

A low-angle, close-up photograph of the U.S. Capitol building's dome, showing its intricate architectural details and the surrounding classical columns. The sky is a clear, bright blue. An American flag is visible on a pole to the left of the dome.

# 10 Myths

about Selling to  
the Government

**GovSpend**

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# Introduction

Combined, U.S. government agencies (federal, state & local) represent the largest customer in the world. There are 90,000 government agencies spending over \$7 trillion per year...just under \$20 billion per day (every day) -- that is A LOT of money.

The federal government spends over \$4 trillion per year, and state & local agencies spend over \$3 trillion. Government spending is the largest “industry” in the United States...representing over 13% of U.S. Gross Domestic Product (GDP) -- with manufacturing second at 12% of GDP.

However, some companies decide not to pursue the enormous opportunity of doing business with the government because of common misconceptions about the government sales process. This report debunks the most prevalent myths about doing business with the government.

## MYTH #1

# A majority of government procurement opportunities go out for bid/RFP

One of the biggest myths about government sales is that a majority of government procurements are completed through a bid or RFP (Request for Proposal). The reality is that up to 80% of government spending does NOT go through the bid/RFP process. Over the years, government agencies have developed numerous ways to purchase products/services without issuing a bid or RFP. These methods include:

- ✓ Sole source
- ✓ Piggy-backing
- ✓ Discretionary spend
- ✓ Cooperative purchasing agreements (Co-Ops)
- ✓ P-Card
- ✓ Simplified quotes
- ✓ Set-Asides / Socio-economic designations
- ✓ GSA & State schedules

The traditional bid/RFP process can be inefficient and time-consuming. The procurement options listed above allow agencies to shorten the overall acquisition cycle while still ensuring they meet the requisite government purchasing regulations.

The process for government procurement personnel to obtain approval to purchase utilizing a method other than a bid or RFP varies from agency to agency. Some agencies have very detailed, regimented processes, while other agencies rely on the sole judgement of the individual who heads the procurement office. No matter which procurement option agencies

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**80% OF GOVERNMENT  
SPENDING DOES NOT GO  
THROUGH THE BID/RFP  
PROCESS**



choose, companies need to be aware that agencies are not required to utilize a bid or RFP to complete most acquisitions.

## **MYTH #2** The Government is looking for the “cheapest” (lowest cost) solution

When discussing the opportunity to pursue government business with companies that are new to government sales or only have limited experience with just a few agencies, some say, “it’s not worth all of the effort because the government is just looking for the cheapest solution.” That is NOT true.

Government agencies are not profit-driven organizations. They are not seeking to save money to be “more profitable.” They are spending the taxpayer dollars that are allocated to them. Purchasing the “cheapest solution” that may require significant support/maintenance costs or may need to be replaced in an unusually short timeframe is not better for the agency or its citizens.



**THE GOVERNMENT IS LOOKING FOR THE “BEST OVERALL VALUE”**

As an example, let’s suppose an agency needs to purchase 10 new speakerphones for its office conference rooms. The agency releases a request for bid/proposal/quote, gets 7 responses, selects the



“cheapest” proposed solution, and deploys the 10 speakerphones. The “cheapest solution” can often times also be the lowest quality solution and after just a few weeks: the wires on the phone cord start to fray, the quality of the sound begins to deteriorate, and/or the buttons on the keypad begin to malfunction. Who do you think gets the complaint about the quality of the speakerphones? The procurement department...the folks that purchased them.



Again, agency procurement personnel want to purchase the “best overall value” so they can complete the acquisition and move-on to their next procurement effort.

Purchasing the cheapest solution that could result in the agency actually spending more money in the long-term (in maintenance, support, and/or replacement costs) is not in their best interest.

Agency procurement personnel are responsible for spending taxpayer dollars in the most efficient, effective manner possible. Purchasing poor quality “cheap solutions” is not efficient nor effective.

## **MYTH #3** **Government opportunities are highly competitive with low margins**

It is true that some government procurements can be highly competitive resulting in lower margins/profitability, but this is certainly not true of all nor a majority of government opportunities.

