



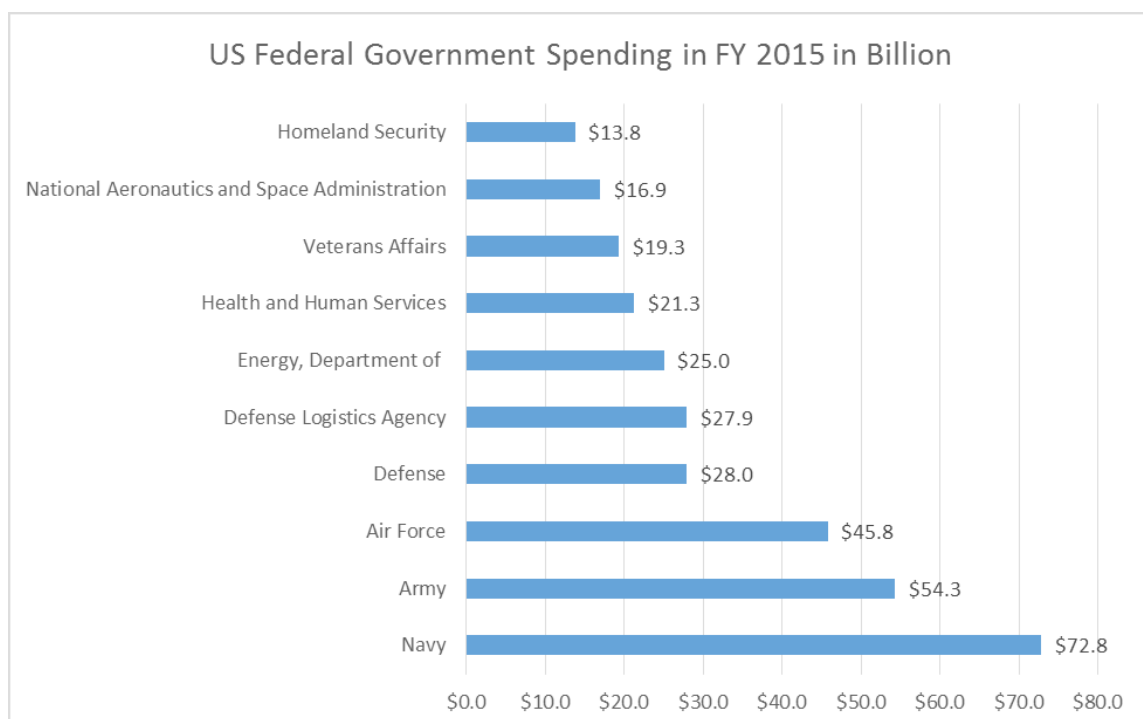
Want to start selling to the government? Do your market research!

How many times have you heard that government buys everything you can think of?

In general, it is a true statement. Almost anything bought in the private sector is also purchased, to a degree, by the government¹. It is a huge opportunity for small businesses to pursue.

In Federal Fiscal Year (FY) 2015, the US Government spent \$430,328,971,024 in contracts buying everything from ink to toilet paper, and from software development to guided missile maintenance equipment. To understand better who is buying and what is being bought, look at the following graphs. Graph 1 shows the top 10 agencies by spending in Billions for FY 2015.

