

**GovWin**  
from Deltek

# Top 3 Strategies for Optimizing State and Local Government Sales





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# Introduction

Even in a strong, growing economy, the vast and fragmented state, local and education (SLED) government marketplace can be challenging to navigate for vendors and contractors looking to establish a successful business development plan.

## The Most Successful Firms are Proactive

The most successful firms operationalize proactive, forwarding looking strategies and are rewarded with higher win rates, revenues and market share. These leading companies aren't just being strategic about how they allocate sales resources by government type, geography or contract value. They are using smart marketing techniques to target certain types of contracts and are using approaches that will help maximize and stabilize their revenue in future years.

## Recommended Strategies for Business Development

In this report, we present three top strategies for business development, sales and marketing executives who are responsible for developing plans and guidelines to win government business. In addition, we provide guidance on how to execute these strategies including influencing the buyers or decision-makers prior to a bid or RFP being issued.

## How the Strategies are Defined

Planned future projects include those worth at least \$100,000 planned over the next five full years beginning in 2021. Expiring fixed-term contracts are those currently active worth at least \$100K that are due to expire in either 2021 or 2022 and happen to have fixed terms of an exact number of years. Finally, the next five years of cooperative purchasing spending is based on recorded purchases off of one of the national co-ops over the past five years.

## Sources

The report is based on information and analysis drawn from GovWin's proprietary government market intelligence databases, including the following:

- Competitive bids & RFPs issued
- Historical records of fixed-term contract awards and purchases made off of cooperative contracts
- Planned future purchases (from our Lead Alerts database of purchases from capital spending, transportation and IT plans and budgets)

*\*Note that percentages may not add to exactly 100% due to rounding.*



**1**  
Pursue Planned  
Future Projects



**2**  
Target Expiring  
Fixed-Term Contracts



**3**  
Leverage Cooperative  
Purchasing

# The Challenge of Working Smarter in SLED Sales

The current recessionary environment of 2020-21 creates certain challenges for government agency budgets and spending. For the vendors and contractors seeking to maximize and stabilize revenue, it also calls for excellence and best practices in sales strategies, tools and tactics.

In order to protect and grow market share, these businesses must find ways to move beyond simply responding to the bid opportunities immediately available and build a longer-term pipeline of future work and sales. In a market with around 100,000 different government agencies, efficiency becomes important to keep marketing costs manageable on a per unit basis.

The three solutions profiled in this report are known to be generally effective for selling to SLED governments across a range of market conditions. They will help companies to gain a competitive edge and optimize their marketing efforts for long-term success.

## Requirements for SLED Sales Strategies



### Data-Driven

prospecting and opportunity identification



### Forward-Looking

with 1-5 year sales pipeline



### Stable

revenue over time supported



### Efficient

in marketing costs

# How to Interpret “Likelihood to Use Strategy” Index

For each of the three featured strategies, we offer a type of propensity analysis that examines differences in demand by type of purchase (defined at the industry level) and also by the level of government making that purchase.

The analysis provides a convenient index score for each industry and type of government representing how normal or unusual its current share of purchases in that particular strategy is when compared to its typical share of the broader SLED market of competitive bids and RFPs.

The example shown here for the “county” level of government and the planned future projects strategy illustrates how this works. If that level of government was perfectly “normal” then one would expect its share of total future planned projects to be the same as its share of bids and RFPs. In this case, the share of planned projects is somewhat lower than expected, with an index of 0.81. This suggests that counties are relatively less likely to procure products and services using this approach on average.

Example of Likelihood Index:			
Level of Government	Share of Planned Future Projects (2021-25)	Share of Bids & RFPs in 2019	Likelihood (1.00 = Average)
County	13%	16%	0.81



## Calculation:

$$13\% / 16\% = 0.81$$



## Result:

Somewhat below average likelihood (i.e. < 1.0)



## Interpretation:

Counties were .81 times as likely to make a purchase using a planned project approach

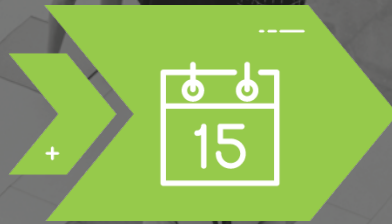


# High Level Descriptions of the Three Strategies



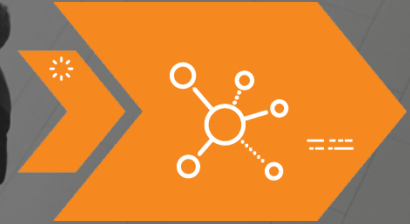
## Planned Future Contracts

Businesses can study planned future contracts to begin building their strategy for pursuit early on. This lead time can often be critical to understanding the opportunity in its entirety, assemble a team and help streamline 'go/no-go' decisions to pursue or pass on a future opportunity. Furthermore, it allows businesses to help shape the RFP in their favor by contacting key decision makers in advance.



## Expiring Fixed-Term Contracts

Fixed-term contracts are a great way to protect your business because they allow you to predict consistent revenue streams. By identifying expiring fixed-term contracts where you have a good chance of unseating the incumbent supplier, you can build a pipeline of ongoing, consistent work for your business. Networking prior to the expiration allows you to differentiate your offering before the procurement life cycle begins again.



## Cooperative Purchasing

State, local and education governments have historically used cooperative contracts to drive efficiencies in the purchasing process as well as take advantage of leveraged savings. The concept involves using an already solicited, ready-to-go contract. Vendors benefit by competing once for a long-term cooperative contract that can then result in up to hundreds of purchases from different governments.



## **Strategy 1:**

Pursue Planned  
Future Contracts





# Planned Future Projects, Overall Summary



## Overview of the Strategy

Planned future projects are budgeted line items that are important enough for agencies to plan out in advance and receive funding approval on an individual project rather than on a department-wide basis. These will be identified in official agency budget and spending plan documents, such as annual budgets, capital improvement plans, transportation plans and technology spending plans.

Unlike fixed-term contracts that provide a convenient ongoing supplier relationship over a standard period of time, these budget items are project-based, involving a fixed scope of work representing a significant investment for the agency. They often fit the definition of “capital spending” (i.e. adding or modifying buildings, infrastructure, vehicles or IT equipment), but can also include large or unusual one-time purchases of services or consulting as well.

Pursuing these projects up to five years before the first bids are issued allows ample time to research them, prioritize and make the ‘go/no-go’ determination, assemble a team of partners if needed, and conduct outreach with stakeholders.

## Unique Features of This Strategy

**Proposed vs. Approved:** Identified projects can either be proposed or approved based on where they are in the agency budget cycle; vendors can still find value in influencing a proposed item but should place greater emphasis on approved spending.

**Lack of Specifics:** While these projects have been budgeted for and planned out in advance, descriptions will often be minimal and the amount of detail and precision involved will vary based on the available contracting data, vendor input and government staff time available. This creates an opportunity for companies to follow up with these governments to 1) move beyond the brief descriptions to obtain a fuller picture of the goals and assumptions used, and 2) offer advice and input to help to shape the eventual bid/RFP emphasizing useful solutions, innovative elements or competitive approaches to design or construction that the contractor is well-prepared to deliver.

**Teaming Partners Often Needed:** Because of the larger size and timing of these individual projects, prime contractors often find they need to bring on at least one partner to offer adequate expertise and/or capacity in areas where they are lacking. But partners are also needed for other reasons such as set-asides for disadvantaged businesses or a preference for local firms. Government

agencies will often add evaluation points for a member of the team possessing minority-owned, women-owned, veteran-owned or certified small business status.

