and then send your press release.

When—and if—a reporter or editor calls, they will have very specific questions, and will most likely have little or nothing to do with the reams of paper you or your PR firm sent.

When you start getting press, your chances of success are getting real.

MYTH 5: Our brand name recognition will drive sales in the government market.

Larger companies assume their commercial success will translate into government business. Relying on a strong commercial brand to drive sales often creates unrealistic expectations.

Brand is important, and a strong name can help, but it is not a guarantee. Dell dominates the desktop in government, but Dell wasn't DELL when it started selling to the government in 1990. I know—I was advising them. It started small and grew in this market in tandem with its growth outside. It had a good product, good support, good marketing, and incremental growth. *And Dell learned lots along the way.*

This is almost as laughable as “our corporate ad agency can do government.” Most national ad agencies and PR firms *have absolutely no clue about the government market*, the nuances that make it different, or the legitimate hot buttons. They cannot speak government and *invariably they will spend more money with less impact because of their lack of market knowledge*. Often their efforts will hurt more than help.

The government market is different, and it requires understanding the nuances before major expenditures, and perhaps costly mis-steps, in advertising programs.

Using a corporate ad agency to drive your government marketing program can kill all the growth you may have experienced by overcoming the first five myths. Use one of the few ad agencies (if you need one) with true government savvy, and success is almost within reach.

MYTH 4: Email works everywhere, so if we get the right email list, we're in.

Spam is spam. It is good for toast. You can get email addresses of key Federal managers off government web sites or from one of many scam artists selling crap through spam email! But if you use the email addresses without permission of the recipients, there are several things that could happen. Your ISP (the company that emails for you) may be blocked by individual users or by an agency web master. If you are a habitual spammer, your corporate web site may be blocked from an entire agency. You can also be blacklisted.

At the very least, you will irritate more people than you think, and these people can and will remember who you are, and simply delete anything from you in the future. They are no different than you when it comes to getting email from someone they don't know.

If you are going to use email, do so responsibly. Create an opt-in program that provides real information to people who have asked for it. Sponsor other emails, from publications, associations or special interest groups.

This is an incremental process, just like real growth in this (or any) market, and it requires discipline.

Spam will kill all your previous efforts. Doing email right will help increase your chances of success.

MYTH 3: We've got to be at big trade shows like FOSE – if you're not there, everyone notices.

Big events eat big bucks, often without significant return. Exhibiting and expecting the right people to come by your booth is just not realistic, yet it happens at every conference. You know that is true, because you have seen it too.

There are small events for more targeted groups—special interest groups, which are much less expensive and give you the ability to have real face time with key influencers in your niche. Most companies have products and services that are better suited to niche audiences, and to niche events.

Find the niche events—and there are hundreds of them in the government market—where your real buyers and influencers are, and you are closing in on success.

MYTH 2: We'll hire a guy in DC and give it six months.

This short-term commitment reflects a voluntary ignorance of the market that is inexcusable. Oddly enough, this happens with hundreds of companies each year. The reasons vary, but often include these elements: a person is hired who looks good on paper, sounds good in person, but who hasn't really delivered in their career. Or, you hire someone who just left the government after 20+ years as a procurement or contracting officer—someone who may be able to exploit a few relationships, but who has a totally different skills set from what you **really** need.

Hiring the wrong person and giving them a limited window of opportunity is the kiss of death. Hiring the right person with the same window, isn't much better.

Understanding that getting into this market isn't a short-term process is critical, as critical as hiring the right people. At minimum, this is an 18-24 month commitment to get your first significant business.

Management expectations have to be predicated on a working knowledge of the market, not based on rumor and innuendo, thinking you can make a quick hit, or the fact that your commercial brand name is big.

Get management to understand the **real commitment necessary** in terms of time, staff and money and you're almost there.

MYTH 1: The biggest myth is a self-imposed limitation: it's too big and we can't do it.

In my career I have worked with businesses as small as a couple million in sales. Given time, I have helped several of these evolve into \$20 million dollar companies with 30% or more of their sales in the public sector.

The government market—Federal, state and local—has 20 million employees and represents 25% of the Gross Domestic Product—one quarter of all spending in the United States.

The over 86,000 governments in the United States buy every legitimate business product and service imaginable. But the market is comprised of a quagmire of niches—and the marketing approach that one size fits all doesn't work. Some companies are designed to sell on the open market, others more attuned to the channel approach, while some are natural sub-contractor material. All need good-to-great advice before entering and along the way.

Get some legitimate guidance before entering this most lucrative of markets.

Good luck and good hunting.

Mark Amtower is a consultant, author, speaker, CEO coach and radio host. Each year he works with CEOs of large and small contractors in the government market to help them maximize the dollar value of their contracts. Information is available at www.FederalDirect.com. Call him for information on his coaching programs at 301-924-0058 or email him at Mark@FederalDirect.net.

Contributor web sites and other Resources:

<http://www.GovernmentExpress.com> – a free web site full of information for small businesses.

<http://www.GovernmentMarketingBestPractices.com> – membership web site for companies marketing to the government.

<http://ssq.gsa.gov> – the U.S. General Services Administration web site which can tell you how much money is spent on each GSA Schedule contract each year, by vendor.

<http://www.gsaibrary.gsa.gov/ElibMain/home.do> – the GSA E-Schedules Library where you can research where you fit on the GSA Schedules.

<http://www.ccr.gov/> – this is where companies must register to do business with the government. Among other information, you need your DUNs number.

<https://orca.bpn.gov/> – The Online Representations and Certifications Application web site. Another step in the process of registering to be a government contractor

<http://www.sba.gov/services/contractingopportunities/sizestandardsttopics/index.html> – Again, while not really cool, this is where you can research whether or not your company meets “small business size standards” for Federal contracting. The SBA site has much useful information for small businesses, but I do not view it as a tremendous resource for contracting with the government.

<http://www.GovFacility.com> has information for both the government and industry on facility management issues.

<http://www.Onvia.com> has lots of information on getting started in B2G. They also offer a subscription service for contract announcements for Federal, state and local contracts.

<http://www.theasbc.org> – the best association for small business looking to enter the Federal market or grow their government business.

<http://www.GlobalServicesInc.com> – the Amtower preferred provider of GSA Schedule negotiations, something you should NOT do yourself.

<http://www.LohfeldConsulting.com> – by far the best of breed in contracts: bid & proposal, business development, capture, and maximizing the value of current contracts.

<http://www.SummitInsight.com> – the best resource for women-owned businesses seeking traction in the government market.