Graph 1: Top 10 Agencies for Spending Amounts in FY 2015 in Billions



Source: FPDS

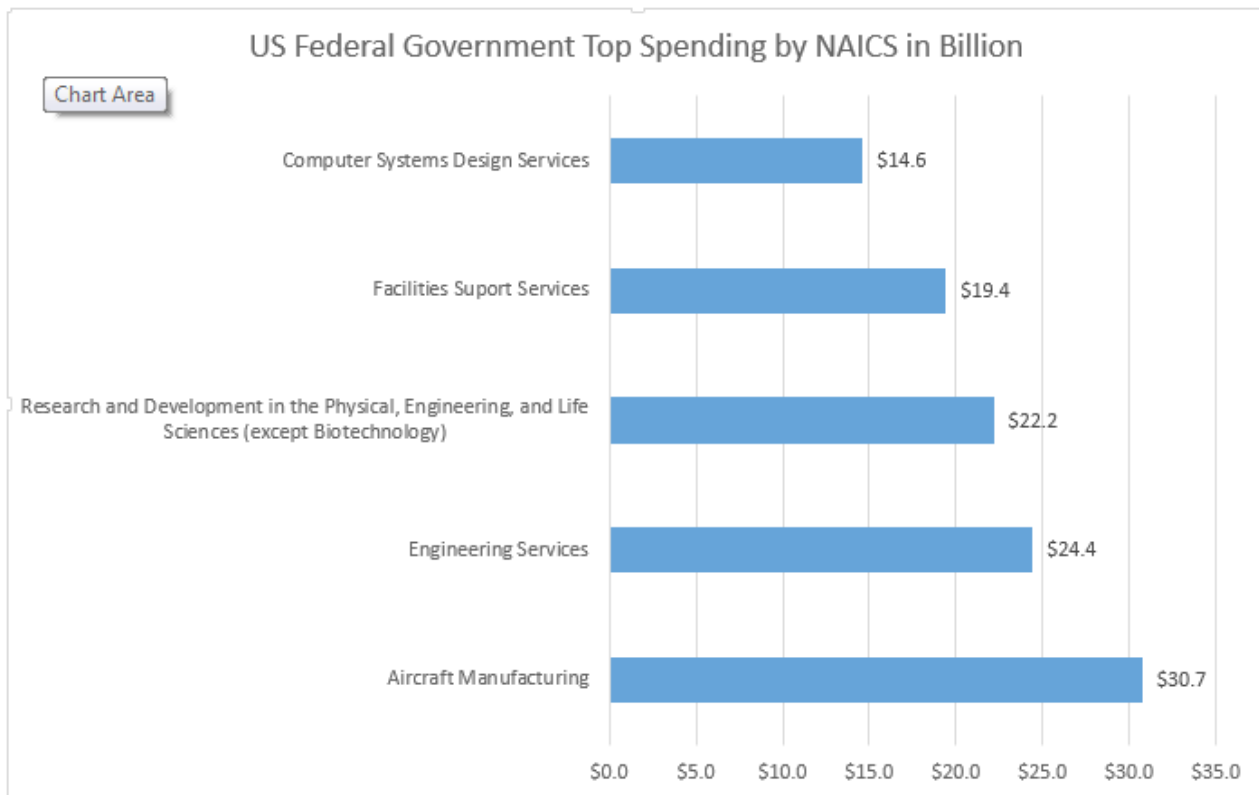
¹ <http://www.csbj.com/2015/02/06/answers-exist-for-does-the-government-buy-what-i-sell/>

Why is it important to know who the top spending agencies are? Because obviously these are the agencies with most of the money and chances are they are also buying what you're selling.

It is also important to know in what industries the most funds are spent. We can do that by separating purchases by the North American Industrial Classification System (NAICS). The following graph shows the top spending by NAICS codes in FY 2015 nationwide. NAICS codes are six digits, but for purposes of this data representation, only the first four digits, which indicates a broad category is used.

NAICS CODE	DESCRIPTION
5415	Computer Systems Design
5612	Facilities Support Services
5417	Research and Development in the Physical, Engineering, and Life Sciences
5413	Engineering Services
3364	Aircraft manufacturing