Local partners are typically used for two reasons: 1) public entities want to stimulate the local economy and expect prime contractors to select local partners; and 2) contractors need local influence and support to complete a project (i.e. the partner is the one with the relationships and connections already established).

Having additional background about a future project can help vendors to find the right partners ahead of time and build good working relationships so their proposal can demonstrate a previous connection. Waiting until a bid or RFP comes out to begin the process of forming a team does not allow enough lead time to make good decisions. Conversations should begin well before solicitation documents are released. According to contracting and teaming expert Mary Scott Nabers, “The best partners will be gone by the time a bid document is released. A prime that delays runs the risk of losing out completely.”



# Planned Future Projects, Overall Summary, Cont.



## Understanding Sources of Budgeted Projects

Government agencies are required to publish their future spending budgets and capital improvement plans, which usually includes a digital copy available online. Vendors choosing to scan these documents manually face a daunting challenge of reading hundreds of pages per document across multiple spending plans across potentially tens of thousands of state and local government entities within a vendor's territory. Tools such as GovWin's Lead Alerts database make advanced searching easier for identifying these projects up to 5-10 years in advance.

### Government Budgets

Individual line items within these budget documents reveal known, planned in advance capital purchases or investments that are significant in terms of impact on the government budget and staff time. Smaller purchases that are considered "routine" operating expenditures will normally be folded into larger standard budget categories such as office equipment or janitorial/maintenance budgets. These larger budget categories are approved each year based on the overall needs of the agency rather than project-by-project.

### Capital Improvement Plans

These plan documents outline budgeted spending for specific "capital improvement" projects and improvements typically over a 3-5 year period, which involve substantial investment and may be debt financed through voter-approved bonds.

### Transportation Improvement Plans

Government agencies often have transportation-related projects, which may include mass transit as well as road and intersection projects, defined in a separate dedicated spending plan.

### Technology Plans

When government agencies need to spend on technology improvements at a scale exceeding the standard annual IT operating budget level, they often estimate and specify their purchases in advance using a separate spending plan to ensure they will be adequately funded.



# Planned Future Projects, Market Size



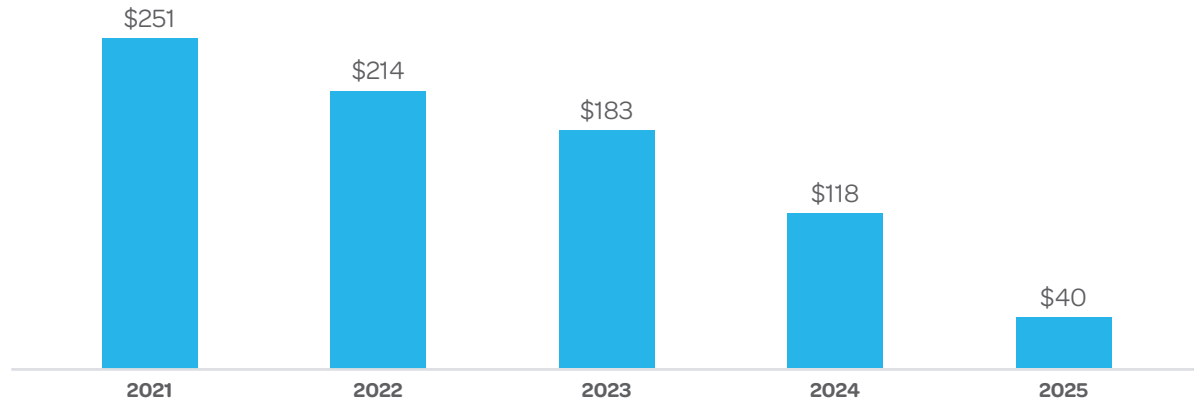
## Estimated Market Size

The estimated “market size” for planned future spending over the next five years comes to \$805 billion. GovWin’s Lead Alerts database of planned future purchases takes capital spending plans from across the universe of SLED governments and automatically extracts individual projects and spending items by the year they are scheduled to be purchased or spent.

We focused on the next five full calendar years of 2021-25 to give enough lead time for a contractor to be able to learn about, prioritize and influence each project before bids or RFPs are issued. We also included items containing multi-year spending that already began in 2020 but still have amounts remaining during 2021-25 because owners will often wait to issue bids until just before each phase begins in a multi-year larger project. If a project began in 2019 or earlier then any amounts left to spend during these five years were not included.

## Future Capital Project Spending Currently Planned by Year (2021-25)

*in Billions of \$*



Market Size:

**\$805B**

# Planned Future Projects, Breakout by Industry



## Industry Breakout

Planned future projects are heavily concentrated around the construction and transportation industries based on an analysis of the primary Smart Tag we associate with each project. As the last column of “likelihood” scores indicate, construction projects are nearly twice as likely (1.83) to be planned in advance versus the rest of the market. They make up 70% of planned projects compared to 38% of all SLED bids/RFPs. Note that architecture and engineering firms will be somewhat under-counted in planned projects because A&E work is often included with construction as a secondary element and here we focus on the primary Tag. With the second highest score of likelihood of 1.12, transportation does not include infrastructure like roads but does involve intelligent transportation systems (ITS), vehicles or fleet purchases, which can be itemized in advance for budgeting purposes. Other secondary sources of future projects are operations & maintenance expenditures that are large enough to itemize separately, and technology & telecom purchases listed in technology spending plans, which are considered a “capital expense.”

Major Industry	Share of Planned Future Projects (2021-25)	Share of Bids & RFPs in 2019	Likelihood Index (1.00 = Average)
Architecture & Engineering	5%	6%	0.85
Construction	70%	38%	1.83
Educational Products & Services	0%	1%	0.14
Environmental Services	2%	3%	0.62
Financial Services & Insurance	0%	3%	0.10
Healthcare	0%	3%	0.11
Operations & Maintenance	6%	19%	0.29
Professional Business Services	1%	7%	0.15
Public Safety	1%	2%	0.44
Technology & Telecom	4%	6%	0.70
Transportation	10%	9%	1.12
Water & Energy	1%	4%	0.31
<b>Total</b>	<b>100%</b>	<b>100%</b>	<b>1.00</b>

### Advice for Contractors

While five industries each have at least 4% of future projects, construction and transportation products and services combined have 80% of all projects and are also more likely to be planned out in advance (index). Due to the overlap with construction, A&E firms can track overall project demand, influence design and develop teams.

# Planned Future Projects, Breakout by Level of Government



## Level of Government Breakout

We broke out the number of planned projects by level of SLED government using the standard six categories GovWin tracks in our databases (see table). Future planned projects are disproportionately concentrated in cities, making up 52% of the total. Moreover, cities historically have a dominant 33% share of all SLED bids and RFPs – the single largest segment. That massive size combined with a strong tendency toward planned projects boosts the cities’ prominence as a source of future projects to the top of the list, with a score of 1.56 in the last column of the table.

State government was similar in its share of projects to the overall SLED government share, with a ratio of 0.95. All other levels of government had ratios below 1.00 for planned future projects.

At 0.39 on the ratio, the segment for colleges and universities was particularly low in its share. As we discussed in our [education contracting report](#), this can be explained by the fact that in higher education construction and capital improvements are typically not funded from tuition dollars but from special state allotments – which are not guaranteed for most states. In tough budget years, states will tend to under-fund these investments. Public higher ed institutions generally lack the fiscal control and independence to plan out a consistent, stable base of capital project spending that will fully meet these needs.