Government acquisitions that are processed through a bid or RFP can definitely be very competitive because

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**MANY VERY SUCCESSFUL COMPANIES  
ARE WINNING GOVERNMENT BUSINESS  
WITH ATTRACTIVE PROFIT MARGINS**

Bid Notification solutions (covered

in Myth #5) make more companies aware of each potential government procurement. Companies from around the country (and world) can submit bids/proposals for these procurements, and sometimes companies that are going-out-of-business or desperate for revenue will submit extremely low pricing.

However, many very successful companies are winning government business with attractive profit margins utilizing some of the following strategies:

- ✓ **Offer Unique Product/Service Features:** One of the most powerful ways to justify higher pricing (and hence increased margins) is offering a unique feature or service that is difficult for other companies to provide. For example, if you are the local vendor for a government opportunity, you could offer on-site support or replacement parts delivered the same day -- both are services that may be difficult for out-of-area companies to match. Offering unique features/services that agencies desire, allows companies to increase their pricing (and margins).
- ✓ **Focus on Long-Term Relationships:** Even if the initial opportunity with a government agency results in a lower profit margin, agencies are known to do “add-ons” or “change orders” to the originally contracted effort. These additional efforts are typically awarded to the original contractor -- providing vendors the opportunity to increase their overall profit margins. In addition, when companies complete contracts in a quality manner, agencies are inclined to use them again for future efforts. This means agencies can use one of the non-bid/RFP procurement methods to direct additional government sales to companies that do quality work.

- ✓ **Focus on Non-Bid/RFP Efforts:** Sometimes a government agency releases a bid/RFP that is too big to ignore or specifically targeted to your company's product/service -- and you need to respond. However, during the sales/marketing efforts to government agencies, companies need to provide as many "non-bid/RFP" procurement options as possible, such as: being under discretionary or p-card spending limits, having a sole source designation, providing a piggy-back opportunity, or being on GSA or State schedule. These procurement methods are typically faster and more profitable. Once an agency really wants your company's specific product/service, they will usually explore all procurement options to ensure they get the product/service they desire.

## MYTH #4 **Your company needs to be on GSA or State Contract to win government business**

The General Services Administration (GSA) has established a series of contracts/schedules with specific products/services offered by companies at predetermined prices. The items on GSA contract/schedule are normally commodities that are purchased in high volume by government agencies. Agencies can purchase from a GSA schedule in a manner similar to how consumers purchase items from a private company's website (through an eCommerce transaction). Full details of the products available on a GSA contracts/schedules are available at: [www.gsa.gov](http://www.gsa.gov).

After witnessing the success of the GSA contract process, many states have also created contracts/schedules structured in a similar manner to the GSA, but typically with products/services that are unique to the specific state (e.g. Florida has a "Vehicle Schedule" that only includes car dealerships offering vehicles for sale in Florida).

**“COMPANIES DO NOT NEED TO BE ON GSA OR STATE CONTRACT TO WIN GOVERNMENT BUSINESS**



Companies new to the government sales process sometimes ask: “Don’t we need to be on GSA or State contract to win a government contract?” or “Don’t agencies purchase almost everything off GSA or State contract?” The answer to both of these questions is: No.

Companies do not need to be on GSA or State contract to win government business. Taking the time and effort to get your company’s products/services on GSA and/or a State contract can reduce the length of the government sales cycle, but it’s not mandatory. Agencies could choose your competitor’s product if they are on GSA or State contract (because it would shorten the acquisition process), but again, there is no requirement to be on GSA or State contract to win government business.

In addition, agencies do not complete a majority of their procurements utilizing GSA or State contracts. Utilizing a GSA or State contract is completely optional for agency procurement personnel, not a requirement. And a vast majority of products/services are not even available on a GSA or State contract.

Hence, companies do not need to be on GSA/State contract nor do agencies purchase a majority of items from GSA/State contract.

## **MYTH #5** It’s hard to find/identify government sales opportunities

There can be a sense that the U.S. government is SO big (with a combined total of over 90,000



agencies) that it's too difficult to identify applicable sales opportunities for your company. However, there are a large number of resources to assist companies in identifying realistic government procurements for them to pursue.

