



Sizing up the \$1.5 Trillion State & Local Contracting Market

LEVERAGE DATA
TO MAXIMIZE YOUR
GOVERNMENT SALES

 **ONVIA™**

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Introduction: Data Drives Strategy

“The state, local and education (SLED) market offers significant opportunities for those companies that utilize business intelligence to drive a successful growth strategy.”

- Hank Riner, Onvia CEO

Approximately \$6.5 trillion¹ is spent by government agencies each year in the United States and hundreds of thousands of vendors² compete for a piece of that spending. Unfortunately, most vendors leave money on the table by approaching this market passively rather than leveraging data and market intelligence to maximize their sales potential.

Onvia has found that while many companies are willing to carefully craft data-driven sales strategies for the consumer or business market, they often take a passive approach to the government market – only responding to projects they hear about from their field sales professionals, partners or existing

government agency contacts. Companies vying for government contracts miss out when they take a reactive approach, failing to build a disciplined, proactive strategy to identify, qualify and pursue opportunities.

To capture the full market opportunity of the public sector, best in class government vendors:

- Know the size and composition of their target market
- Know the characteristics that make the public sector market different than the private sector
- Make shifts in strategy to better align sales and marketing activities around the most profitable market segments

The state, local and education (SLED) market has over 90,000 government purchasing entities buying products and services. Companies ready to capitalize on the available opportunities need to fully understand the

breadth of spending by level of government and project value.

This report offers perspective into the dimensions and leading segments within the SLED government market. Our goal is to equip vendors with data and insights that will help them be effective in building or fine tuning a winning government sales strategy.

The analysis and findings in this report will help the government vendor to:

- 1 Quantify the size and potential of the SLED market in total and for the vendor's industry**
- 2 Understand the landscape and inherent fragmentation within this vast market, by industry, agency type and contract value**
- 3 Learn how to overcome fragmentation with a data-driven sales strategy that can set a business apart from rivals**

¹Source: Three year average based on data series from Organization for Economic Cooperation and Development ([OECD](#)) for 2012-13; 2014 estimated by Onvia using data from [Office of Management & Budget](#) (OMB) Table 14.2

²Source: Based on Onvia Vendor Center database



State and Local Government Market Size

Implications for Vendors

When looking closer at government spending on procurement, the SLED market represents around three times the amount of spending as the federal market. This illustrates that vendors who choose to pursue only federal contracts are leaving a massive opportunity on the table.

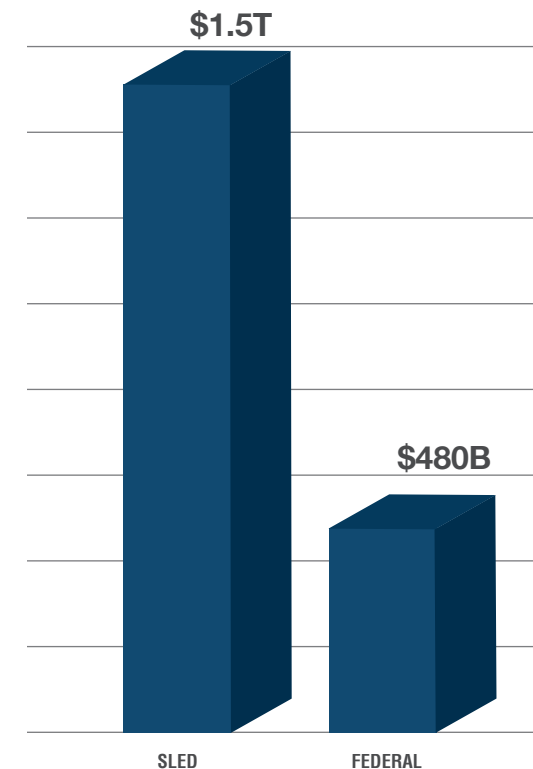
3X LARGER

SLED Procurement Spending
vs. Federal Spending

Out of the \$6.5 trillion in annual government expenditures, nearly half, or \$3.2 trillion³ comes from state, local and education (SLED) agencies.

SLED Procurement⁴ Is Much Larger than Federal

Only a portion of government expenditures is actually spent on procurement (the purchases of goods and services from vendors), which is where we see large differences between the federal and SLED markets. SLED procurement of products and services is estimated at \$1.5 trillion.⁵ This is around three times the size of the Federal government's procurement spending of \$480 billion⁶ annually.