Major Industry	Share of Planned Future Projects (2021-25)	Share of Bids & RFPs in 2019	Likelihood Index (1.00 = Average)
City	52%	33%	1.56
Colleges/Universities	3%	7%	0.39
County	13%	16%	0.81
Independent School District	4%	12%	0.38
Special District	9%	13%	0.74
State	18%	19%	0.95
<b>Total</b>	<b>100%</b>	<b>100%</b>	<b>1.00</b>

### Advice for Contractors

Using the likelihood scores can help companies to better understand their customer and how to optimize their sales if they use this strategy. Cities make up the majority of projects (52%), and with a likelihood score of 1.56, they are far more likely to schedule them ahead of time.



# Planned Future Projects, Average Purchase/Contract Size



## Size of a Contract

Planned future projects that are important enough to itemize separately on capital improvement plans tend to have higher values than normal for the SLED market. For the purposes of this analysis we excluded minor project expenses that are sometimes itemized alongside the main project budgets (i.e. under \$100K in size) to better reflect actual project sizes. Also, for multi-year projects that begin in 2020, the 2020 portion of spending was included here to more realistically describe whole project sizes even though the market size specifically focuses on spending in 2021-25 that is still available to target.

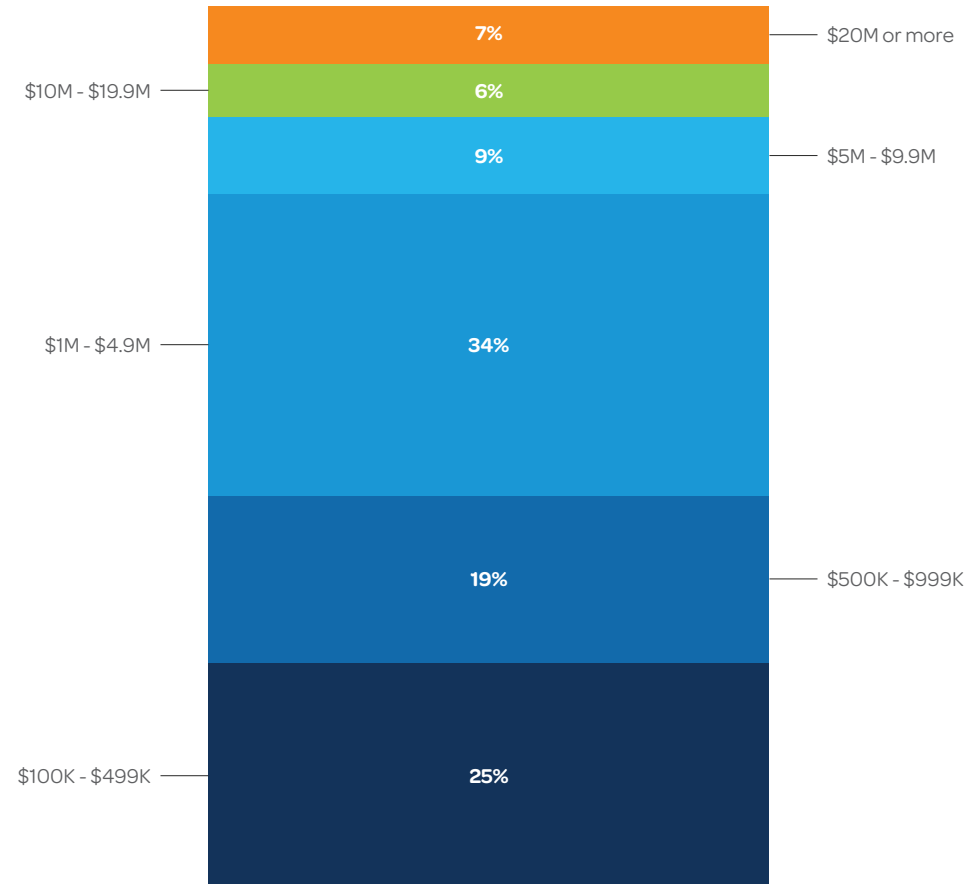
With overall values averaging around \$2 million for the broader SLED market, planned purchases average \$9.3 million per item. Typical purchase amounts – not skewed higher by the largest purchases – were around \$1.2 million (median).

The single largest tier of contract size was \$1-\$4.9 million, with 34% of all project values.

**Mean Average Size: \$9.3M**

**Typical (Median) Size: \$1.2M**

## Average Contract Size



## MANAGING THE PROCESS

### ✓ **Step 1. Research Contracts**

Look for budget line items in agency spending plans; determine scope of work, rough pricing and need for partners; identify or estimate expected spending per vendor and per year for large multi-phase projects.

### ✓ **Step 2. Prioritize Outreach**

Prioritize leads based on start date, tracking all leads but focusing on ideal window of time.

### ✓ **Step 3. Manage Pipeline Over Time**

Load into CRM and monitor over time with periodic notifications to appropriate team members (i.e. business development, sales and marketing).

# Planned Future Projects, Best Practices for Marketing & Outreach



Planned or budgeted projects have been discussed and considered up to five years ahead of the actual award. Government buyers should be identified and relationships built well in advance to help contractors and vendors position themselves to win.

## Conducting Outreach and Communicating with Decision Makers

As part of its COVID-19 Business Taskforce, the American Institute of Architects (AIA) put together some [guidelines](#) for their architect members on reaching out to former clients and property owners (both public and private) to offer added value as a trusted partner while pursuing future work in an uncertain economy. The key is to emphasize relevant and valuable aspects of a future project that your firm is well-prepared to handle or address in a way that helps differentiate you. These suggestions can serve as an example to help inform efforts by other types of companies such as construction firms, engineers, vehicle dealers or IT firms competing for capital projects.

1. Be ready to offer useful industry advice and best practices to an owner/client about their short- and long-term needs, which may be different in today's climate. For example, architects are working to better align their practices with customer needs around human health,

climate, and design thinking that can improve lives and reduce risk.

2. One common area of need is environmental responsibility and sustainability. Be prepared to discuss with owners/clients how your firm and your deliverables or solutions can help. This might include reducing carbon emissions, eliminating inefficiencies in energy usage and the use of ecologically-friendly materials.
3. Consider the importance of knowing contracting preferences for using local and/or disadvantaged businesses, which can greatly affect the award decision and the requested deliverables. In the case of architects, there are generally firm preferences for involving locally manufactured materials where possible, to support the local economy and help control transportation costs. In the case of construction firms, knowing these requirements early can give general contractors more lead time to select subcontractors that help complement the prime.
4. Prepare a narrative about how your previous clients have been satisfied based on deliverables that provide important benefits above and beyond merely cost per foot (such as better health in buildings, quicker recovery times in hospitals, better learning outcomes in schools, and lower incidence of health problems).



## Strategy 2: Target Expiring Fixed-Term Contracts



# Expiring Fixed-Term Contracts, Overall Summary



## Overview of the Strategy

Fixed-term contracts are a special type of procurement where the contract is defined based on a fixed time period as opposed to a fixed project scope. Many term contracts are recurring because they fill a need within a department for ongoing purchases or work. These contracts represent a wide range of industries from professional services to maintenance to technology. The most common contract lengths are three and five years, but many are one or two years in length.

Vendors have a great opportunity to win term contracts by interviewing the government agency buyer and other decision-makers in advance of the expiration date. While a highly satisfied agency may not be willing to change from a multi-year vendor relationship, many buyers will be willing to consider other options for a variety of reasons from cost to quality to customer service. Winning vendors look forward to larger than average total contract values.

