



Government Contracting for Donkeys

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Introduction

In poker, Donkeys are inexperienced players who think they know how to play the game. Donkeys may be highly intelligent people but they invariably lose because the learning curve in poker is steep.

Government contracting donkeys think they know how the contracting game is played in the trenches but don't. They may be effective players in the commercial market but the commercial market ain't Vegas baby. You must invest, focus, and learn by doing. In short, you cannot dabble in government contracting. Your first step to winning government contracts is recognizing that you may be a donkey; particularly if you are new to the market.

This information in this site will help you invest wisely and focus if you elect to enter the government market.

The topic of how to win government business is not the most entertaining. You will not find many of my books lying on bedside tables. Nor will you find me writing about government sales from my bed. Instead, I will be watching a Texas Hold'em poker tournament on ESPN.

Many authors stretch metaphors to their limits to try to make dry content interesting and I am no different. I will use poker as my metaphor for the government contracting process. The price is right for this eBook so just hit delete if you find me stretching a point too far. Or skip the poker part and go to "[The Keys to Winning Federal Contracts](#)."

State and local contracting is fundamentally the same as federal contracting. The term government contracting is used interchangeably with federal contracting in this book.

Battle of the Wits

Poker and government contracting are battles of the wits. Both have procedural elements but at their core they are about finding the right game to play in, reading people, establishing your professional image, acting on self-interest, and using experience and street smarts to win. This has been called selling since the days of Willy Loman.

Government contracting donkeys view the contracting game as a procedural process and this is encouraged by government agencies to maintain the appearance of competition. Free government contracting seminars abound that tell newcomers to the government market:

1. Register at Central Contractor Registration (CCR), along with approximately 624,000 others.
2. Go to FedBizOpps.gov to view public bids.
3. Spend precious dollars to put in a bid along with 5 – 30 other newcomers plus the insider (company that was providing the product or service in the past).
4. Hang you head when the announcement is made that they went with the insider.

Admittedly, all public bids don't work as described above but most do. Like poker, government contracting is not a procedural game.

The Government holds all 52 Cards, on Paper

In gambling, the house usually has an edge. In poker, players are renting a table and dealer from the casino and the house is not in the game. In government contracting the government has most if not all 52 cards; at least on paper. Some say they even have the jokers because government buyers can:

- Dictate terms and conditions.
- Ask for any financial information they desire.
- Make contract awards to whomever they want, even if the award decision in not accordance with the published rules.
- Terminate a contract capriciously or for good cause.
- Claw back money based on contract violations.
- Sue you in court capriciously if you anger them.

Use Their Power to Your Advantage

In practice, governments are a friendly place to do business, if you play by their rules and help them follow the rules on paper. Note the “on paper” caveat. You can turn their inherent power and archaic rules into an advantage if you don't resist and make their life easy.

Recognize that they seldom do any of the bad things noted above. They don't like using their power because they are very sensitive to the image of being heavy handed. At its core the government contracting game is one of appearance, self-interest, and politics. Contracting officials and program managers are fearful of internal audits and inferior contract performance and how these factors could affect their careers. They just want contractors to perform and help them make their contract file audit proof.

Successful contractors lower government buyer's risk of looking bad for any reason. To be successful you should:

- Write a proposal (bid) in a straightforward, direct manner with no unsupported pitches or claims. Organize the proposal to allow them to evaluate your bid with a minimum of effort. Provide precisely the information they asked for to assist them in building the contract award file, i.e., less is better.
- Not protest award decisions unless the violations that you think they are guilty of would be obvious to your grandmother.
- After award, comply with each and every contract red tape requirement, perform effectively, and thoroughly document your performance. Contractors who do seldom get in any trouble and those who bend the rules end up on the debarred list or, in extreme cases, in jail.

Never:

- Falsely claim you are what you aren't.
- Falsify your capabilities in a proposal.
- Provide inaccurate cost and pricing information in a bid.
- Falsify performance information or any information justifying what you are charging the government on an invoice.