Graph 2: US Federal Government Top Spending by NAICS in FY 2015 in Billions



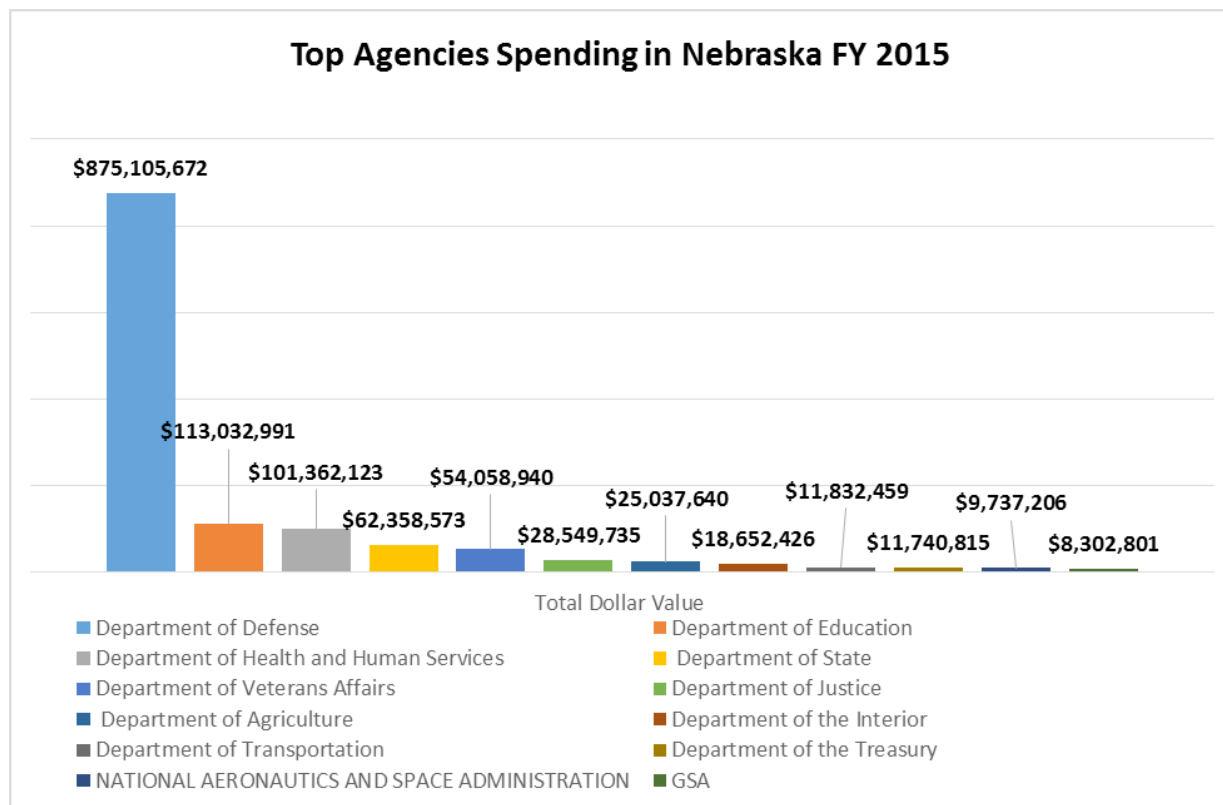
Source: FPDS

Graph 2 provides a little more insight into what kind of products and services the government bought in FY 2015. The top 5 NAICS codes by government spending collectively add to 26% or more than \$111 Billion of the total US government spending in FY 2015.

Looking closer to home, federal agencies in Nebraska spent \$1,116,783,982 in FY 2015. That means that federal agencies in Nebraska spent a little over \$1.1 Billion buying products and services nationwide. What is also interesting to note, is that in FY 2015 Nebraska companies received \$1,334,728,171 billion in federal contracts.