## Unique Features of This Strategy

**Flexibility for Governments:** Fixed-term contracts allow maximum flexibility for the agency to schedule work or order supplies when it's most needed during the ongoing fixed contract term. For example, during disasters or crises certain critical products and services are immediately

needed that can't wait months for a brand new formal bid process.

But flexibility is also important for more everyday types of services, such as in areas like janitorial or building maintenance. When governments have changes in their needs, they can simply re-deploy resources within their fixed contracts in different ways or negotiate adjustments to contract terms rather than go out with a brand new bid. In either case, the work completed may be planned in advance to some extent or it may be open-ended.

**Customer Service:** Due to the longer timeframe and need for collaboration, these contracts require ongoing communication and quality customer service from the vendor. Any deficiencies in this area will be noted in the contract renewal process and will make it easier for a new provider to win.

**Extra Due Diligence Required:** Fixed-term contracts vary in their restrictions, price sensitivity and profitability. They are more complicated than other types of contracts, often with uncertainty around expectations for what will actually be provided. As a result, they require more due diligence and analysis to ensure not only that the contract can be won in competition but that it is a good fit and can be profitably performed by the vendor. This investigation should include understanding the history of the contract,

the relationship with the existing vendor and whether the agency is pleased with the delivery. Uncovering pain points or areas of dissatisfaction can open the door to unseating the incumbent.

## Types of Term Contracts

**IDIQ:** Is an acronym meaning "indefinite delivery/ indefinite quantity" for contracts that typically provide an indefinite quantity of products or services for a fixed time. These contracts have the most uncertainty and require additional pricing and profitability analysis.

**Cost-Plus:** Also called "[cost-reimbursement](#)," these contracts pay a vendor for all allowable expenses up to a set limit plus additional payment to allow for a profit. The principal challenge for vendors is that the item being provided often cannot be explicitly defined or there is inadequate information to accurately estimate the final cost.



# Expiring Fixed-Term Contracts, Market Size



## Overview of the Strategy

We focused on contracts that are likely to expire in the next two full calendar years of 2021-22 to give enough lead time for a contractor to prepare to unseat the current provider or supplier. The estimated “market size” for upcoming expiring term contracts of a fixed standard length such as 1, 2, 3 or 5 years, that are likely to renew in 2021 or 2022, comes to \$303 billion. There are naturally few contracts with longer terms like 15 or 20 years, but many of them are renewable and these were added to the market even if their start and end dates did not show a gap of a whole number of years. This is the addressable market of currently existing and expiring term contracts worth at least \$100,000 that is currently available to vendors.

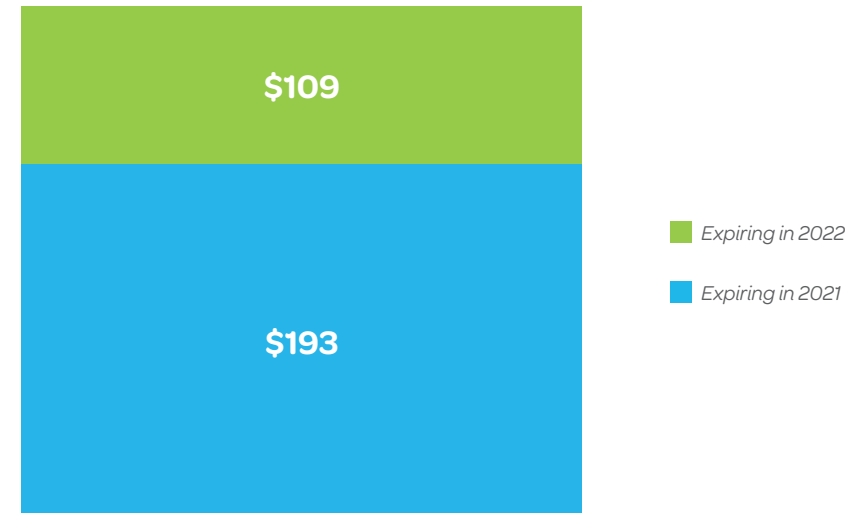
This estimate includes nearly 22,000 contracts of this minimum size with available dollar values along with an additional segment of demand that was estimated based on the number of contracts without reported dollars likely to be worth at least \$100K and applying an average drawn from the known data set. Many IDIQ contracts, for example, can be worth substantial amounts yet not have a posted

Market Size:

**\$303B**

## Currently Addressable Market of Expiring Fixed-Term Contracts

*in Billions of \$*



total value due to their flexible nature. This estimate did not factor in demand from contracts not already in the database, so to the extent our method may have over-estimated volume in the total, this can be offset by the absence of demand from some contracts not self-reported by SLED governments. Finally, we did not double count the one-year contracts expiring in 2021 even though that amount will be re-bid one year later in 2022. Because

that second round of contract awards is not currently accessible today in 2020, it was not added to the current total market size (but will come available in 2022).

# Expiring Fixed-Term Contracts, Breakout by Industry



## Industry Breakout

Expiring fixed-term contracts tend to be concentrated in four of the 12 major industry groups by size, as the first column of numbers in the table shows. The single largest industry as a share of total contracts is operations & maintenance at 21%, followed by technology at 19%. The other two leading industries have 12-16%. In terms of how these industries compare to their normal share of the SLED market, there were some differences. Construction and O&M were key sectors in fixed-term contracts but their share was either lower or average for the market as a whole. Both industries are by far the largest as a share of the broader market, and a lot of their spending is made through other approaches such as “one-off” contracts. Technology and healthcare had the largest ratios of likelihood that this type of contract would be used to buy or purchase a product or service.

Major Industry	Share of Expiring Fixed-Term Contracts	Share of Bids & RFPs in 2019	Likelihood Index (1.00 = Average)
Architecture & Engineering	5%	6%	0.92
Construction	16%	38%	0.43
Educational Products & Services	2%	1%	1.74
Environmental Services	3%	3%	1.02
Financial Services & Insurance	4%	3%	1.68
Healthcare	7%	3%	2.38
Operations & Maintenance	21%	19%	1.10
Professional Business Services	12%	7%	1.76
Public Safety	3%	2%	1.36
Technology & Telecom	19%	6%	3.11
Transportation	7%	9%	0.79
Water & Energy	1%	4%	0.28
<b>Total</b>	<b>100%</b>	<b>100%</b>	<b>1.00</b>

### Advice for Contractors

The table highlights different sectors that are either fairly large in size or have a much greater likelihood of being awarded with this type of contract. This strategy offers growth potential for firms in these industries.

# Expiring Fixed-Term Contracts, Breakout by Level of Government



## Level of Government Breakout

We broke out the number of fixed-term contracts by type of SLED government using the standard six levels. The top two categories were state government at 44% and cities at 23% of total expiring contracts. Counties had another 15% share while higher ed, independent school districts and special districts each had only 4-8% of the total. The only level of government to score above-average in the “likelihood to use” index was state government, with an unusually strong 2.31 value. State governments were essentially twice as likely to use fixed-term contracts than were other types of governments within the larger SLED universe.

State government purchasing operates at a much larger scale with more complexity and risk. It also has greater pressure to standardize with best practices and efficient approaches such as large fixed-term contracts and cooperative purchasing. State procurement teams are expected to buy more using fewer individual bids, reduce hassle and paperwork, and manage procurement with less time required on the part of buyers on a per unit basis. When a true “one-off” purchase is needed, they often turn to existing cooperative contracts to save time but when they have an ongoing need, they generally favor renewable term contracts with as long of a term as can be justified.