In poker when you are wondering about whether or not to bet, fold. In government contracting, if you are wondering whether you should, don't. Most people know where the line is so don't step over it.

Don't View Poker or the Federal Sales Game Through Rose-Colored Glasses

Poker is a demanding, challenging game that has many strategies that might be successful. If you're new to the game, however, your best bet is to play cautiously with a long-term view. You want to start small, bet small, win small, learn by playing, and patiently wait for positive results.

Many companies try to enter the federal market based on one or more of the following rosy assumptions:

- There is a magic bullet or an easy, cheap way in.
- We ought to be able to pick some of that low-hanging federal fruit in a matter of months.

- Let's hire a lobbyist or an ex-general—they can get us a contract quickly.
- The federal government caters to small businesses.
- Federal buyers will place orders without us personally knocking on their door.
- The federal government wants more vendors to maximize competition.

Like competitive poker there isn't an easy or cheap way to win in the federal market. You get better only by playing in small-stake games and gradually gaining experience and street smarts. And this book is about street smarts.

Assume the Other Players Are Trying to Do You In

Good poker players do not show their cards unless they have to, or it is in their best interest. They do not apologize for winning a big pot, for stealing a pot with a bluff, or for winning a pot on a late-arriving lucky card. Playing to maximize your profit is fundamental in poker. Ruthlessness is the name of the game in poker as well as in federal sales.

Many smaller companies who want to be federal contractors try to team up with prime contractors, not realizing that these contractors are in the game for themselves. The self-interest of subcontractors never crosses their minds.

Thousands of poorly written teaming agreements have turned sour because the prime contractor had only one goal in mind from the beginning—namely, its profits, and not the subcontractor's. In short, most prime contractors:

- Don't like exclusive agreements with subcontractors—prime contractors lose too much control.
- May not provide subcontractors with the portion of contract dollars originally agreed upon.
- Try to keep subcontractors away from the customer.
- Force subcontractors into low hourly rates.
- May gradually replace subcontractors with their own employees.

Self-centered prime contractor behavior is not unethical, just good business. Realize how the game is played and play it under the assumption that you, and you alone, are responsible for your bottom line.

Prime contractors, the federal government, and your Congressperson do not have your best interest at heart.

Poker Can Be a Vicious Game and So Can Federal Sales

Poker can be a vicious game with many ups and downs, unforeseen happenings, disappointments, and peak moments when you win. The game is a combination of skill and experience, street smarts and luck. And you become a winner by playing over and over, trying to eliminate errors and control emotions, and betting when the odds are in your favor.

Federal contracting is the same. Playing is the only real way to gain the skills necessary to win. Dive in, play within your means, be patient and persistent, bid when the odds are in your favor, and play for the long run.

Books on poker say it is a game for life and you can win only in the long run. Consider playing in the federal market only if you are in for the long run.

Play in the Right Game, Consistent with Your Bankroll and Level of Experience

A common statement from federal sales people is, “We are perfect for this opportunity, let’s bid.” But you may be playing against IBM and Lockheed Martin. So pick a game with the right stakes for your bankroll and level of experience.

- Ask how big the deal is, and find out whom you are playing against.
- Play for small stakes in the beginning and gradually increase the stakes as you gain experience.
- Don’t play in the federal market with limited sales dollars.

Spend your federal sales dollars wisely with a long-term view.

Knowing What Other Players Have Done Is Paramount

One of the fundamental factors in winning poker is being in a position to know what the other players have done—whether they have folded, checked, or bet. Other players’ actions in the current hand and previous hands provide you with information on what cards they may be holding, and have a major impact on how

you play your hand. Information on how other players have played is imperfect but nonetheless invaluable.

You should act on as much imperfect information as you can gather if you are considering spending precious resources on a federal bid, including:

- Is this a new opportunity, a repeat of an older separate buy, or a rebid of a continuing requirement?
- Is there an incumbent contractor, and if so who is that incumbent?
- How much was the old contract, and do you have a copy of the contract?
- What does the end-user think of the incumbent contractor?
- What other contractors are working for the agency, and what do end-users think of them?
- Are there rumors about who is bidding and who is recruiting whom for the contract?

