

# “7 Reasons Why Federal Contractors Should Consider State & Local Government Markets”

By Jennifer Schaus, June 2011 ©



Market Diversification is one factor that can limit business risk and increase revenue. Due to the faltering economy and financial crisis under the current administration, many B2B firms have entered the B2G market. The majority of these firms have flocked to the Federal market, making it even more competitive and over-saturated than ever before. Labor rates and product prices have been driven down to bottom lows so that companies are “buying” government contracts while losing profit and even revenue. The longstanding B2G firms who were once successful now must be one-step ahead and creative to stay in business. One consideration is diversifying business into the State & Local markets. Here are some advantages for existing Federal contractors:

## **1. Fiscal Year Considerations – Buying Cycle**

The Federal Fiscal Year since 1974 runs from October 1 to September 30. Each quarter experiences fairly predictable and cyclical purchasing habits. This can include buying delays in the 1<sup>st</sup> and perhaps 2<sup>nd</sup> quarters due to Continuing Resolution. The 4<sup>th</sup> quarter typically sees buying peaks with a “use-it-or-lose-it” funding process in place. If all of your business is weighted on the Federal government, you will be experiencing the same economic fluctuations and risks of your customer.

State and local fiscal years typically run from July 1 to June 30. By having clients in two sectors (S/L and Federal) you limit risk when either budget shifts up or down – or is cut completely. When Federal procurements may be slower in the summer, the State and Local governments are eager to make their 1<sup>st</sup> quarter purchases.

## **2. Similar Procurement Process**

“Government is government” and any interaction with the government tends to be time and paper intensive. If your firm successfully sells to the Federal Government, you will find similarities within the State and Local government. Understanding how to navigate is half the battle. The Federal Departments are typically also found within the State & Local governments (ie. Department of Education, Department of Transportation, etc). By understanding the Federal department needs

(who interact with the states for collaboration or funding), you have a head start on the possible needs of the State.

### **3. Government Past Performance**

Because both Federal and State/Local government are risk adverse, they always want to evaluate your performance history. They want concrete examples of the work you have performed. Most governments will accept commercial past performance, yet demonstrating successful performance on Federal contracts will be an advantage to winning State & Local contracts. Perhaps unspoken, your experience working with the FBI, The Navy and other highly respected agencies may hold more merit than a contract with ABC Company.

### **4. Smaller Markets**

The US Federal Government is the largest purchaser of goods and services world-wide. The state and local governments may not have as big of a budget, or as many administrative levels, thus making them more manageable. A smaller market allows for fewer decision makers. Sales cycles can be slightly shorter in State/Local markets. Some may look at “smaller markets” as a disadvantage, but make it work to your advantage and play to your firms strengths.

### **5. Easy Vendor Registration System**

Every state has a website with an on-line Vendor Registration System. This system allows you to register, identify your capabilities (in the form of NAICS codes) and provide your contact information. In turn, the state will generate RFP/RFQ/RFI notifications to companies that meet or match the required capabilities/NAICS Codes. Just like FBO, these notifications hold valuable contact names and phone numbers to accelerate your sales process. Take advantage of registering in your state and your county Vendor Registration system.

### **6. In-State Preferences**

Just as the US Federal Government prefers to award contracts to US businesses, the same holds true for State & Local governments. If your firm is based in Maryland or any other state, you should at the least be registered in the Maryland Vendor System. If a contract award had a short list of your (local) firm, and 2 out-of-state firms, the odds are in your favor. Most likely the government of Maryland would award the contract to the local firm. Additionally, working within your state gives you a physical advantage, which is not always the case in Federal contracting. Your client travel expenses will decrease while your “face time” and relationship building should increase.

### **7. GSA Schedule Advantages**

If you are a Federal contractor, it is likely that you have a GSA Schedule. Certain GSA Schedules – Schedule 70 (IT Services/Products) and Schedule 84 (Security and Law Enforcement) – are also used by all 50 State governments. Additionally, certain State governments have the ability to purchase from the GSA Schedule (Washington, DC). Please also see the California CMAS Contract and various state consortiums that grandfather GSA Schedule programs and pricing.

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