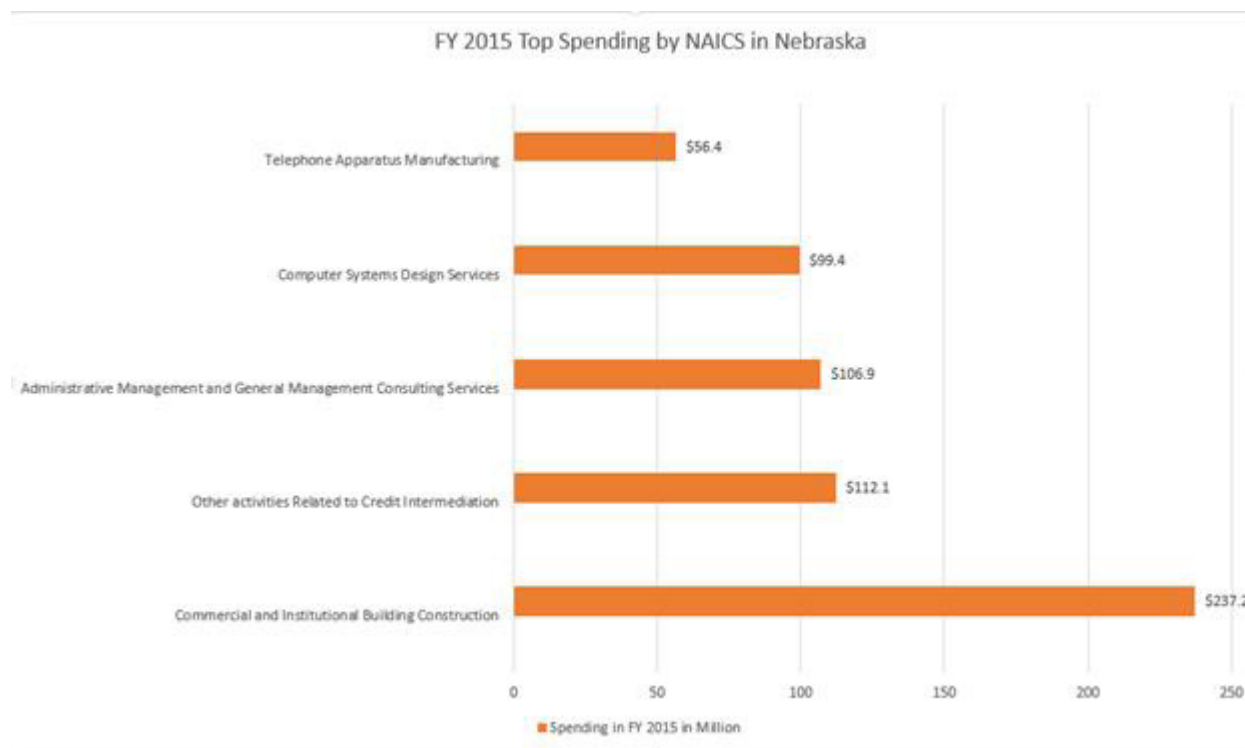
Graph 3 breaks down the top 12 agencies in Nebraska by FY 2015 spending amount.

Graph 3: Top Agencies Spending in Nebraska FY 2015



Source: FPDS

Of course it would be interesting to find out what the agencies in Nebraska are purchasing most. According to Graph 4, the NAICS for Commercial and Institutional Building Construction is where government agencies spent the most money in FY 2015 in Nebraska.

Graph 4: Top Agencies Spending in Nebraska FY 2015

Source: FPDS

Now, equipped with this basic analysis of government spending habits for FY 2015, how can a company leverage this information and get a piece of the pie? Below are the steps that will help you create a roadmap to becoming more knowledgeable about your potential government customer.

STEP 1: KNOW YOUR BUYERS (THINK OUTSIDE THE BOX!)

In commercial market, the first thing to do is to identify your target market (your buyer) and learn everything about them. The same is true in government contracting. You must identify the agency that would be interested in buying your product. The easiest way to do that is to look at historical purchases of agencies. One of the most powerful tools businesses interested in selling to the government can use to their advantage in finding out historical data is Federal Procurement Data System (FPDS). It is an automated system used to collect and report federal procurement spending. Data is submitted via a contract writing system (CWS) or directly into FPDS Using Direct Web Input². Contracts whose estimated value is \$3,000 or more are in this database. Every modification to that contract, regardless of dollar value must be reported to FPDS-NG³.

Look at NAICS **541512** Information Management Computer Systems Integration Design Services. A quick search of FPDS using that NAICS code reveals that in FY 2015 total spending was \$14.06 billion. The Top 10 agencies that spent most in this NAICS code are shown in the following Table 1.

² https://www.fpds.gov/downloads/Manuals/FPDS-NG_Overview.ppt

³ https://www.fpds.gov/wiki/index.php/FPDS-NG_FAQ

Table 1: FY 2015 NAICS 541512 Spending by Agency

AGENCY	FY 2015 SPENDING
Health & Human Services	\$2.40 billion
GENERAL SERVICES ADMINISTRATION	\$1.86 billion
Veterans Affairs	\$1.51 billion
NAVY	\$1.07 billion
ARMY	\$980.61 million
DEFENSE	\$977.62 million
AIR FORCE	\$828.82 million
Home Land Security	\$793.61 million
Commerce	\$719.60 million
NATIONAL AERONAUTICS AND SPACE ADMINISTRATION	\$492.94 million

Source: FPDS

The Top 10 sellers or companies that received contracts are depicted in Graph 5.

Graph 5: FY 2015 Top 10 Contractors for NAICS 541512

Source: FPDS

So what does this information tell you? It gives you past demand, a customer list, and a list of your competition.