All of these types of information are imperfect but the more you have, the better.

Advanced knowledge about a sales opportunity can be obtained from any and all sources—the street, your employees, others you know in the industry, recruiters, federal end-users, and federal contracting officers. Don't be shy. Ask contracting officers in particular. They may be reluctant to share information but they sometimes will respond and you have nothing to lose by asking.

There is a tendency to believe that federal officials will not talk to you, but in many cases they will. In fact, federal regulations encourage them to talk to vendors prior to the public announcement of a bidding opportunity. After all, it is your taxpayer dollars that they are spending and they are supposed to encourage competition.

This may sound like obvious advice but many newcomers to the market spend big money on the bidding process without getting enough prior information about the game being played.

Play Your Big Hands Aggressively

In poker two aces as a starting hand is usually one you want to play aggressively. You may lose a few but aggression is the key to winning. The book says wait until the cards fall your way and then pounce on the opportunity.

The best starting hands in federal sales happen when you have convinced buyers that you can solve their problem or meet their need with superior value. Play this hand aggressively, with a big bet—namely, the best possible proposal and price.

In short, set up the deal to maximize your chances of winning. Then play it big.

Don't Bet the Farm on a Marginal Hand

In poker a bet on a marginal hand is called a “hope bet.” You want to be a player, you want to be in the game, so you take chances on marginal hands. It is death in a poker game if you do it consistently.

I believe that “hope bidding” is the single biggest problem for newcomers to the federal market. At Fedmarket we see it over and over again. Many companies gradually perish by spending money on bids that never had a chance to succeed.

In poker and in federal sales the rule should be: when in doubt, fold. Wait for better opportunities to come your way.

Bet More Often When the Costs of Losing Are Low

In poker it's a good strategy to make bets when the costs of losing are low. In federal contracting the most obvious costs of losing are the expenses incurred during the sales and bidding processes, and they vary widely by industry. Compounding these costs are perhaps less-obvious ones, related to harm done to the company's image and employee morale. Losing is demoralizing, particularly when the bet was big.

Bidding costs for certain products and commodities can be low—bidding can be automated and done cheaply by less costly staff. Losses can be followed up on and used as a path to the next purchase of the same item. Personal sales are always a path to success in the federal market but can be less important for products and commodities.

Bidding costs in the service sector can vary widely, depending on the service offered and characteristics of the submarket. Some service companies with specialized expertise and capabilities can modify previous proposals and keep bidding costs low.

Yet another service submarket may require massive, expensive proposals, which go head-to-head against proposals prepared by sophisticated prime contractors.

In poker and federal sales, almost everyone underestimates bidding costs and overestimates their chances of winning.

Parlay Small Pots Into Big Stacks

In poker successful players patiently parlay small pots into big stacks. Big kills are rare in the federal market. An experienced company will often get their hooks into a federal agency with a small deal and then parlay that into bigger and bigger contracts as they perform successfully for the customer.

Big contracts frequently start as small contracts or subcontracts with prime contractors. Federal customers abhor risk and will go back repeatedly to a proven performer who reduces their risk. The risk aversion nature of the market results in the following:

- Contract modifications are the rule rather than the exception.
- Incumbent contractors invariably win unless they were truly inferior.
- Prime contractors have an inherent advantage.
- Contactor reputations spread rapidly and agencies are likely to have one or more favored contractors.

Get your hook into an agency with a small contract deal and perform, and good things will happen. You will become a favored contractor.

Patience and Persistence Are Paramount

Patience and persistence are major factors in winning at poker. The same is true for federal sales. Sell aggressively to end-users who know you and your company's capabilities, bid wisely, and repeat the process.

Don't get down emotionally and start bidding on deals that are low probability, particularly when you have lost a few bids. In poker this is called "playing catch-up." The idea that "I have got to get in the action and make up for that big pot I just lost" may work occasionally in the short run but it's not a good long-term strategy.

