



By Nick Wakeman

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Nick's notes on top market trends

The federal landscape is riddled with uncertainty and shifting priorities, but there are still opportunities for companies that can make the right moves at the right time.

That's the gist I picked up at the Deltek FedFocus 2013 event that included a good dose of market research along with some strategic advice and a bit of political intrigue.

A quick disclaimer: I missed the first speaker, Alan Chvotkin of the Professional Services Council, but [you can read Mark Hoover's report here](#).

And I missed the first part of Kevin Plexico's presentation, but I think I got the best part. For those who don't know, Plexico is Deltek's vice president of federal information solutions.

Here were some good takeaways for me:

Low-price, technically acceptable contracting

Low-price, technically acceptable contracting has an impact beyond pricing, Plexico said. Agencies might be deciding to not renew options on contracts and compete them early because they can lower costs.

Another impact is that incumbents are bidding lower on recompetes than the original contract to increase their chances of keeping the work. Plexico didn't go into this, but I've heard that companies that do this are cutting the pay of employees because they cannot charge the government the same rates on their lower bids.

The bottom line, according to Plexico, is that agencies are looking to lower costs and how they do that can vary from agency to agency.

Big Dogs Bounce Back

Of the top 10 contractors in the market, according to a Deltek, 60 percent saw their prime contract revenue grow in fiscal 2011. That's an improvement from 30 percent the year before.

But fewer companies in the next 90 and next 900 experienced growth. Only 42 percent of the next 90 had growth in 2011, compared to 49 percent in 2010. And 46 percent of the next 900 companies had growth in 2011, versus 50 percent in 2010.

Top corporate challenges

Not a lot of surprises here, but still worth noting – Uncertainty, tight margins, changing priorities because of low price contracting and finding growth in down markets topped Plexico's list.

GSA versus Agency-specific contracts

The need to find and get on an agency's preferred contract vehicle is critical. Plexico said that contractors need to look out a few years and analyze where agencies will be directing their procurements.

The Homeland Security Department has pushed hard to use its own vehicles and now 25 percent of its spending goes through DHS contracts. That's higher than other agencies, but it is still an expanding trend.

"If you aren't on the preferred vehicles it is going to be difficult to maintain your business," he said.

Operational efficiency

Companies are as focused on reducing costs and becoming more efficient as agencies are, and one of the critical areas is rapidly responding to solicitations. Major contracts such as Connections I and II, ITES 2S and Alliant are giving contractors less than two weeks to respond.

“Most companies aren’t set up to handle that kind of pace,” Plexico said. Many are building infrastructure to quickly turnaround proposals, because the days of having weeks and months to respond are over.

Teetering on the cliff

A deal will be struck, said Tucker Carlson, a regular commentator on Fox News, editor-in-chief of the Daily Caller and a senior fellow at the Cato Institute, who gave his prediction on the sequestration and the fiscal cliff.

The Democrats and President Obama will never be as powerful as they are now. “They can’t get anything in January that they can’t get now,” Carlson said.

And the Republicans “know if they don’t do a deal, they will get blamed,” he said. They will do anything to avoid the nightmare of the 1995 government shutdown that cost the GOP dearly.

Carlson says the deal will be done by mid-December, Christmas at the latest. But [this is me quoting, not Carlson] as Ross Perot liked to say, the devil will be in the details.