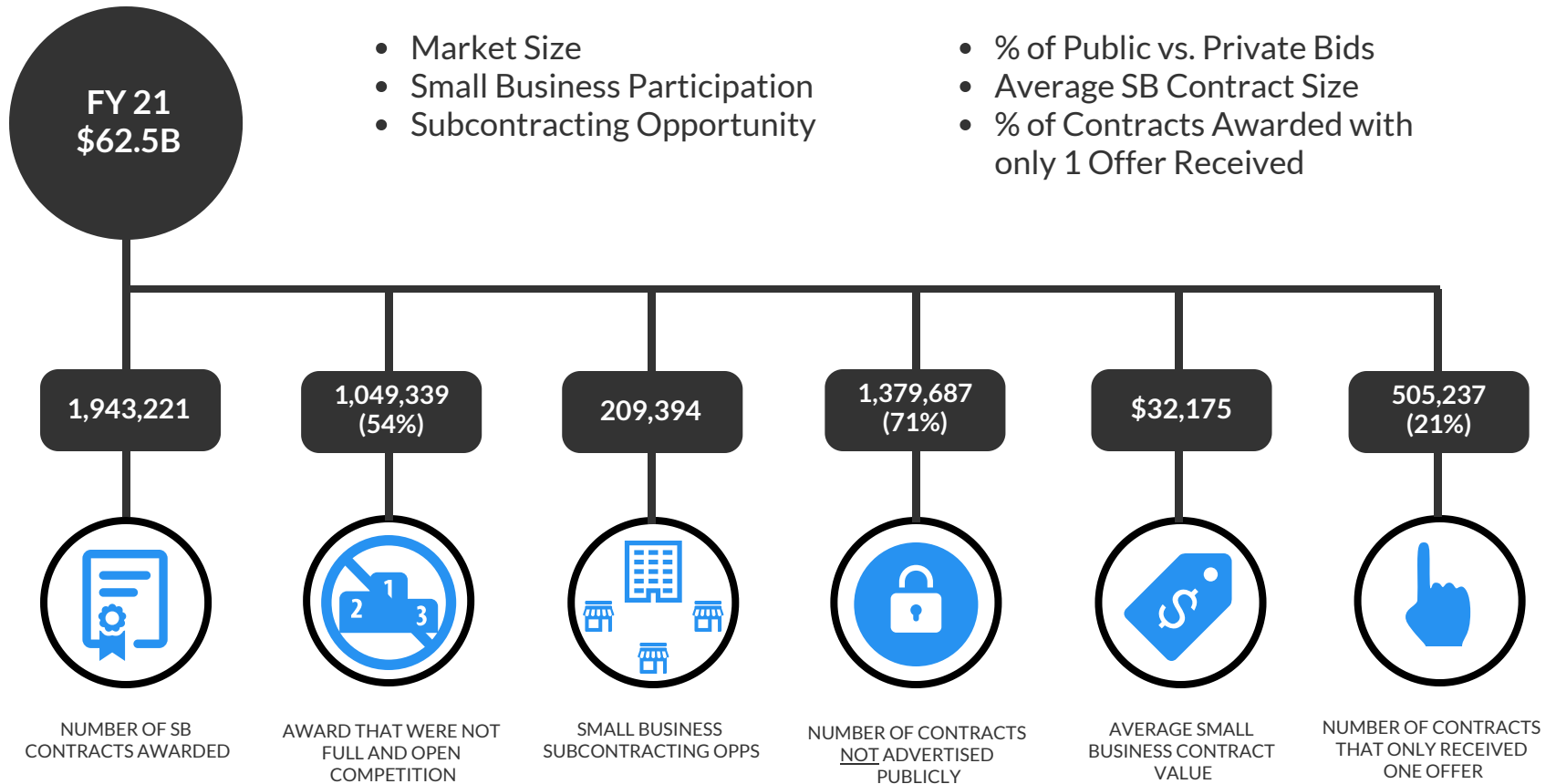


Created 04.08.2022

This report provides an overview of federal small business award trends from FY21, and what you should know as a small business contractor.

