

SELLING TO THE WORLD'S BIGGEST BUYER UNCLE SAM

This year, spending by federal, state and local government in the United States is set to reach an inconceivable \$3 trillion. Even after the mighty wage bill for government employees is paid, and capital expenditure is reckoned for, this leaves US government agencies with a cool €330 billion to spend buying in products and services. That's over four times Ireland's entire exports or almost ten times Microsoft's total revenue for 2004. In fact, good ol' Uncle Sam is by far the single biggest buyer anywhere on the planet.

"We've talking about everything from hotdogs to missiles and anything in between," April DuBois, Director of International Business with the Greater Washington Initiative tells *The Market*. "So on one hand, it is very high-tech and very secure, and, on the other, it's very basic and generic."

Significantly, this market is open to Irish business. True, there are certain limitations. Restrictions abound Department of Defence contracts, for example. Likewise, the United States and European Union are currently at loggerheads over pricing preferences that the Buy American Act bestows on US companies. (See panel on following page)

However, flawed though it may be, the World Trade Organisation Agreement on Government Procurement (the GPA) ensures that companies from other GPA signatory countries, including Ireland, may compete for many US government contracts. "Time after time, European companies have won contracts over their American counterparts," DuBois confirms. "The US doesn't have a monopoly on good ideas, and the government is willing to go out and look for the best technology to solve its problems." Hard-won market successes by

German-founded enterprise software provider SAP, and Toulouse-headquartered Airbus are two high-level examples.

That said, Paul Maguire of Enterprise Ireland's Washington office observes that, rather than playing the Irish card, some of this country's most successful competitors in the US federal space "make themselves look like American companies".

In Maguire's view, the US government procurement model is particularly suited to Ireland's high-tech sector. Among those carving out a slice of the action in the software arena are biometrics experts Daon; social enterprise software provider Curam; Oracle-based software developer Acquis; and spatial information management specialist Geospatial. Meanwhile, Klas, a provider of routers and other network access technology, has won business on the hardware side.

Beyond ICT, Maguire agrees that the market is extremely broad "covering everything from asphalt for runways to xylophones for schools". So there are potential opportunities for other sectors of Irish industry too, so long as companies can bring some sort of strategic advantage or unique selling point to the table.

This requirement for differentiation is echoed by DuBois: "What is needed by Irish firms is to analyse where their product or service is needed and to really come up with a niche that sets them apart," she says.

In fact, she believes the question 'Is my product or service unique?' is one of five basic issues that companies considering the market should mull over. The other four? "Which government agencies buy my products/services? How do they buy them? How do I get in touch with them? And, how do I market to them?"

UNDERSTANDING THE MARKET

Unfortunately for suppliers, US government is far from being a single, homogeneous entity. Rather, the \$330 billion budget available for outsourcing will be spilt between federal, state, and local agencies.

The federal side encompasses almost 100 organisations, from the Department of Agriculture right through to the Uranium Enrichment Corporation. Between these, the total budget for 2006 is \$77.9 billion, of which just over half is earmarked for civilian agencies; while \$30.1 b will go to defence agencies.

The remaining spend will be by state and local government. Spanning 50 states, 3,034 counties and 19,429 municipal governments, not surprisingly this is a more fragmented market. "The opportunities are fluid and wider ranging, in size and type. There is less long term procurement planning than in federal government," according to market consultant Al Gordon of National Strategies Inc. "It is more political, with greater input from elected officials and their senior staff and the point of market entry is different," he adds.

Predictably, the market has spawned a whole industry of government procurement experts and consultants, and at least as many websites. Federal procurement solicitations and awards valued at \$25,000 or higher are published on Commerce Business Daily – <http://cbdnet.gop.gov/>. Likewise, solicitations and awards can be viewed at the US federal government central point of entry www.fedbizopps.gov.

For those hoping to win tenders as prime contractors, however, DuBois points out: "When it's coming out onto a site, it's too late. Someone else will have already swallowed up the opportunity, so you'll be left with the crumbs."



“Now when you are talking about billions of dollars, crumbs can be pretty attractive,” she clarifies. “There are a lot of subcontracting opportunities that come from the big deals, so you need to find out who won the opportunity and then to figure out how to partner with them or even partner with a partner of that company.”