The most prevalent resource is a Bid Notification system. These solutions aggregate the bid/RFP notifications that are released by government agencies on a daily basis. When an agency releases a bid/RFP notification on their website, it is free to obtain for any interested party. However, it is nearly impossible for any company to properly monitor 90,000 government agency websites. The power of Bid Notification solutions is that they aggregate the bid/RFP notifications for their customers. There are numerous Bid Notification solutions that focus on various market segments. Some only cover agencies in a certain region, some only cover specific procurement types (such as technology or construction), some only cover federal agencies or just state, local, & educational agencies, and some attempt to cover all procurements of all agencies. A few of the available Bid Notification systems are free but most require an annual or monthly fee. Below is an overview of several Bid Notification solutions:



**COMPANIES DO NOT NEED TO BE ON GSA OR STATE CONTRACT TO WIN GOVERNMENT BUSINESS**

### Bid/RFP Notification solutions:

- ✓ Fed Biz Opp: [fbo.gov](https://fbo.gov)  
(free governmental service)
  - ✓ GovSpend: [govspend.com](https://govspend.com)
  - ✓ BidSync: [bidsync.com](https://bidsync.com)
  - ✓ BidNet: [bidnet.com](https://bidnet.com)
  - ✓ Deltek: [deltek.com](https://deltek.com)
  - ✓ FindRFP: [findrfp.com](https://findrfp.com)
  - ✓ RFP Bids: [rfpbids.com](https://rfpbids.com)
  - ✓ State & Federal Bids: [stateandfederalbids.com](https://stateandfederalbids.com)
- Construction efforts:*
- ✓ ISI Federal: [isifederal.com](https://isifederal.com)
  - ✓ Dodge Data & Analytics: [construction.com](https://construction.com)

To uncover the 80% of government spending that does not go through the bid/RFP process,



companies can analyze an agency's purchasing history by reviewing their historical Purchase Order Data. There are only a limited number of solutions that offer access to agency purchase order data because it's so voluminous and challenging to collect. Below are the current solution providers offering access to agency purchase order data:

### Purchase Order Data solutions:

- ✓ GovSpend: [govspend.com](https://govspend.com) (local, state, and federal agencies)
- ✓ USASpending.gov (federal agencies)
- ✓ FPDS: [fpds.gov](https://fpds.gov) (federal agencies)
- ✓ Fedmine.us (federal agencies)

There is also a third group of solutions that provide general insight into the procurements government agencies are pursuing. These solutions vary widely: from providing specific drawings of niche machined-parts required by specific government agencies -- to strategic analysis of where government funds will be directed in future budget cycles. Below are several examples of these solutions:

### Other Government Sales resources:

- ✓ Bloomberg Government: [bloomberg.com](https://bloomberg.com)
- ✓ Govini: [govini.com](https://govini.com)
- ✓ CJIS Group: [cjisgroup.com](https://cjisgroup.com)
- ✓ Govgistics: [govgistics.com](https://govgistics.com)
- ✓ Proximity: [proximity-ec.com](https://proximity-ec.com)
- ✓ USAFacts: [usafacts.org](https://usafacts.org)

The above solutions/platforms are available to every company and provide insight into each potential government sales opportunity. Companies just need to determine how much they want to invest in these various solutions.

## MYTH #6 **You need a large/dedicated team to respond to government procurement opportunities**

The government procurement process CAN be complex and require a significant amount of time and effort to complete. However, companies are able to be very successful utilizing a small, targeted team focused on pursuing government opportunities. The key is to ensure this team is experienced and qualified.

A significant component of being successful in winning government opportunities is having a solid understanding of how the overall procurement process works for your target agencies. Every agency and state can have different rules/guidelines for their procurement processes, and hiring someone that is familiar with these rules/guidelines is invaluable. If they have a network of contacts within the agencies your company is targeting -- that is even better, but not required.

In addition, understanding how the items you are selling are typically purchased (e.g. bid/RFP, P-card, state contract, etc.) is an important con-



**COMPANIES JUST ENTERING THE GOVERNMENT SALES PROCESS WILL TYPICALLY NEED A TEAM OF 3 TO 4 INDIVIDUALS**

tributing factor to knowing how big your “government sales team” should be. If your company sells a low-cost item that is typically purchased via P-card, your government sales team may have more sales and business development representatives that are responsible for ensuring the P-card holder at targeted agencies is aware of your product/service. If the item you sell is typically processed through the bid/RFP process, your team may need to be comprised of more proposal/technical writers that can provide all of the necessary written responses to the agency.