STEP 2: EVERYTHING IS A NUMBER! (KNOW YOUR NAICS CODE)

The North American Industry Classification System (NAICS) is the standard used by Federal Statistical Agencies in classifying business establishments for the purpose of collecting, analyzing, and publishing statistical data related to the U.S. business economy⁴.

Knowing the NAICS code is a very important aspect of researching the government market. All the solicitations are tied to a code when posted. Although sometimes the codes can be really broad, it is the only code that contracting officers are required to assign which describes the principal purpose of that procurement when posting an opportunity.

NAICS code defines establishments based on the activities in which they are primarily engaged. One company can

4 <http://www.census.gov/eos/www/naics/>

have more than one NAICS code but only one primary NAICS code.

How can you decide which is your primary NAICS code? You can use the search feature at www.census.gov/naics. In the “2012 NAICS Search” box on the left side of that page, enter a keyword that describes your primary service or item you manufacture. A list of primary business activities containing that keyword and the corresponding NAICS codes will appear. Choose the one that most closely corresponds to your primary business activity, or refine your search to obtain other choices⁵. Another way to approach it is to identify the primary NAICS Code of a competitor and see if that is also your primary code.

NAICS codes are also used in the size determination by Small Business Administration (SBA) in order to qualify for “small business set-aside”.

“To qualify for a “small business set-aside” you must first be a for-profit business concern and meet the small business size standard for the NAICS code that the contracting officer assigns to the procurement. That may or may not be the same as your principal business activity. However, if it is not, it does not stop you from bidding, if you meet the size standard and can fulfill the contract requirements⁶.”

STEP 3: STUDY YOUR COMPETITION

Competition is everywhere! This is what drives companies to become better and stand out from the crowd. Government contracting market is no different, it also has competition. And you better know who they are! One of the sources to find your competitor in the government market is the list of companies that have been supplying the products and services to the government. This list can be obtained from FPDS. Look closely at who they are, get to know how long have they been selling and to what agencies. What were the contracting vehicles used? And the most important, determine your and their competitive advantages.

STEP 4: FIND THE EXPIRING CONTRACTS

The expiring contracts can also be found in FPDS database and it can give companies clues about upcoming opportunities. Some of the contracts that are about to expire could be open for renewal and knowing that ahead of time gives companies an opportunity to reach out to small business specialists and/or contracting officers in order to discuss their exact needs from future bidders. It also shows your interest in being a bidder and that you’re actively looking for this kind of work.

STEP 5: KNOW AGENCIES PROJECTIONS (FIND OUT WHAT’S COMING UP)

Knowing the historical spending of agencies is obviously the starting point. Another important piece of the puzzle is to find out the forecasted expenditures for the agencies you identified earlier. Unfortunately, this information is not standardized and varies by agency as to how and where it is released. The best place to start is the agency’s website. Another way to find out agency planned projects and expenditures are industry days, conferences, and networking events where officials from the interested agencies are speaking and/or attending. These are usually listed on the events section on the agency’s website. These are also called Vendor Outreach Sessions. For local events, economic development agencies and Procurement Technical Assistance Centers (PTAC), such as the NBDC PTAC, will be able to help identify relevant events that would be useful to attend.

STEP 6: FIND CURRENT OPPORTUNITIES (WHAT OPEN SOLICITATIONS ARE OUT THERE?)

When looking for open solicitations the best way to find opportunities is by searching FBO.gov. All available procurement opportunities valued over \$25,000 must be listed by the Federal Agencies on the Federal Business Opportunities website where public and interested potential vendors can find it. Search can be done by using keywords, NAICS code, by Agency, place of performance and other available filters. New opportunities are added every day.

⁵ <https://www.census.gov/eos/www/naics/faqs/faqs.html#q9>

⁶ <https://www.sba.gov/content/north-american-industry-classification-system-codes-and-small-business-size-standards>

Another method of finding open solicitations is to use the BidMatch service offered by the local PTAC. It is a search algorithm that searches all the available opportunities based on the selected criteria. It is a daily search and all the matched results are sent via email to the subscriber. Nebraska PTAC offers free BidMatch for their clients specifically tailored to each clients' needs.

STEP 7: CAN YOU GET A SET-ASIDE?