The icons below provide key data indicators about aspects of this federal market dataset, including:

- Market Size
- Small Business Participation
- Subcontracting Opportunity
- % of Public vs. Private Bids
- Average SB Contract Size
- % of Contracts Awarded with only 1 Offer Received



## MARKET:

From October 1st, 2020 to September 30th, 2021 the federal government awarded \$62.5B in new federal contracts to small businesses.

These purchases were executed by federal buyers representing 153 federal agencies.

## STRATEGY:

**Step 1 - Research Your Market...it all starts here.**

**Who Buys? | Who Sells? | How Do They Buy? | How Often?**

Step 2 - Optimize Federal and Commercial Foundation

Accept Credit Cards | Check Codes | Narrative and Keywords | Google

Step 3 - Create / Update Capabilities Statement

Add Images | Core Competencies | Differentiators | Key Data

Step 4 - Develop Your Marketing Strategy

Engage Effectively | Make a Good 1st Impression | Build Relationships

Step 5 - Schedule Capabilities Briefings

Create Awareness | Sell Your Company | Fill Their Needs

# FEDERAL MARKET REPORT

## What does the report tell us?

The report tells us facts about how buyers within the federal government purchase these types of services.

Specifically, the report tells us:

- How much the federal government awarded in new contracts to small businesses last year (\$62.5B),
- What percentage of these small business awards were not considered full and open competition (54%),
  - How many large Prime Contracts included small business subcontracting opportunities (209,394)
  - The average size of a small business contract within this dataset (\$32,175),
  - How often the federal buyer awarding the contract only received 1 offer (505,237 - 21%),
  - How many different agencies awarded small business contracts (153)



Based on the numbers, the opportunity for small businesses to generate federal sales revenue seems tremendous.

However, only 1 in 5 small businesses registered for federal contracting in 2021 actually won a contract.

As you review this document, hopefully you'll gain some insights about how to position your firm to acquire federal contracts in 2022 and beyond.

# FEDERAL MARKET REPORT

## What does it mean?

Most small business leaders that are registered for federal contracting feel frustrated.

They don't feel confident that the time and effort they are investing in pursuing federal contracts will ever pay off.

They're not even sure if they are on the right path.

The first step in overcoming this challenge is knowledge. If you want to compete for federal work, you need to know the rules of the game.

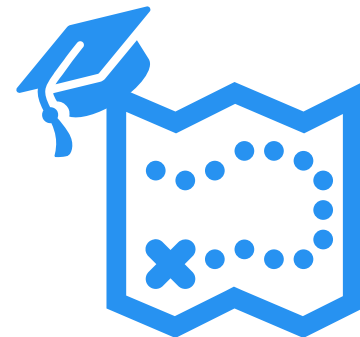
In this report, we break down each of the data points listed on the first page in an effort to provide context and meaning.

For each data point, we'll cover three primary questions - "What?", "Why?" and "How?"

"What does it mean?" | "Why is it so?" | How do I move forward?"

We'll also provide an "Insider's Insight" for each data point.

Hopefully, you'll find this report to be informative and instructive in your pursuit of federal work.



# FEDERAL MARKET REPORT

## FY 21 Dollars

### What does it mean?

Each year, the federal government proves to be the world's largest consumer of products and services.

The government "Fiscal Year" starts on October 1st and ends the following September 30th. This is how annual federal contract spending is tracked.



### Why is it so?

The federal government relies on outside contractors and suppliers to fulfill most of its needs.

Each year, the Executive Departments submit budget proposals to Congress for approval. Once the budget requests are approved, the funds are appropriated to various projects and programs based on the priority initiatives of each Agency.

As those funds are allocated, the Agencies hire commercial firms to fulfill many of these requirements.

# FEDERAL MARKET REPORT

## FY 21 Dollars

### How do I move forward?



First, you need to identify your "Ideal Government Client".

This is accomplished by finding the specific agency within the federal government where your core value offering aligns with their specific needs.

This can be accomplished by:

- Researching previously awarded contracts to find the agencies that have recently purchased similar services,
- Researching agency forecasts to identify future opportunities that align with your offerings.

### Insider Insight



If you don't already have an established relationship with your target agency, consider starting small - credit card purchases and purchase orders.

Why?

Federal buyers are typically risk-averse. They want to know you are able to perform the work before they are willing to make a significant buying commitment from you.