This view is backed up by another market expert, Philip Caparso of Blackstone Consulting. In the software arena, where systems integrators dominate, approximately 50 per cent of prime contracts are subcontracted, he says.

To spot such opportunities, he advises Irish companies to track solicitations and projects from the requests for information (RFI) to the request for proposal (RFP) stage. (RFIs are issued by government agencies in advance of solicitation, in order to get a better handle on the technology and services currently available, along with expected pricing.)

Caparso also suggests that companies consider submitting unsolicited proposals, if their products or services are especially unique or innovative.

“If you are responding to solicitation,” he adds, “read all the requirement documents, synopsis and amendments carefully, and participate in the bidders’ conference. This allows you to assess competition, identify potential partners, and determine the best method of partnering – whether directly with the prime, or with another subcontractor.”

FEET ON THE STREET IN WASHINGTON

Undoubtedly, Washington DC, the home of the US government, is also the hub of federal procurement activity. Between 35 to 50 per

cent of all government contracts go to companies located in the region, according to the Greater Washington Initiative’s DuBois.

In a sense, the GWI is the Greater Washington Area’s equivalent of IDA Ireland. And as its Director of International Business, April DuBois has a clear remit to bring overseas investment into the region. As such, she is keen to help Irish companies planning on establishing or doing business there.

“What we can help with is in identifying their needs and steering them in the right direction,” she says. “We are a non-profit organisation, marketing the opportunities for businesses here in the GWA, and we work together with our partners to help companies expand in the area.

“Even if they only have a budget of \$400,000 to \$500,000, they can open up a pretty nice office here.”

However, DuBois acknowledges that this may not be the optimum route for every company, and, in addition to helping businesses set up shop, GWI provides a lot of free of charge consulting services.

She also suggests that companies do a bit of investigating of their own. “You may have partners in Ireland that may have affiliates in the US that may be able to give you sound advice.”

“Look at what partnerships you have in Europe, and in other parts of the world, and see if some of those partnerships are transferable,” she adds.

As for on-the-ground research, she suggests ICT companies attend FOSE – the United State’s largest trade show for government buyers to meet the IT industry. “Eighty per cent of the people that walk that show are government buyers,” she says.

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OVERCOMING FOREIGN OWNERSHIP RESTRICTIONS

The World Trade Organisation Agreement on Government Procurement (the GPA) prohibits the US from discriminating against other GPA participating countries, including Ireland, when awarding contracts.

The good news is that the GPA applies to almost all federal, most state and many local government entities. However, GPA rules kick-in only on contracts valued over a certain threshold: for example, \$169K for supply/service contracts with federal government departments.

A second potential barrier is the Buy American Act (BAA), which provides price preference for certain US products. Where the act applies, however, it is possible to subcontract to a qualified US bidder. Manufactured products can contain up to 50 per cent non-US content and still qualify for BAA preferences.

Another piece of legislation Irish contractors should be aware of is the Small Business Act, which requires that a certain portion of federal contracts be allocated to small disadvantaged and minority owned businesses. Such allocations are known as set asides.

Irish firms may be able to partner with a US small business, sell through a US distributor that itself qualifies as a small business, or even acquire or establish a small businesses to become eligible for such set asides.

For more information about the principal rules governing US government procurement see www.arnet.gov/far/loadmainre.html



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“If a company is taking a trip to the GWA, we would be glad to meet them. I’ll want to see a business plan, and I’ll want to see that they have resources in place to deal with the influx of business. But I will be glad to provide them with some feedback – connect them with some partners here and provide them with some good resources to get them on their way.”

Rather than approaching GWI directly, however, DuBois, prefers companies to be referred, typically either by Enterprise Ireland or the Irish Embassy. That way the heavy-lifting work in ensuring the company is ready for the market is out of the way, and her offices can add higher value, working on a specific strategy.

TACKLING THE MARKET

Enterprise Ireland’s Paul Maguire, who is based at the Irish Embassy in Washington DC, shares DuBois’s view that “feet on the street” are essential. “Government procurement is a lucrative market, but, not one to approach in a half baked manner,” he says. “This is about getting visibility and staying the course against some very large competitors. You need to have a physical presence in the market, and you need to keep plugging away until you are seen as the best supplier.