Major Industry	Share of Expiring Fixed-Term Contracts	Share of Bids & RFPs in 2019	Likelihood Index (1.00 = Average)
City	23%	33%	0.67
Colleges/Universities	7%	7%	1.01
County	15%	16%	0.92
Independent School District	8%	12%	0.67
Special District	4%	13%	0.31
State	44%	19%	2.31
<b>Total</b>	<b>100%</b>	<b>100%</b>	<b>1.00</b>

### Advice for Contractors

Companies pursuing this strategy need to devote adequate attention to state government contracts. State entities have a commanding 44% share of the contracts and a large 2.31 index score. Further, because of their typically larger dollar values, state government’s share of the total dollars is even greater than their share of contracts.

# Expiring Fixed-Term Contracts, Breakout by Contract Length



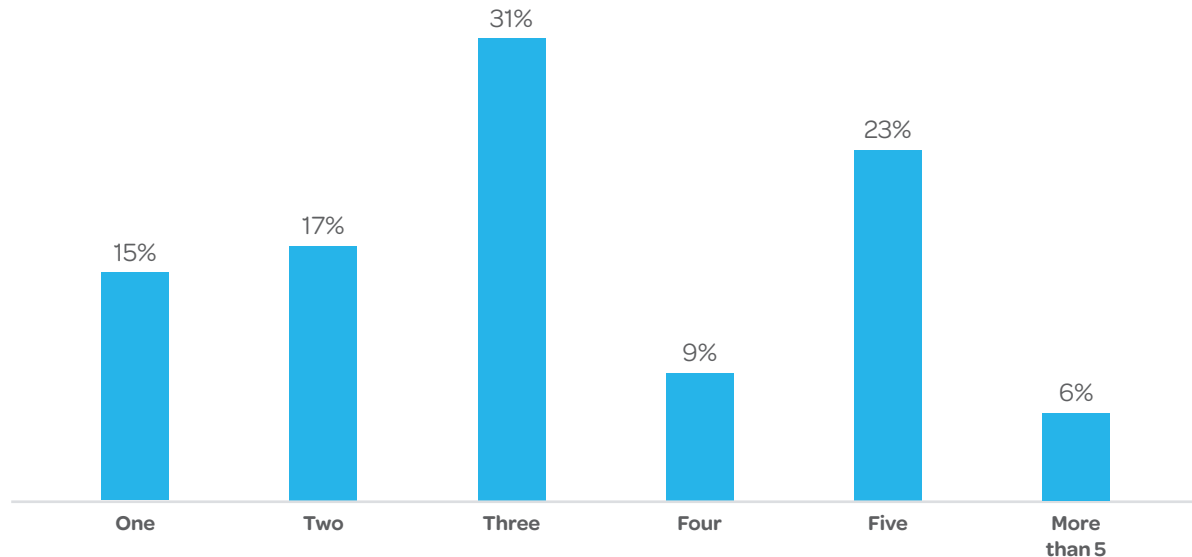
## Length of Contract Breakout

Renewable fixed-term contracts average 3.4 years in length, but most commonly last either three or five years, as the chart indicates. One-third of these contracts are for shorter terms (32%) of either one or two years, versus 68% that are for terms of at least three years. Very few (6%) contracts exceed five years.

The strong preference seen here for lengths of at least three years is consistent with what we know about the priorities of procurement teams – which includes cutting back on the time required for buying things using a formal bid process. When shorter timeframes are used, it means that a given government is now forced to spend relatively more time on vendor selection over a longer period. There will likely be certain key reasons for this (such as a greater need for accountability or uncertainty about future demand). In the case of large financial or healthcare term contracts, shorter terms may provide a greater sense of protection against under-performance or mismanagement. Vendors should be aware of these factors during the due diligence research.

## Share of Contracts by Length

*in Years*





# Expiring Fixed-Term Contract, Average Purchase/Contract Size

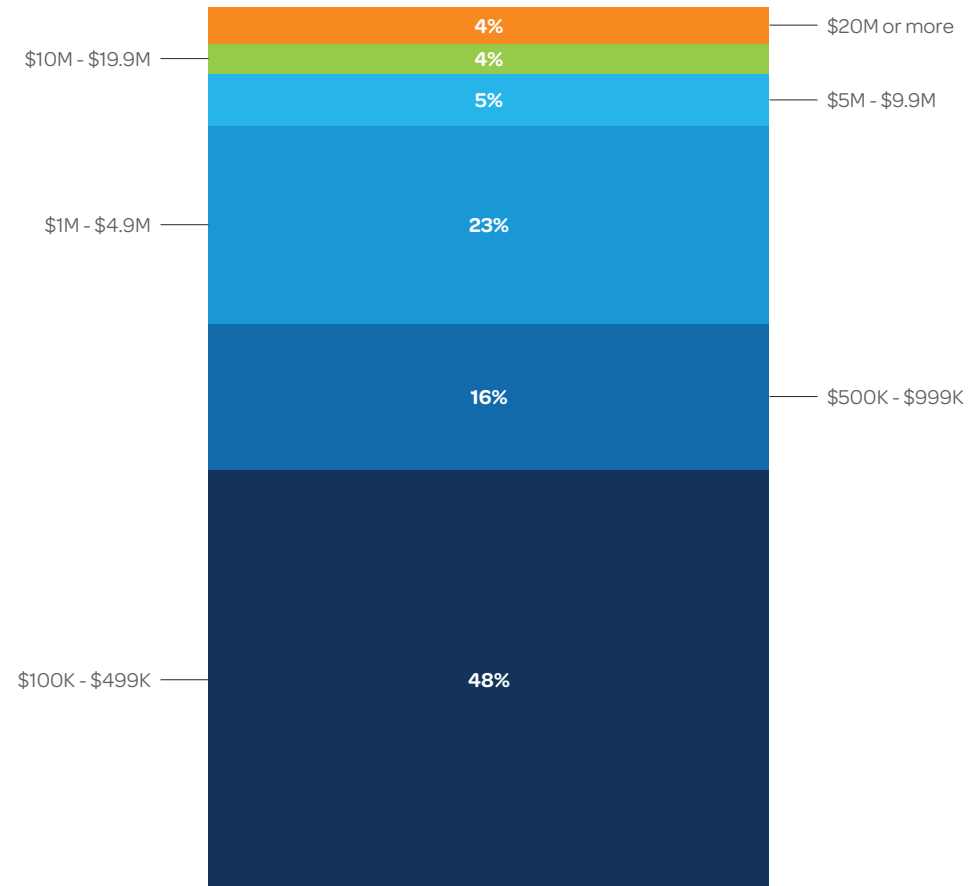


## Size of a Contract

The average mean contract value for an expiring fixed-term contract is \$7.8 million. The typical or median purchase came to just over \$600,000 in size. This compares to an overall SLED contract/purchase average of around \$2 million.

The \$100-\$499K tier was the single largest segment, making up 48% of the total number of contracts. The \$1-\$4.9M segment was the next largest, at 23% of the total. At the very top of the scale were the 4% of contracts valued at \$20 million or more. These contracts can range up over \$1 billion in size depending on the industry and length in years.

## Average Contract Size



Mean Average Size: **\$7.8M**

Typical (Median) Size: **\$610,800**

## MANAGING THE PROCESS

### ✓ **Step 1. Research Contracts**

Find term contracts rather than one-time projects, by checking start and end dates (i.e. Feb 1 2019 to Feb 1 2021 = 2 calendar years); determine requirements, expiration date, opt-outs, extensions and renewals.