An effective way to introduce your offer is to offer a relatively low-risk, smaller "trial" engagement that allows the purchaser an opportunity to better understand your business, your solution and your fit in helping them solve their problems or achieve their goals.

# FEDERAL MARKET REPORT

## Small Business Contracts

### What does it mean?



Small businesses win a significant percentage of federal contracts.

If a small business has the experience, acumen, and curriculum sought by the federal government, the fact that they are a "small" business does not preclude them from consideration or award.

In fact, a high percentage of these contracts awarded to small businesses did not include a small business "set-aside". This means the small businesses that won the contracts competed head-to-head with large firms and won.

### Why is it so?



From the SBA:

Government contracts are a tremendous financial opportunity for small businesses.

The U.S. government is the largest customer in the world. It buys all types of products and services – in both large and small quantities – and it's required by law to consider buying from small businesses.

The government wants to buy from small businesses for several reasons, including:

- To ensure that large businesses don't "muscle out" small businesses,
- To gain access to the new ideas that small businesses provide,
- To support small businesses as engines of economic development and job creation,
- To offer opportunities to disadvantaged socio-economic groups,

# FEDERAL MARKET REPORT

## Small Business Contracts

### How do I move forward?



Start by identifying the federal agencies that have a track record of awarding these types of opportunities to small businesses.

Next, identify the key people within the agency that can help you get connected to stakeholders and decision-makers.

Finally, prepare your business to work specifically with your target audience within your target agency.

### Insider Insight



Every federal agency has at least one (and sometimes several) "Small Business Liaisons".

These individuals are responsible for assisting small businesses in understanding how to work with the agency.

In order to maximize your opportunities with a particular agency, do your homework and be prepared to demonstrate your knowledge about the agency's procurement preferences to the small business liaison.

Make a great first impression and demonstrate that you've done your homework, and your small business liaison will advocate for you within the agency.

## Subcontracting

### What does it mean?



Just as federal agencies have small business preference program goals (such as small business, HUBZone, Service Disabled Veteran, Women etc), prime contractors performing work on federal contracts valued over certain dollar thresholds have similar goals built in to their contracts.

In addition to marketing to the right Government agencies, marketing to other larger target government contractors will maximize your opportunities and allow you to leverage your business ownership status.

### Why is it so?



Large firms typically must include a Small Business Subcontracting Plan with their proposals when the contract's value is expected to exceed \$750,000.

The rules state that these firms must give the "maximum practicable opportunity" to eligible small businesses to participate in the project.

## Subcontracting



### How do I move forward?

1. Identify the major prime contractors that do significant work for Federal agencies where there may be a logical fit for the services you provide.
2. Research the company and identify not only the contracts they have performed but also their main mission, vision, and market. Identify their specific company goals, as well as company successes.
3. Research their small business and diversity initiatives.
4. Identify the Small Business Liaison Officer or Diversity Officer within the company.
5. Contact the small business person you have identified.



### Insider Insight

Demonstrate to the Prime Contractor that you've done your homework and come to the meeting prepared.

Research the types of contracts they typically win, review forecasts of upcoming opportunities they may be interested in, and bring some potential teaming opportunities for review during your initial meeting.

## Not Everything is Posted at SAM.gov



### What does it mean?

Overall, more than half the purchases the federal government makes are completed without a publicly-listed bid or quote notification.

If you use public bid websites such as sam.gov as your primary way of finding new bid opportunities, you are missing out on approximately half of your potential opportunities.



### Why is it so?

The federal government has rules that determine when they are required to post contracting opportunities in the federal domain.

Many of the purchases for federal consulting services fall outside the parameters that require a public bid notification. Therefore, government buyers do not post opportunities for public bid. Instead, they reach out directly to potential vendors and request quotes.

# FEDERAL MARKET REPORT

## Not Everything is Posted at SAM.gov



### How do I move forward?

Start by identifying the agencies that utilize Simplified Acquisition Procedures ("SAP") to purchase professional consulting services.

SAP awards are easier to win and easier to fulfill. In many cases, purchases are executed with credit cards or purchase orders. Quotes can be provided over the phone or via email. The Contracting Officer has full discretion as to whether the opportunity will be posted publicly.



### Insider Insight

Many federal buyers will tell you they post all contracting opportunities at sam.gov.