“Don’t expect to get a sale within six months, you are looking at at least 18 months,” he warns. For success, then, companies must have complete buy-in from their board and investors, so they can allocate sufficient financial reserves to weather the wait.

“You’re talking about an investment of \$500,000 to \$1 million,” he estimates. “If you think you can get into this on \$150,000 then that will be \$150K wasted”.

What Maguire means by a physical presence is not necessarily a huge team, but rather a one or two person operation - a really good sales person, with a minimum of 10 years experience, and ideally, somebody to provide them with back-up and administrative support.

“You need to recruit top sales people; this is not a job for a 25 year old graduate,” he advises. For pitches to the Department of Homeland Security, for instance, a retired army major would come closer to the mark.

He also points out that selling to government is very different than selling to enterprises, so companies should be wary of targeting the two markets with the same mindset. Iona, for instance, runs separate divisions for this purpose. Maguire urges those who believe they have a product with potential to contact his office. “We can meet and give you an overview. We should be able to help you avoid spending a lot of money getting nowhere, and we can introduce you to some of the people who can help you make the right contacts,” he says. “In this business, it’s all about networks.” **M**

I FOR FURTHER INFORMATION

about doing business with US government, talk to Paul Maguire, Senior Market Advisor, in Enterprise Ireland’s Washington Office. Tel +1 202 3493097; email paul.maguire@enterprise-ireland.com

Useful web-links

The Greater Washington Initiative: www.greaterwashington.org
Links to government solicitations: www.fedbizopps.gov
Guide to doing business with federal government: www.business.gov

TO GSA OR NOT TO GSA?

The General Services Administration (GSA) is an evolving system that allows companies to establish a catalogue pricelist with the government. Because companies registered on GSA schedules have pre-priced and pre-negotiated their products, government agencies can make purchases from them instantaneously in many cases

All federal agencies, quasi-government organisations and a number of support organisations such as the UN and Red Cross are permitted to buy from the schedules.

Among the advantages the Greater Washington Initiative (GWI) claims for the GSA is that it shortens the government’s average buying cycle from 270 to just 30 days.

Sales under the GSA schedules have grown dramatically in recent years. However, the GWI warns that getting listed with the GSA is only a ‘hunting licence’ and of no actual value until an agency places an order.

“It is a very good vehicle, which allows you to avoid some of the large complex RFP process,” says Kimberly Williams of Dublin-headquartered Cúram Software. “It’s usually beneficial, because it reduces the amount of paperwork they [government buyers] have to do, it reduces the amount of contracting, and it simplifies the pricing for them.”

However, she adds: “Getting and, more importantly, staying on the GSA schedule is a complex and slow process. You have to be able to justify how you priced your product and you must be able to demonstrate that you have applied fair pricing across all your different clients.”

Web-link: www.gsa.gov

Cúram Software's Vice President of Global Marketing spoke to **Mary Sweetman** from Washington about the Dublin-headquarter firm's route to success in the US local and state government market.

CAPITAL GAIN FOR CÚRAM

Dublin-headquartered software company Cúram understands government procurement processes better than most. "We have always been focused on the government market - not specifically the US market - but international governments as a whole," explains Kimberley Williams, Vice President of Global Marketing.

"The product we have is focused on social enterprises around the world," she adds. What Williams means by a social enterprise is any government organisation that delivers need-based or contribution-based services to its citizens, such as welfare or child support; medical assistance, or state pensions.

Committed to expanding its workforce from 400 to 500 employees this year, Cúram is well on its way to becoming Ireland's largest indigenous software player. In January, it opened a new North American headquarters, in Hendron in the heart of Virginia's technology corridor, adding to existing overseas offices in New York, Washington DC, and London. And outside these markets, Cúram is working with government agencies in Canada, Australia and New Zealand.

Williams is based in the company's Washington DC office, and of US government procurement in particular, she says: "This market is excellent. You will win, and you will make money. But you have to be prepared for the long haul. It's not like a private company, where you have your sales person just go in there and meet with the finance officer and sell them a finance system."