### ✓ **Step 2. Prioritize Outreach**

Prioritize leads based on time to expiration, tracking all leads but focusing on those with the ideal window of remaining time.

### ✓ **Step 3. Manage Pipeline Over Time**

Load into CRM and track actively over time with notifications to appropriate team members (i.e. business development, sales and marketing).

# Expiring Fixed-Term Contracts, Best Practices for Marketing & Outreach



Fixed-term contracts require additional effort both in evaluating an opportunity as well as in compiling reliable information on contracts and managing the pipeline of potential opportunities.

## Conducting Outreach and Communicating with Decision Makers

Vendors should contact and build relationships with government staff in advance of when a currently active term contract is expiring and up for renewal. The goal is to learn more about the opportunity and understand satisfaction with the existing supplier/solution, all while building credibility and positioning the vendor as a viable, experienced and knowledgeable supplier.

While governments are generally open to interacting with businesses, trust and compliance continue to be important. The approach needs to have a consultative dynamic; offering no-obligation helpful assistance and advice about industry and contracting trends in this particular area. These conversations should lead to longer-term relationships rather than be “one-off” inquiries. They need to see you as a credible source of useful advice but not as someone merely trying to seek special “favor” for your company.

The following are examples of discussion topics and messages to convey during the outreach:

- Emphasize service and good working relationships, which are critical for fixed-term contracts. During outreach the business development manager or rep should ask about some of the highest priority aspects of service, to better understand how they contribute to overall satisfaction. Areas of particular excellence or special service features at your firm can be shared.
- Inquire about current satisfaction with established vendor (i.e. how well they are regarded, how they perform, whether on-time and on-budget, etc.). This is critical for effective prioritization or vetting of potential opportunities.
- Turn certain “commodity” categories into value-added categories through helping buyers appreciate the need for “must have” features – which may not add much to total cost but still contribute additional value and greater satisfaction for that government entity.
- Verify what the key underlying decision factors will be and how they will differ from those used at the last contract renewal point. These factors can change depending on problems they may have encountered with their current provider, policy, scope or funding changes, etc.



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## Strategy 3:

Leverage Cooperative Purchasing





# Cooperative Purchasing, Overall Summary



## Overview of the Strategy

Cooperative purchasing involves using an already solicited contract that follows the procurement process used and approved by government entities. By “piggybacking” on this contract, state, local and education governments are able to reduce the time required for conducting their own solicitation, while leveraging their spend across many buyers using the same contract to drive down pricing. These contracts are often awarded at a national or regional level for commodities, services and construction. Competitive pricing regardless of unit size is made possible by leveraging the combined purchasing power of large numbers of governments as companies compete for the right to sell to many customers at once over a typically long (i.e. 5 year) period.

In addition to pricing benefits, convenience is seen as another important added-value component. Our research among buyers shows that around half of purchasing staff regularly work overtime. One of the most challenging aspects of their job is to conduct the pre-bid research necessary for a brand new competitive bid. Purchasing from a cooperative contract satisfies the rules for competitive bidding and can provide users with their desired products/services in weeks that would otherwise take a number of months.

Once a vendor or contractor is awarded a cooperative contract, they can then recommend this contract to government buyers to purchase from – pointing them to the organization holding that contract.

While there are several major categories of cooperative contracts and related organizations, the single largest is known as “national co-ops” and refers to a group of 13 group purchasing organizations (GPOs) that offer a broad range of products and services to SLED governments across the nation. GovWin’s database provides instant access to historical purchases made off of cooperative contracts from cooperative organizations like:

- BuyBoard
- CHOICE Partners
- E&I (Educational & Institutional)
- Goodbuy
- Houston-Galveston Area Council (H-GAC Buy)
- Keystone Purchasing Network
- NASPO-ValuePoint
- National Cooperative Purchasing Alliance (NCPA)
- NPPGov
- OMNIA Partners
- PEPPM Cooperative Purchasing

- Purchasing Cooperative of America (PCA)
- Sourcwell



# Cooperative Purchasing, Overall Summary, Cont.



## Key Features of the Strategy

As government purchasing teams are increasingly challenged to meet their goals with shrinking budgets, fiscal uncertainty and workload imbalances, cooperative purchasing is becoming a valuable tool for them to be proactive, address changing needs and bring added value to the procurement process.

### Why Governments Choose Cooperative Contracts:

- Savings in time since the solicitation process has already been conducted
- Savings in price as many agencies leverage their spend across the same contract vehicle
- Proven contracts as the agency can call their peers who are already using the contract as a reference
- Emergency responsiveness – products and services can be gained much more quickly in a crisis
- Set pricing controls – as the contract pricing was set during award, there is no price gouging or spikes due to an emergency or changing economic situations
- Vendor selection – When a certain vendor's product or item is desired procurement can seek out that exact combination and still obtain competitive pricing

- Bundling of services – cooperative contracts often combine installation or consulting services for more complex commodity purchasing

### How Suppliers Benefit From Cooperative Contracts:

- Savings in the time required to respond to varying solicitations from multiple government agencies
- Savings in personnel time to manage multiple contracts – one cooperative contract can be used by hundreds of agencies
- Set pricing controls – allows the suppliers to respond quickly to provide quotes under the contract terms
- Expiring contracts – suppliers can offer their cooperative contract as an alternative when existing contracts expire with individual agencies, and buyers may prefer this option instead of going out to bid and taking a chance on the ultimate award
- Flexibility – cooperative contracts often offer the ability to negotiate added-value services for more complex purchases

## Understanding the Roadmap to a Government's Cooperative Procurement Strategy

While government teams are allowed to use cooperative contracts, proper due diligence on the part of purchasing staff must still be conducted. Key questions must be asked about the cooperative organization, the contract and the awarded supplier. Any company who has an awarded cooperative contract should be able to answer these questions when they come up. A copy of the standard questions can be found on this free resource, "[Road Map to a Cooperative Procurement Strategy](#)," prepared by the National Cooperative Procurement Partners (NCPP) – an association for the cooperative industry.