This may be technically true (for "contracting" opportunities) - but they do not execute every purchase through sam.gov.

Be sure to conduct market research before you engage an agency. Know what does - and doesn't - get posted in the public domain.

## Small Businesses Win Big Contracts



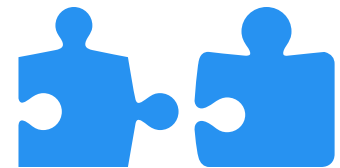
### What does it mean?

Small businesses generated significant revenue from federal contracts over the last 24 months.

In the last 10 years, the average small business contract value has increased from \$217,255 to over \$300,000.

During that same timeframe, the federal government has increased the ceiling for permitting small business contracts to be awarded without full and open competition.

### Why is it so?



As technology evolves and becomes an ever-increasing element of day-to-day business activities, the federal government relies on small businesses to provide agile and innovative solutions.

Additionally, there are significantly more small businesses than large, and the small business community as a whole is significantly more specialized in what they do than the large business community, making small businesses a better fit for many projects.

Finally, the federal government supports small businesses because it's good for the economy.

# FEDERAL MARKET REPORT

## Small Businesses Win Big Contracts

### How do I move forward?



The key is starting with the right size project.

Make sure you begin with a commitment you can fulfill on time and within budget. For most small businesses, the best opportunity to start working with a new agency comes in the form of a credit card (micro-purchase) or purchase order (Simplified Acquisition).

These types of opportunities are easier for new contractors to win, because they are low-risk ways for an agency to evaluate performance.

### Insider Insight



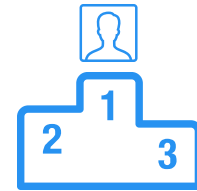
As stated earlier, an alternative to working directly with the federal government is to subcontract with a large Prime Contractor.

Large businesses that pursue federal contracts are typically required to subcontract a percentage of the work to small businesses.

For this reason, most large federal contractors have programs to help small businesses subcontract. This is also a way for a small business to earn "Past Performance" credit without having to win the contract directly.

## Federal Buyers Often Only Received 1 Offer

### What does it mean?



Even though a large percentage of federal contracts are coded as "Full and Open Competition", in reality, the Contracting Officer only receives one offer on average about 1/3rd of the time.

For contracts awarded to small businesses, the percentage of single-offer awards is typically even higher.

### Why is it so?



There are several explanations for why such a significant percentage of federal awards only receive a single offer.

First, there are rules in place that allow federal buyers to streamline the buying process for certain types of products and services (especially for purchases under \$250,000). In these situations, Contracting Officers may be allowed to proceed after only receiving one offer.

Second, most purchases under \$250,000 are not advertised, publicized or otherwise communicated. Therefore, the majority of eligible businesses do not submit an offer due to a lack of awareness.

## Federal Buyers Often Only Receive 1 Offer

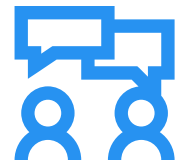
### How do I move forward?



You have to find the buyers that are buying your services from your competition using these "Simplified Acquisition" methods.

You need to gain a strong understanding of who is buying your services, how they buy, who they buy from now, and what factors they consider when determining who to buy from in the future.

### Insider Insight



The key to gaining opportunities with a new federal buyer is to schedule a "Capabilities Briefing".

During a Capabilities Briefing, you have an opportunity to communicate directly with your targeted federal buyer, learning about their needs and explaining how your solution(s) may benefit them.

# FEDERAL MARKET REPORT

Want more insight?

Order the SBDC Federal Market Analysis Report - your edge for targeting and winning.



## Federal Market Analysis

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### RESEARCH METHODOLOGY

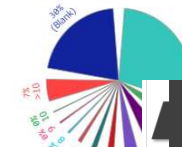
### DATA EXPLANATION

- Fiscal Year
- Level 1 Research: Keywords Used
- Level 2 Research: NAICS & SIC Codes

## TOTAL MARKET: Competition Information

The following table and graph shows the amount of offers received anytime a contract in your 1st level targeting criteria was put out for bid.

Offers	#	%
1	354	41%
2	45	5%
3	55	6%
4	35	4%
5	18	2%
6	14	2%
7	10	1%
8	5	1%
9	4	0%
10	2	0%
>10	60	7%
(Blank)	257	30%



The following table shows if the contracts were posted in beta.sam.gov before being awarded.