Total Procurement Spending by Level of Government

³Source: \$3.15T total expenditures figure from Census of Governments [2012 Summary Report](#)

⁴Procurement estimates remove from total expenditures items such as government salaries and welfare/social transfer payments to individuals

⁵Source: \$1.5T estimate from [Intellectual Property, Entrepreneurship and Social Justice: From Swords to Ploughshares](#), 2015 page 95), by Danielle Conway, Dean of the University of Maine School of Law and former Director of the Hawaii Procurement Institute

⁶Source: [USASpending.gov](#) (three-year average 2012-14)



Defining the SLED Contracting Landscape

Within the universe of SLED procurement, formal advertised bids and requests for proposals (RFPs) are a significant source of total contracting activity and are the focus of this report.

Number of Agency Buyers

Every year Onvia captures around 400,000 state & local agency bids and RFPs published by over 90,000 entities. This total includes around 36,000 cities and townships, around 38,000 special districts, around 13,000 school districts and community colleges, and around 3,000 counties, in addition to individual state agency departments⁷.

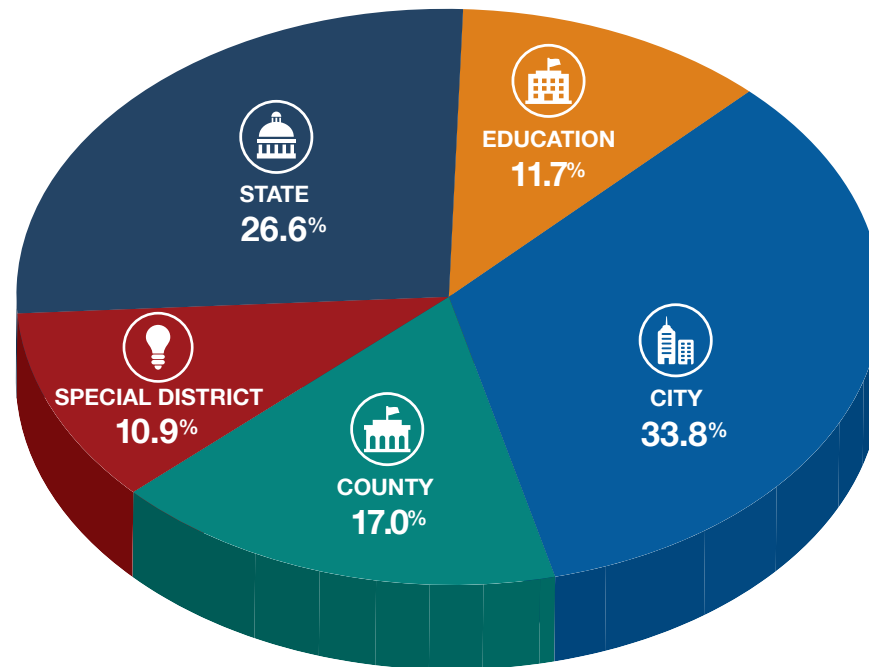
Types of Government Projects

The universe of bidding opportunities is categorized into 17 major industry segments, which are regularly featured in Onvia's quarterly [State & Local Government Procurement Snapshot](#) reports. Average annual totals by industry can be found in the Appendix.

Project Volumes by Agency Level

The chart below illustrates how each level of government contributes to the total base of bidding opportunities. The "education" market

includes school districts and community colleges and the "special purpose district" includes agencies like utilities, fire protection and housing authorities.