# Cooperative Purchasing, Market Size



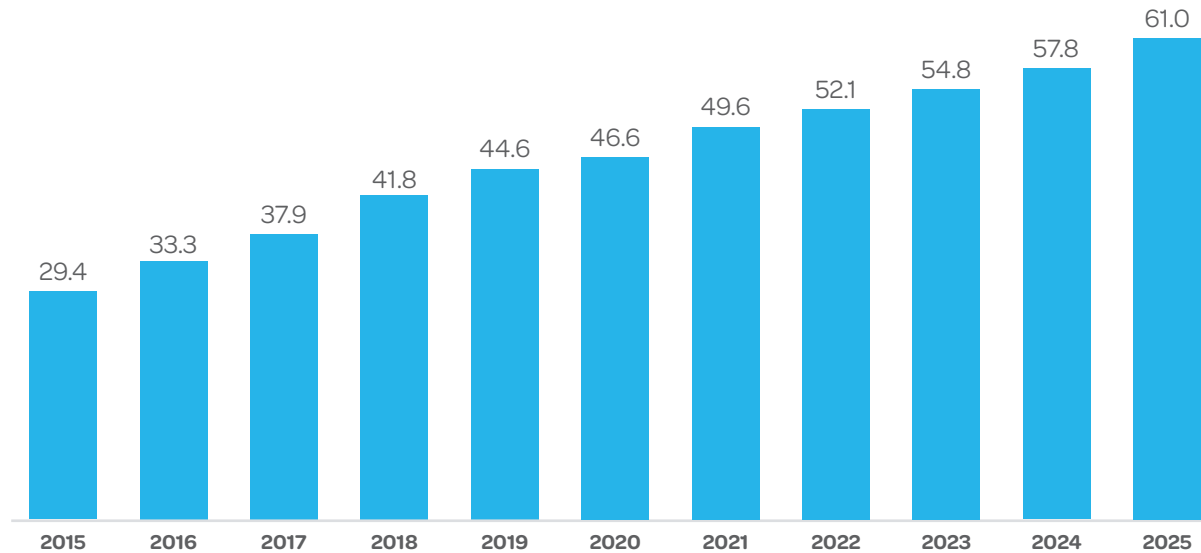
## Estimated Market Size

National co-ops generated an estimated \$45 billion in sales in 2019 off of their long-term contracts. Since typical contracts with vendors are for around five years, the five-year market size was thought to better represent the potential of this strategy. We estimate the national co-op market to be worth around \$275 billion starting in 2021 and running through 2025. The 2019 annual total was derived from \$33 billion of actual known sales to SLED governments (not including sales to Canada or to the private sector) from the largest of the organizations. This was combined with estimated sales from other national co-ops leveraging GovWin's database of self-reported individual purchases off of these contracts.

The historical trending was based on NIGP's surveys starting in 2011 indicating an upward shift in the percentage of spend going to cooperative contracts of any kind. When this is fitted to known total SLED procurement spend from the Bureau of Economic Analysis, the result indicates growth at around three times the broader SLED market. The future totals were estimated based on trending overall SLED spend using GDP expectations and historical patterns, applied to the growing share of cooperative purchasing. GovWin's research indicates a stabilization in the number of SLED governments using cooperative contracts, with further growth coming from more extensive usage.

## National Co-Op Sales Trend & Forecast

Billions of \$



Market Size:

**\$275B**

# Cooperative Purchasing, Breakout by Industry



## Industry Breakout

Cooperative purchasing tends to be concentrated in four out of the 12 major industry groups by sheer volume: Construction (mainly materials), operations & maintenance, technology & telecom and transportation (mainly vehicles).

One additional industry emerges when you study the ratios in the right column of the table. Educational products and services only make up 4% of the purchases but because they normally only have a 1% share of the SLED market, they are much more likely to be bought through a co-op contract than through other approaches.

Major Industry	Share of Previous Co-op Purchases	Share of Bids & RFPs in 2019	Likelihood Index (1.00 = Average)
Architecture & Engineering	1%	6%	0.14
Construction	23%	38%	0.59
Educational Products & Services	4%	1%	3.20
Environmental Services	1%	3%	0.35
Financial Services & Insurance	1%	3%	0.31
Healthcare	2%	3%	0.74
Operations & Maintenance	25%	19%	1.33
Professional Business Services	4%	7%	0.54
Public Safety	2%	2%	1.07
Technology & Telecom	20%	6%	3.19
Transportation	18%	9%	1.99
Water & Energy	1%	4%	0.20
<b>Total</b>	<b>100%</b>	<b>100%</b>	<b>1.00</b>

### Advice for Contractors

Cooperative purchasing is relatively more common in industries that offer commodities or standardized services. Companies in the highlighted sectors that are either of reasonable size or high in likelihood should investigate their options for cooperative contracts.

# Cooperative Purchasing, Breakout by Level of Government



## Level of Government Breakout

The database of previous co-op purchases was broken out by the standard six categories of SLED government GovWin tracks in our databases (see table). Co-op purchases are more concentrated in cities and state governments by number of individual purchases (“share of purchases”), but counties and independent school districts also have significant shares of the total. In terms of the ratio based on normal SLED purchasing patterns, three types of governments ended up clearly higher than average: independent school districts, state agencies and cities. The somewhat lower propensity score for public higher education does not take into account sales through regional higher ed co-ops, which represent an important additional source of demand for purchasing. If these were added in, it is likely this government type would score closer to normal.

Major Industry	Share of Previous Co-op Purchases	Share of Bids & RFPs in 2019	Likelihood Index (1.00 = Average)
City	39%	33%	1.16
Colleges/Universities	4%	7%	0.59
County	14%	16%	0.85
Independent School District	16%	12%	1.38
Special District	2%	13%	0.18
State	25%	19%	1.33
<b>Total</b>	<b>100%</b>	<b>100%</b>	<b>1.00</b>

### Advice for Contractors

Winning a cooperative contract is only the first step. Vendors and contractors then have to commit sales/marketing resources to let buyers know their solution is available. These results can help sales leaders prioritize their outreach efforts to maximize their investment.

# Cooperative Purchasing, Average Purchase/Contract Size



## Size of an Individual Co-op Purchase

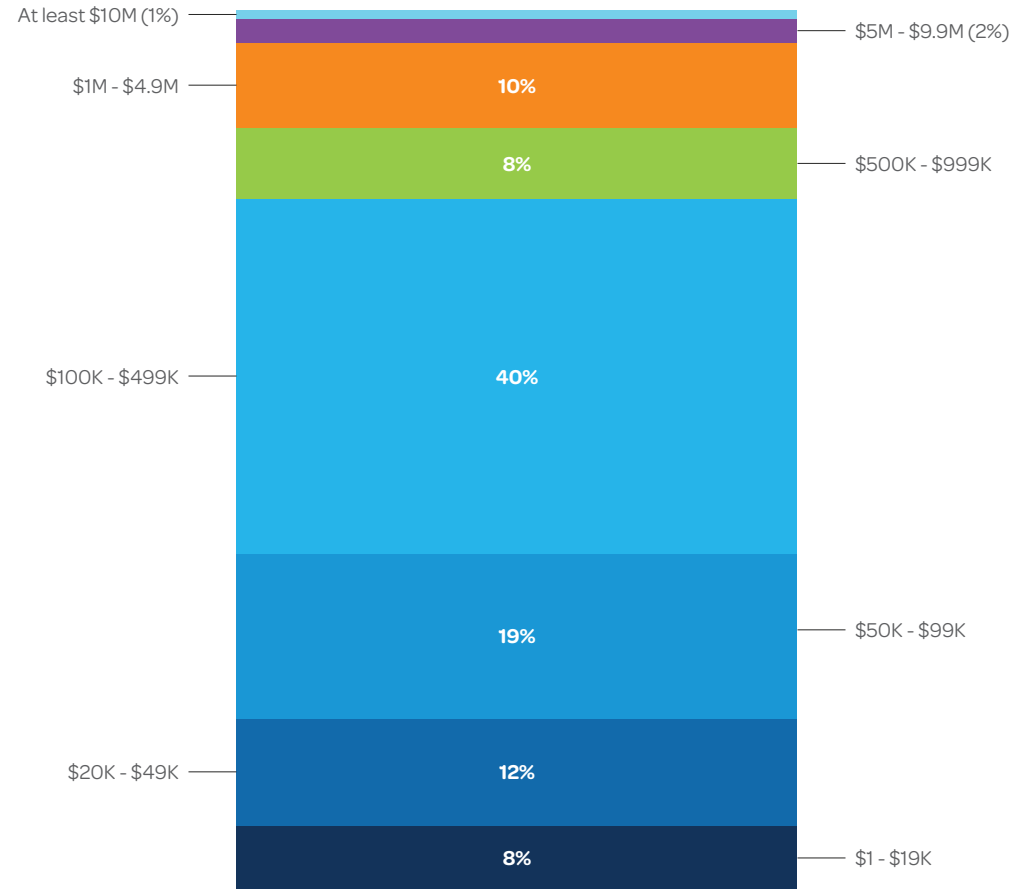
While a vendor can potentially earn millions in sales per contract each year, individual purchases made off of an existing national co-op contract are typically around \$128,000 each in size (median) with a mean average of \$541,131. Only 8% fell under \$20,000, which makes sense given that normally at these smaller or “below threshold” amounts the requirement for a formal bid process is waived and informal quotes can be used.