Wanting to be "in on the action" with less-than-stellar cards may be one of the biggest reasons people lose at poker. Bidding on deals you haven't sold is one of the biggest reasons for failure in the federal market.

Play Within the Rules with Self-Interest, Without Giving an Inch

Like poker, the federal sales game should be played within the rules but without giving an inch. For example, don't show your cards when you don't have to. Playing nice in poker only happens when a player is filthy rich, intimidated, or very inexperienced. Most players play within the rules and with self-interest. Poker is a game of self-interest and so are federal sales.

- Let your business partners know that you understand the rules of self-interest and that's the way you play.
- Try to walk away from a loss with a positive attitude (difficult that it may be).
- Don't protest out of emotion (unless you have irrefutable grounds)—you may want to “play” with the winner in the future.

Establish a reputation in the industry as a fair but tough and tenacious player.

Focus on the Probability of Your Opportunities

A fundamental question in poker is: “Can I win in this game?”

Companies sometimes retain Fedmarket with too-little thought to write proposals for federal contracts. Often upon beginning work, we discover that the company doesn't have a prayer of winning because of a specific requirement or circumstance. Here are two typical recent cases:

1. Fedmarket was hired to write a proposal for a long-term information technology contract. We began the proposal writing effort and called the owner of the company to make sure he knew that the agency was going to make only one award and that there was an incumbent contractor. We assumed that the owner had read the Request for Proposal (RFP) but wanted to make sure. His response: “Would you consider giving my money back? I didn't have time to read the RFP.”
2. A small company hired Fedmarket to write a proposal for interior design work. We found that the bidder must submit a previous design layout for a project exceeding 30,000 square feet. It turned out that the bidder had no such design layout, and that this requirement was actually beyond the current capabilities of the company. Same story: The owner had not read the RFP before retaining us.

We want to stay busy but we sometimes have to talk companies out of retaining us, because the likelihood of success is low and writing losing proposals is not good

business for us. Yes, in the short term we make money but in the long term we may never hear from the customer again after a loss—even if we had warned them of the low probability of winning.

Know When to Hold'em and Know When to Fold'em

This well-known refrain from a country and western song is a pertinent metaphor for when to write a federal proposal and when not to.

Your chips are your precious proposal writing resources—namely, a happy and motivated professional staff that will produce compelling technical proposal content when asked. This critical resource loses its zest after several lost weekends—and failed contract bids—in a row.

Don't waste your precious chips by playing hands that you don't have a real and highly probable chance of winning.

In making bidding decisions be realistic and consider the following crucial questions:

- Is there an incumbent?
- Have you sold the customer ahead of the bid?
- Does the customer even know you?
- What are your unique capabilities?
- Who will be competing against and what are their capabilities? Do they know the customer?
- What are the costs of writing the proposal? How much content do you have on the shelf, is it compelling, and what will be required of the professional staff in developing required new content?

When in doubt, fold'em and wait for a better hand!

Small Business Preference Programs Are Like Senior and Women's Poker Tournaments

Casinos hold special poker tournaments for seniors and women. These set-aside tournaments do give players a slight edge if they qualify as such. But there are two important reasons why they aren't the answer to a player's prayers:

1. There are thousands and thousands of excellent senior and women poker players.
2. Casinos are trying to attract more senior and women players but they could care less about any individual senior or woman.

So these tournaments should be entered with your eyes wide open. They are very competitive although your chances of winning are improved slightly, since the qualifying rules exclude many potentially strong players.

Federal small business preference programs are similar, with the same two general reasons just mentioned coming into play:

1. There are tens of thousands of professionally run small businesses that try to take advantage of small business preference programs as a way to enter the federal market or to enlarge their market share.
2. Under certain circumstances the federal government may want to encourage small business participation, but federal small business specialists and contracting officers could care less about any particular small business. Why would they go out of their way to help one in particular when there are tens of thousands asking for help? And don't expect your Congressperson to act any differently, unless you are proposing a project on the scale of building the Hoover Dam. Contracting officers and politicians may appear to be there to help you, but usually they have much higher priorities.