When market research done by contracting officers concludes that small businesses are available and able to perform the work or provide the products being procured by the government, those opportunities are “set-aside” exclusively for small business concerns⁷.

There are different types of set-asides. Some are open to all small businesses and others are open exclusively to small businesses with specific designations.

The following are certification programs and socio-economic categories that have set-asides.

- **8(a) Business Development**
- **HUBZone Program**
- **Women Owned Small Business (WOSB)** Program (includes Economically Disadvantaged Women Owned Small Business (EDWOSB) concerns)
- **Service Disabled Veteran Owned Program (SDVO)**

There are also sole-source development opportunities under the 8(a) program and sole source conditional opportunities under the HubZone, SDVOSB, and WOSB programs.

The Small Business Administration's Office of Government Contracting & Business Development is a free resource for small business owners. They work with federal agencies to award at least 23 percent of all prime government contract dollars to small businesses and help federal agencies meet specific statutory goals for small disadvantaged businesses (classified as 8(a) businesses, women-owned small businesses (WOSB), service-disabled veteran-owned small businesses (SDVOSB), and small businesses that are located in historically underutilized business zones (HUBZone)⁸.

STEP 8: MEET THE BUYERS

The Small Business Specialist's (SBS) primary role is to serve as advocates to small businesses. Finding out who the SBS is for the agency and making great effort to get to know them can be very beneficial for small businesses. Generally, the SBS can recommend a business to a contracting officer, and can contact the business when an opportunity arises. One of the events that facilitates meeting the SBS and contracting officers is the Annual “Meet the Buyer” Government Procurement Conference hosted by NBDC PTAC. In fall 2015, NBDC PTAC hosted the first conference to bring Small Businesses, Federal, State, and Local Government Agencies, and prime contractors together for learning and networking opportunities. Meeting the Contracting Officers and Small Business Specialists (SBS) is one of the most crucial things a business can do to become successful in securing a government contract. On November 4, 2016 the second Conference will take place to continue harvesting business relationships. <http://nbdc.unomaha.edu/government-contracting/MeetBuyersConference.cfm>

⁷ <https://www.sba.gov/content/small-business-set-asides>

⁸ <https://www.sba.gov/content/sbas-role-government-contracting>

STEP 9: GET SOME HELP (AVAILABLE RESOURCES)

This is where savvy business owners turn to their state's Procurement Technical Assistance Center (PTAC) for assistance. Each state has a PTAC office which is dedicated to help clients win government contracts. PTAC services are free and available to small and other than small businesses. Some of the services provided are:

- Bidding assistance – NBDC PTAC consultants assist with locating bidding opportunities, formulating accurate and confidential bids, and understanding required forms, regulations, and specifications.
- Getting ready to bid – NBDC PTAC consultants assist with certifications, required registrations, and review of financial capabilities
- Procurement histories – NBDC PTAC consultants provide listings of agencies that have historically purchased similar products or services, analysis of volume purchased, price paid, and past award winners, and information about subcontracting and teaming opportunities.
- Networking events and training workshops. For a list of current events please visit <http://nbdc.unomaha.edu/events/>

NBDC PTAC services are free to all small and other than small businesses.

**ABOUT THE AUTHOR**

Veronica Doga joined NBDC as an export consultant after graduating from UNO in 2008 with an MA in economics. She earned a Certified Global Business Professional credential from NASBITE International. In 2015, Doga became director of the Procurement Technical Assistance program, leading a staff of government contracting consultants.

ABOUT THE NEBRASKA BUSINESS DEVELOPMENT CENTER

NBDC is a cooperative program of the U.S. Small Business Administration (SBA) and the College of Business Administration at the University of Nebraska at Omaha (UNO). NBDC partners with the University of Nebraska at Kearney, Southeast Community College, Wayne State College, Mid-Plains Community College and Chadron State College to provide consulting and business support services from offices in Omaha, Lincoln, Kearney, Grand Island, North Platte, Wayne, Scottsbluff and Chadron. Learn more about NBDC at nbdc.unomaha.edu

NBDC provides a full suite of services:

- Financial projections, planning and loan packaging
- Market research and analysis
- Export consulting
- Technology commercialization consulting
- Government sales consulting
- Business valuation and transition planning
- Project management and leadership training
- Process improvement and sustainability training
- Organizational development consulting and customized training

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