Was It Posted in SAM?	Award	Value
YES	390	\$437,164
NOT APPLICABLE	163	\$107,651
NO	196	\$116,892
(Blank)	180	\$165,687
<b>Grand Total</b>	<b>859</b>	<b>\$848,695</b>

The following table shows the way in which the contracts in your 1st were competed.

How Was The Contract Competed?	Award
COMPLETED UNDER SAP	11
FULL AND OPEN COMPETITION	465
FULL AND OPEN COMPETITION AFTER EXCLUSION OF SOURCES	139
NOT AVAILABLE FOR COMPETITION	66
NOT COMPLETED	54
NOT COMPLETED UNDER SAP	68
<b>Grand Total</b>	<b>859</b>

The following table shows the list of reasons that were coded when they choose not to compete a contract on the full and open market.

Reason Not Completed	Award
NOT AVAILABLE FOR COMPETITION	66
AUTHORIZED BY STATUTE (FAR 6.302-5)(A)(2)(I))	66
NOT COMPLETED	54
FOLLOW-ON CONTRACT (FAR 6.302-1)(A)(2)(I)(II))	1
MOBILIZATION, ESSENTIAL R&D (FAR 6.302-3)	1
ONLY ONE SOURCE-OTHER (FAR 6.302-1 OTHER)	41
UNIQUE SOURCE (FAR 6.302-1)(B)(I))	5
URGENCY (FAR 6.302-2)	6
NOT COMPLETED UNDER SAP	68
AUTHORIZED BY STATUTE (FAR 6.302-5)(A)(2)(I))	7
LESS THAN OR EQUAL TO THE MICRO-PURCHASE THRESHOLD	2
SAP NON-COMPETITION (FAR 13)	35
<b>Grand Total</b>	<b>188</b>

## POINTS OF CONTACT

Logo	Agency	Office	NAME	EMAIL	PHONE
INTERNAL REVENUE SERVICE	NATIONAL OFFICE - PROCUREMENT OBO	MIDWEST REGION	Redacted	Redacted	Redacted
		NATIONAL OFFICE - PROCUREMENT OITA	Redacted	Redacted	Redacted
		SOUTHEAST REGION	Redacted	Redacted	Redacted
NATIONAL OCEANIC AND ATMOSPHERIC ADMINISTRATION	DEPT OF COMMERCE NOAA		Redacted	Redacted	Redacted
FOOD AND DRUG ADMINISTRATION	FDA OFFICE OF ACQ GRANT SVCS		Redacted	Redacted	Redacted
VETERANS AFFAIRS DEPARTMENT OF	242-NETWORK CONTRACT OFFICE 02 (SAC242)		Redacted	Redacted	Redacted
		244-NETWORK CONTRACT OFFICE 4 (SAC244)	Redacted	Redacted	Redacted
		245-NETWORK CONTRACT OFFICE 5 (SAC245)	Redacted	Redacted	Redacted
		246-NETWORK CONTRACTING OFFICE 6 (SAC246)	Redacted	Redacted	Redacted
		250-NETWORK CONTRACT OFFICE 10 (SAC250)	Redacted	Redacted	Redacted
		252-NETWORK CONTRACT OFFICE 12 (SAC252)	Redacted	Redacted	Redacted
		256-NETWORK CONTRACT OFFICE 16 (SAC256)	Redacted	Redacted	Redacted
		260-NETWORK CONTRACT OFFICE 20 (SAC260)	Redacted	Redacted	Redacted
		262-NETWORK CONTRACT OFFICE 22L (SAC262)	Redacted	Redacted	Redacted
		PCAC HEALTH INFORMATION (SAC276)	Redacted	Redacted	Redacted
U.S. CUSTOMS AND BORDER PROTECTION	AIR AND MARINE CTR DIV	SAC FREDERICK (SAC100)	Redacted	Redacted	Redacted
		BORDER ENFORCEMENT CTR DIV	Redacted	Redacted	Redacted
		DHS CUSTOMS AND BORDER PROTECTION	Redacted	Redacted	Redacted
		MISSION SUPPORT CTR DIV	Redacted	Redacted	Redacted