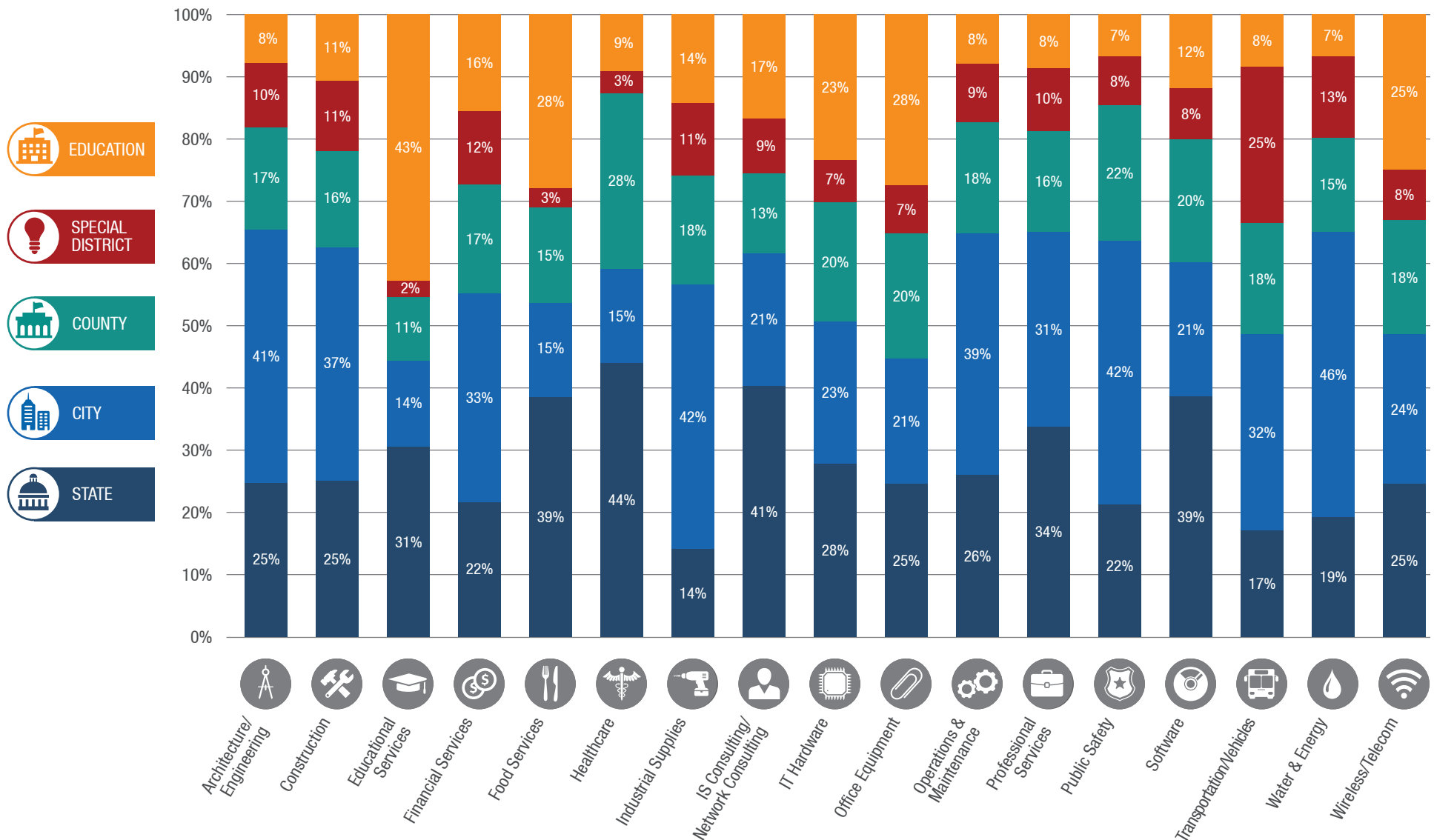
Share of Total Bids & RFPs
by Level of Government

⁷Agency counts taken from the 2012 Census of Governments



Opportunities by Agency Type

The following chart gives a breakdown of the share of opportunities (bids and RFPs) by level of agency for each industry.





Opportunities by Agency Type – Discussion

Implications for Vendors

The SLED contracting market is vast and highly fragmented with five unique levels of government and concentrations of activity that vary significantly depending on industry segment. Onvia has found the best vendors are intentional about how they target each level of government. Successful vendors often find that a multi-channel strategy is needed with an appropriate emphasis placed on each type of agency for sales efficiency.

5 SLED AGENCY TYPES

There are large differences between the 17 industries in the concentrations of competitive opportunities by agency type, which are profiled in the chart on page 6.

For example, while state level contracting is fairly strong across the industries (27% share overall), only 14% of the industrial supplies bids & RFPs were issued by a state agency, while a full 44% of healthcare opportunities came from this level of government.

Another interesting finding was that not all of education related contracts are procured by the education level of government: A fairly large group of contracts originate from either state

universities (classified as state agencies) or from state departments of education who are buying K-12 school materials and consulting services to support mandated statewide learning goals.

Vendors can improve their annual contracting revenues by bringing their marketing/sales efforts into closer alignment with the suggested mix of agency type for their industry. Keeping in mind that sub-categories of industries will differ (i.e. computers vs. printers in IT Hardware) and that dollar values were not factored in, these are rough guidelines that can help vendors within a given industry understand where the highest demand is by level of government.