"One of the biggest challenges commercial companies face - be they

domestic or foreign or international entities - is the complexity of the sale, the numerous parties involved in the decision making, and the procurement schedules," she stresses. "All those things mean that the sales cycle is extremely long. You are talking of a minimum of nine months. But procurements, before they are signed, sealed and delivered, can be two or more years. A lot of companies cannot survive that type of long ramp-up time."

PARTNERING WITH SYSTEMS INTEGRATORS

Cúram's strategy is always to partner with a US systems integrator. "They are far larger than we are and have very extensive relationships with the people setting the policy," Williams explains.

She believes that Irish SMEs aiming to get an initial foothold in the market should replicate this approach, and, in any case, she recommends companies test their value proposition on a system integrator before presenting it to government.

Partnering with US companies also has the benefit of overcoming any issues associated with non-American ownership, although Williams says that as far as she is aware Cúram has not experienced any negative perception issues associated with being Irish.

"Certainly, if you read the newspapers right now, there are a lot of things going on in terms of some Middle Eastern companies that want to take over the management of several of our ports here in the US, and people are freaking out about that. But I don't think many people view Ireland as a threat," she laughs.

"I will say," she adds, "that we find it

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very important to have offices in the US and especially in Washington DC, for a couple of reasons. Our systems integrator partners find a comfort level with us being in the US, particularly in DC, because they are all located here too.

"Also, because of the complexity of the procurement process, it's very difficult to understand these things if you're not on the ground."

INSIDER VIEW ESSENTIAL

For Williams, this insider view of Washington is just as critical as understanding the procurement mechanics of government. "In order to go after those opportunities, you have to be aware of all the vehicles by which the government does their procurement," she concedes. "But you cannot just wait until the procurement is out on the street to start doing your selling. If you are just responding to RFPS [requests for proposals], you are not going to do well in the market."

"First and foremost, you have to understand the end users; to understand the people who are going to be using your systems. In our industry, we call them the programme individuals. What are their needs and how do you appeal to them?"

"When you deal with governments, you also must understand who is setting the policy; who's giving the direction about how that agency is going to operate. What levels must they achieve? And what are their most important objectives?"

"In terms of state government in the US, where you have elections for Governor every four years, it is obviously very dependent on whether you have a Republican or a Democrat. So you need to be aware of the

Governor's agenda. Also, a lot of the regulatory and statutory requirements that come from the federal government are pushed down to the states, so you have to understand what's going on in that respect too.

"Finally, you have the budget people - for example, the state legislator that has to approve the huge expenditure made on these types of technology enhancements, so you really must understand where the funding is coming from as well."

Williams says that the only way to get a handle of all of this is to recruit people who understand the system from the inside. "You certainly have to have experienced government sales people who understand the procurement process. You have to have subject matter experts who understand those programmes, who are former state employees, who ran those programmes, who understand what their needs are.

"It also helps to have people who are very knowledgeable of the policy - whether that comes in the form of a lobbyist or whether that is with a systems integrator who knows many of the administration."

UNDERSTAND WHAT MOTIVATES GOVERNMENT

Her second piece of advice is that organisations need to carefully define their value proposition and make sure that the messaging that they have been using for the commercial market is actually relevant to the government. "Otherwise, they are going to spin their wheels," she says.

"Governments inherently are risk adverse, so if there is anything you can do to reduce their risk, then that obviously plays very well with them.

"Government entities rely very heavily on the analyst community, for example Gartner/Forrester-type research," she adds. "So as one of your first steps, if you feel the product is really of value, should be to articulate the value proposition to them and see what they can do for you."

Williams also believes that companies need to spend some time understanding "why a government is in existence and what motivates them," and, as a consequence, to deliver superbly on their initial contracts.

She illustrates this point citing the hypothetical example of a courier company. "If they could buy a software package that could increase their efficiency by 25 per cent, because it could move their packages faster, that is considered a competitive advantage, and they are not going to tell anybody about it."

"On the other hand, if you look at the motivation factor behind the government, they are not profit motivated. They are not even, to a large extent, cost-reduction motivated. They have every reason to be collaborative, not competitive. Consequently, they share information like crazy.

"The good news is that if one government entity has a success with your product, everyone else will know about it and you will do well," she says. "The downside is if they have a bad experience, everyone will know about it also." **M**