Sell and use preference programs as an edge to close a deal, not as the primary reason for bidding. Partner with prime contractors to close their deals when their existing contracts or prospective deals have been set aside.

The Keys to Winning Federal Contracts

Leaving poker as a metaphor, the remainder of the eBook summarizes the keys to winning federal contracts.

Market Characteristics

Companies new to the federal market (newcomers) may not realize that federal sales are essentially the same as commercial sales. It just takes longer-term and higher investments because most companies new to the market don't have federal customers to use as a basis for the sales process.

And the competition in the market is intense, primarily from experienced federal contractors (insiders). Newcomers to the market think that federal agencies want

new suppliers and that aggressive sales efforts are not necessary. In fact, federal buyers are resistant to change and don't necessarily welcome newcomers with open arms.

The federal market is highly competitive and insiders dominate it. But once a company manages to get in the market, the federal customers tend to be risk-averse and will come back to a solid performer over and over.

Federal buyers are turning to multiple-award contracts to relieve the red tape burden and the time required to purchase using single-requirement public bids. Yet having a multiple award contract is not enough—you have to have an aggressive sales program.

A lot of the competition that newcomers to the market encounter is not real competition but rather the appearance of competition. The federal buyers have someone in mind but you just don't know it.

Newcomers Need Customers as a Basis for Federal Sales

Simplistic as it may seem, the secret to success is sell to your federal customers or use customers to help you sell to other federal customers. The problem for most newcomers is that they don't have federal customers to use as the basis for their sales program.

The real obstacle to market entry is not the mysterious procurement process but rather finding and then selling to buyers who have both the money available and the need for what you sell. Real buyers are buried in the bureaucracy and hard to find. When found, aggressive, one-on-one sales are required to win contracts because everyone is knocking on their doors.

Is There Real Competition in the Federal Market?

Yes and no.

Newcomers to the market think that aggressive sales efforts are not necessary. They assume that just letting an agency know about their company is enough—federal agencies will respond by ordering products and services.

Most federal buyers prefer to do business with people they know and trust, based on previous experience. Why take a risk on a newcomer that may fail to deliver as promised and thus tarnish their reputation? Open competitions for contracts are not the rule. The trick is to distinguish real competition from the appearance of competition.

Professional and other technical services (including technology-based products of all types) have to be sold by the company itself and there is little anyone outside the company can do for you. Not lobbyists, ex-generals, Congresspersons, or small business specialists. And knowledge-based and technology companies must have a distinguishing message that sets them apart from the intense competition in this world—like competing against IBM. Just saying you have the experts and have done it for others is not enough.

Start Small and Grow from Within

Newcomers should use any means they can to land a small deal to get their hooks into the market. That could include cold-calling (ugh), pitching to anyone you know in the federal government or anyone who likes you and knows someone in the government, begging a prime contractor for a subcontract, or begging a federal contracting officer to introduce you to an end-user.

Getting the first one is tough. Use any means you can and dig into your street smarts to land something, and the customer will help you sell if you perform for them. The new revenue possibilities include:

- Extensions to your first, small contract
- New contracts to meet the customer's future requirements
- Introductions to end-users with money in their agency
- Introductions to end-users in other agencies who manage a similar type of program that your customer manages

Multiple Award Contracts: The Wave of the Future

Federal agencies are experiencing more and more difficulty in awarding contracts to a single company to meet a specific requirement. Public bids for single requirements are too expensive and take unrealistic amounts of time.

As a result, the purchasing procedure of choice in the federal market is gradually becoming blanket contracts awarded to more than one company, called Indefinite Delivery /Indefinite Quantity (IDIQ) contracts.