Companies just entering the government sales process will typically need a team of 3 to 4 individuals. This will include 1 to 2 inside sales representatives that contact agencies directly and set-up

meetings or conference calls to explore potential sales opportunities; 1 to 2 outside sales representatives that meet with agency personnel face-to-face and build relationships; and 1 technical writer that can provide the written materials required during the procurement process.

Government procurements can be sizable. Ideally, as your company begins having success, your “government sales team” will grow in correlation with the growth of your government sales revenue. However, most companies can start with a team of just 3 to 4 folks.



## MYTH #7 **It takes a long-time (6-9 months) to win a government procurement**

This is probably one of the biggest misconceptions about doing business with the government. Although government procurements can take 6, 9, 12 months or longer (especially large dollar efforts and federal acquisitions), there is a large number of government procurements that are completed in just a few weeks...and sometimes just a few DAYS (believe it or not).

If a procurement is released for bid/RFP, it will usually take 3 to 9 months to complete -- resulting in the stereotypical “lengthy” government sales cycle. However, all of the ways agencies can complete a procurement without issuing a bid/RFP, such as: P-Cards, GSA/State schedule, and discretionary spend (as ref-

**“THERE IS A LARGE NUMBER OF GOVERNMENT PROCUREMENTS THAT ARE COMPLETED IN JUST A FEW WEEKS... AND SOMETIMES JUST A FEW DAYS**



erenced in Myth #1), enable government acquisitions to be completed much faster. For example, GSA/State Schedule and Co-op acquisitions can be completed in just 1 to 2 weeks, and P-card and discretionary spend acquisitions can be completed in just 1 to 3 days.

There are two specific things companies can do to shorten the government sales cycle. The first is researching the policies/regulations of the target government agencies you want to work with. Each agency has their own set of guidelines for how and when they can purchase without going through the bid/RFP process. The better companies understand these guidelines, the more strategic they can be in their sales, marketing, and pricing efforts.

The second action companies should take is to make as many acquisition options as possible available to the agencies. These options could include: being on GSA and/or State schedule, qualifying for a Set-Aside designation, developing a unique sole-source capability, and/or securing a government contract with a piggy-back provision. The probability of winning government business increases with the more procurement options companies make available to an agency.



Lastly, establishing and maintaining relationships with agency personnel can also assist in shortening the sales cycle. Agency personnel can have significant impact on how items are acquired and which companies are considered for various procurements. As with all business transactions, being a company the customer (the government agency) has a good relationship with and views favorably can help expedite the overall sales process.

## MYTH #8

# You need to be a “registered company” to be awarded a government contract



There is no mandatory, standardized “company registration” process to be awarded a government contract for state and local agencies. Across the country, agencies have varying policies regarding the paperwork that must be completed before a government contract is awarded. Some agencies have a significant number of company registrations/approvals that need to be completed, and while other agencies have surprisingly little paperwork required to win a contract award. The registration guidelines are

usually listed on the agency’s website, or can quickly be obtained by calling the agency’s procurement department.

In order to be awarded a contract with a federal agency, companies need to be registered with the System for Award Management (SAM): [www.sam.gov](http://www.sam.gov). This registration needs to be renewed each year.

Sometimes agencies will allow companies to submit proposals/bids for opportunities and then only require them to complete any registration requirements if they are in-line to be awarded the contract.

In addition, if a company is attempting to win business based upon a set-aside designation (e.g. small business,

**“THERE IS NO MANDATORY, STANDARDIZED “COMPANY REGISTRATION” PROCESS TO BE AWARDED A GOVERNMENT CONTRACT FOR STATE AND LOCAL AGENCIES**



woman-owned business, minority-owned business, etc.) there is specific registration paperwork required for each designation. Companies cannot “self-certify” themselves for a specific set-aside designation -- each agency can have different criteria for what classifies as a particular set-aside (e.g. a “small business” designation for New York City could be very different than the criteria to be a “small business” for the City of Omaha).