## Estimated Contract Size per Vendor

GovWin interviewed four national co-ops and developed some rough averages of total vendor income from a single co-op contract. These multi-vendor contracts are worth around \$10 million per vendor on average over five years (or around \$2.1M per year).

<b>Avg. Annual Sales per Vendor and per Contract:</b>	<b>\$2.07M</b>
<b>Avg. Years per Contract</b>	<b>4.8</b>
<b>Est. Avg. Contract Value/ Vendor:</b>	<b>\$9.9M</b>

## Individual Purchase Off of a National Co-op Contract



## MANAGING THE PROCESS

### ✓ **Step 1. Research Co-op Contracts**

Examine the products and services currently available through a national co-op as well as examples of individual purchases made off of the contracts (using a database such as GovWin provides). Introduce your company to the cooperative organization representative to discover their services, upcoming contract opportunities and support for suppliers.

### ✓ **Step 2. Prioritize Cooperative Options**

Based on that initial research, prioritize those organizations your company may want to ultimately collaborate with.

### ✓ **Step 3. Manage Contract Opportunities**

Look for ideal contract opportunities and concentrate resources to bring forward the best proposal possible for the RFP.

# Cooperative Purchasing - Best Practices for Marketing & Outreach



National co-ops, the largest group purchasing organizations, can be targeted through studying current contracts, vendors and pricing, past purchase examples, and interacting with co-op representatives.

## How to Conduct Outreach and Communicate with Group Purchasing Organizations (GPOs)

- Determine the key contacts within the cooperative organization for your industry, commodities or services. Introduce yourself and keep in regular contact.
- Attend any available training on selling to government and/or outreach efforts regarding their processes.
- Confirm their service areas and how they overlap with your territories. For instance, there are some who sell only in the United States, and others who sell only in Canada (which may mean additional outreach).
- Register as a vendor on their outreach networks for specific contract opportunities, as well as their general newsletter on trends and activities.

## General Advice for Vendors and Suppliers

When an opportunity arises, put the necessary resources behind that proposal. Once it is awarded, the opportunity

will not be available again for several years. Because these awards can potentially have a large impact on government sales, they are normally very competitive and require a high priority effort by the vendor to be successful. Cooperative purchasing is becoming one of the fastest growing tools for buyers and strategic suppliers are recognizing its importance for their growth.

Once you have an awarded contract, update your sales presentation to include mention of this contract vehicle.

## Advice for Companies Without a Current Contract

- Conduct the necessary research to highlight upcoming opportunities.
- Designate staff who will be well-versed in cooperative procurement to respond to opportunities and lead the roll-out of any future awarded contracts.
- Once awarded, ensure that adequate training is provided to your government sales team members or dealer representatives.
- Ensure that your team takes full advantage of the resources provided by the cooperative organization to roll out the contract and advertise.



# Key Takeaways for Vendors and Contractors

## Overall Summary

With a market of around \$1.5 trillion in annual contracting spend, the state, local and education (SLED) market is vast but also highly fragmented and difficult for the vendor or contractor to target in an effective and profitable manner. We've examined three of the most popular strategies the best companies are using to not only maximize revenue but also stabilize it and minimize marketing costs on a per unit basis. Combined, they represent \$1.4 trillion in future demand beginning in 2021, which can be identified and marketed to ahead of time.

- Planned Future Projects - \$805 billion
- Expiring Term Contracts - \$303 billion
- Cooperative Purchasing - \$275 billion

While they have their differences, the common denominator is that each strategy involves contract values (averaging \$8-\$10M each) that are much larger than average for the SLED marketplace. That helps make them highly efficient from a volume and marketing cost standpoint. Further, they generally allow companies to lock in, influence or prepare for future business years in advance, making them forward-looking rather than simply reactive.



### Strategy 1: Planned Future Purchases

This strategy, while not suitable for every industry, is the most forward-looking of the three types, and it benefits from the careful advanced planning of up to 5-10 years required for capital purchases by government agencies. These spending plans do not just include information about future bridges worth \$10 billion but a broad range of smaller structures and roads, A&E design work, vehicles, technology and other investments. There is a great opportunity for vetting them well ahead of time while building relationships with each government and considering how to create the optimal team to respond effectively to the eventual bid or RFP. Outreach and marketing efforts should include finding out more background and context for the planned expenditure, while offering helpful industry advice and adding value as a strategic partner.



### Strategy 2: Expiring Fixed-Term Contracts

Expiring fixed-term contracts offer the certainty of regular, ongoing spending by a single government client over a 1-5 year time horizon during the contract period. Of the three strategies this one requires the most extensive

research into the situation of the existing contract, the government agency that maintains it and the vendor/supplier who last won it. There are opportunities across all 12 industry groups but several have a stronger likelihood, such as educational products/services, financial services, healthcare, professional business services, public safety and technology/telecom. In terms of government type, state government greatly over-indexed here, with 44% of the expiring term contract opportunities versus a 19% regular share of all SLED bids and RFPs.










### Strategy 3: Cooperative Purchasing

The larger category of cooperative purchasing is well represented by the subgroup of national co-ops. While the annual spending is currently modest, at \$45 billion, the growth rate is impressive and at \$9.9M, the total value per contract for a single vendor is comparable with that of the other two strategies. These longer-term multi-vendor contracts are competitive and require a commitment by the company to put out a well-crafted response when open slots do come available. Research into each co-op is important to help prioritize opportunities. Once won, a vendor needs to do the work of promoting them as they interact with SLED governments and buyers.

# Glossary of Industries

The following listing provides a brief description of each of the 12 major industries profiled in this report.

 <b>Architecture &amp; Engineering</b>	 <b>Construction</b>	 <b>Educational Products &amp; Services</b>	 <b>Environmental Services</b>
Architectural and engineering related work including project design, planning, inspection and surveying	The construction, expansion, replacement, or enhancement of roads, buildings, structures or landscaping	Products and services intended specifically for the educational market such as textbooks, education software and education consulting services	Testing and measurement services such as: environmental consulting, environmental testing, wildlife/stream/soil assessments, scientific research and GIS mapping
 <b>Financial Services &amp; Insurance</b>	 <b>Healthcare</b>	 <b>Operations &amp; Maintenance</b>	 <b>Professional Business Services</b>
Products and services related to banking, investments, retirement, insurance, payroll, billing, accounting or auditing	Healthcare services, supplies and equipment, as well as mental health and social services	A broad range of 'operations' functions that are typically purchased in multi-year renewable contracts such as: cleaning, waste, infrastructure and grounds maintenance, uniforms, food, and facilities supply orders	Services and consulting in areas such as administrative, employment, economic, legal, professional, business and printing/publishing
 <b>Public Safety</b>	 <b>Technology &amp; Telecom</b>	 <b>Transportation</b>	 <b>Water &amp; Energy</b>
Products and services specific to police, fire, emergency, security, corrections or military uses	A broad range of technology and telecom products and services such as hardware, software, wireless, cloud or IT consulting	Vehicle purchases and equipment, as well as transportation services such as intelligent transportation systems equipment and consulting	Construction or expansion of water or energy infrastructure, as well as consulting, equipment and supplies



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