IDIQ contracts are designed to meet future requirements on an order-by-order basis. In the simplest terms, IDIQs are three- to five-year contracts that are awarded to several large and small businesses based primarily on experience and pre-negotiated

pricing, with no funding or orders until a specific need arises. Then orders are competed among the winning companies (awardees) only.

What IDIQs do for the Winners

With an IDIQ, your sales program will be more cost-effective because:

- You now have to compete with only a few companies for orders, and often the amounts being awarded run into the billions of dollars.
- Your sales efforts will naturally be focused on the agency or agencies authorized to use the IDIQ.
- End-users for what you sell are easier to identify.
- IDIQ contract holders have an easier time getting through the door. End-users will know who you are and contracting officers will be helpful in referring you to end-users.

Aggressive IDIQ contract holders know how to reduce competition for task orders, often to almost none. For some orders competition can be real. When the buyer knows which awardee is preferred, however, the competition can be mainly in appearance only.

Proposal writing for IDIQ orders is cheaper because a lot of red tape is in the original IDIQ contract and not part of an individual order.

What IDIQs do for companies who are not among the chosen?

IDIQs effectively cut them out of submarkets that may be measured in the billions of dollars.

Knowledge of What Your Competitor Is Doing Is Worth Its Weight in Gold

The federal government hides sales opportunities for the following reasons:

1. Too much competition is costly for the government and overburdens an already fragile procurement system. End-users are often swamped with sales calls when they already have a contractor that they know and trust.
2. Most opportunities are hidden because they relate to existing contracts or repeat buys of the same product or service.

3. Federal opportunity databases are old, outdated, and not designed to show buying history.

Although contract award information is public, finding such information on the contracts that your competitors have won is exceedingly difficult. Often the best information on your competitors' customers is buried in antiquated federal databases. Consider anything you find to be nuggets of gold.

Summary: Establishing a Government Sales Network

Effective federal sales result from relationships with federal end-users and Contracting Officers. The steps in expanding a federal sales network should proceed in the following order. (Step 2 is by far the most important.)

1. Focus on a few selected agencies where you have done business or who naturally buy what you sell. The key to federal sales is focus. Focus on select agencies, focus on existing customers, and focus on your competitor's end-users. Growth will occur naturally outside the targeted agencies based on your reputation and network of relationships.

Newcomers to the government market tend to take a scattergun approach to government sales and they end up circling and establishing superficial relationships with buyers. Instead they should be doing the opposite with a focused, sharpshooter approach leading to strong relationships with buyers and ultimately ongoing contracts.

2. Strengthen relationships with existing federal customers by meeting with them, understanding their problems, suggesting solutions, and asking for direct referrals to other end-users within their agencies and their counterparts in other agencies.
3. Poll your organization for employees that have done business with or have a personal relationship with federal end-users. Then use the relationship to set up meetings with the end-users, i.e., "warm calls".
4. Find the contracts held by your competitors and make cold calls to identify end-users and Contracting Officers responsible for the competitors' contracts.
5. Bid (selectively) on Indefinite Delivery/Indefinite Quantity (IDIQ) contracts advertised by your target agencies.
6. Establish relationships with business partners (prime contractors and small businesses). This is a slow and gradual process and is accomplished primarily

by attending industry events (both private and government) and using your network contacts.

The Federal Market Is a Prosperous Place to Do Business

Much of this eBook focuses on how tough both playing competitive poker and bidding in the federal sales game market can be. Yet poker is a game that untold numbers of people are passionate about, and many of these players have mastered the arcane strategies involved to become successful enough to win on a regular basis. Yes, it's a tough learning curve, but for the dedicated that translates into challenge and long-term benefits.

Once you crack the federal market you can parlay customer risk-aversion and loyalty into a prosperous, stable, and growing business. And contrary to popular opinion, federal agencies pay quickly once you learn to master the red tape game.

About Fedmarket

Fedmarket assists companies in obtaining federal contracts by providing training and consulting services and online market intelligence services.

Please call me personally at 301.908.0546 if you would like to discuss any aspect of federal sales.

Or call Fedmarket.com sales at 888-661-4094.

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