Again, the registration/paperwork requirements to win a government award are usually fully described on each agency’s website.

## **MYTH #9**      **The process to sell to each government agency is basically the same**

There are four major government agency types: federal, state, local, and education. Companies with a significant government sales team will typically have a “federal team” and a SLED (State, Local & EDucation) team.

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**THE SALES PROCESS CAN VARY GREATLY BETWEEN FEDERAL, STATE, AND LOCAL AGENCIES**

Each of these four agency types have access to all of the various procurement options detailed in Myth #1 (e.g. bid/RFP, sole source, piggy-backing, etc.). However, the reality is that the sales process

can vary greatly between federal, state, and local agencies -- with educational institutions typically

operating like local agencies. In addition, the sales process can even be significantly different between local agencies located in the same state.

Three of the most notable differences in selling to the various government agency types are:

- *Ability to access agency personnel to discuss the procurement*
- *Number of regulatory guidelines that must be followed to complete the procurement*
- *Process and expediency of obtaining payment for the procurement*

Below is an overview of how these differences play out in each of the different agency types :

✓ **Federal Agencies:** The sales process with federal agencies is typically the most complex and hardest to expedite. Federal agencies are larger and are required to follow detailed guidelines mandated in the Federal Acquisition Regulation (F.A.R.). Federal procurements can be processed centrally from the agency's headquarters (e.g. Department of Defense in Washington, D.C.) and/or on-site at local agency locations (e.g. military base in Jacksonville, Florida). Federal agency personnel are typically the hardest to connect with and the process to receive payment is typically the longest.

✓ **State Agencies:** State agencies act as a hybrid between federal and local agencies. State agencies in higher populated states can operate similarly to federal agencies (with a complex set of guidelines and regulations) -- making it more challenging to meet/connect with agency personnel, and to receive payment. In the states with smaller populations, the state agencies operate more like local agencies -- fewer regulations, more accessibility, and faster payment cycles.







**Local & Educational Agencies:** Local & educational agencies are usually smaller, have fewer regulations, and are more open to meeting with companies regarding their products/services. The accessibility of local agency personnel and the faster payment cycles can make doing business with local agencies the best place to start your government sales efforts- Local agencies can follow the general procurement guidelines of the state they are located within, and/or they can establish their own agency specific guidelines.

In private industry, selling to a large enterprise customer can be very different than selling to a local small business. Similarly, the sales effort for a large federal agency can be much more complex and lengthy than selling to a small, local agency.

## MYTH #10 Your company doesn't need to be selling to the government

Combined, U.S. governmental agencies represent the largest customer in the world, spending over \$7 trillion per year. How can your company make no attempt to sell to the largest "prospect" in the world that spends an average of \$20 billion per day?



**IF YOUR COMPANY IS NOT CURRENTLY MAKING ANY EFFORT TO SELL TO THE GOVERNMENT -- IT NEEDS TO**

Similar to how the first guidance provided by most financial planners is: "you **MUST** invest in your company's 401K plan" -- some of the best busi-

ness advice you will receive is that your company **MUST** designate some resources toward selling to the government.



The government spends a TON of money and unlike private companies, they always pay. Government payments can sometimes be delayed/slow, but government agencies always pay. Most agencies have very high credit ratings, and companies can even get advanced payments from financial institutions on the future payments of government contracts (if necessary).

In addition, government spending is almost recession proof. When the normal business cycle slows and private industry spending declines -- government agencies still spend large amounts of money. Selling to the government is a form of “insurance” from the declines that occur in the general business cycle.

Finally, government contracts are typically larger and can span multiple years. Just 1 to 2 multi-year government contracts can have a MAJOR impact on the revenue of your company.

If your company doesn't have one...create a government sales team **TODAY**.

# Conclusion

Hopefully, debunking these 10 myths about selling to the government will provide you and your company the motivation to aggressively pursue government sales.

If you would like assistance with your government sales initiative, GovSpend offers strategic insights that enables companies to identify the specific agencies that are most likely to purchase from you. GovSpend works with companies of all sizes... from Fortune 500 companies to local small businesses.

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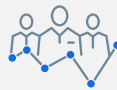
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