STATE



CITY



COUNTY



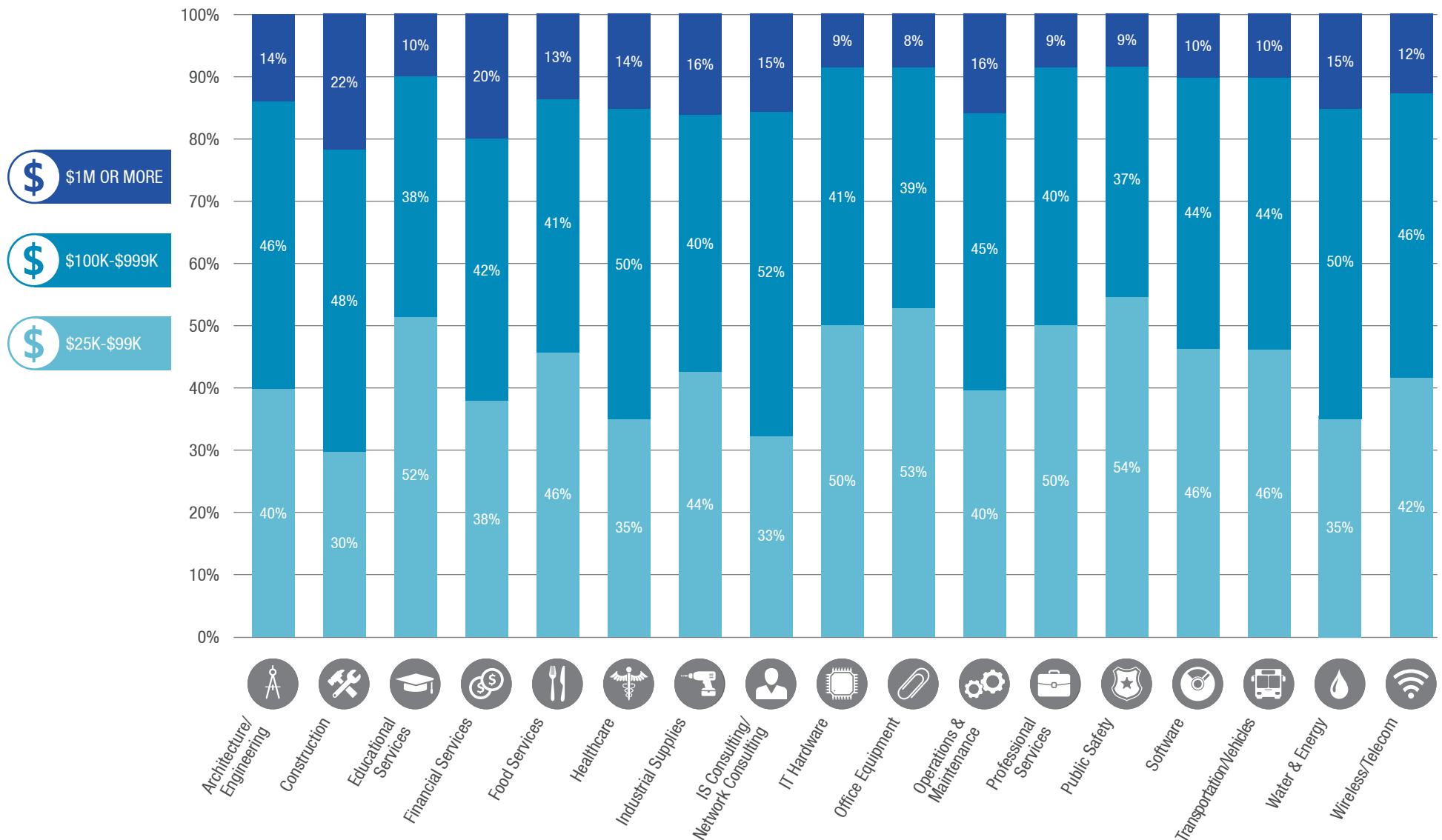
SPECIAL DISTRICT



EDUCATION

Opportunities by Award Value

The following chart profiles the mix of low (\$25K - \$99K), mid (\$100K - \$999K) and high value (\$1M+) projects by industry.





Opportunities by Award Value – Discussion

These figures demonstrate that vendors who only target \$1M+ contracts are missing out on 84% of the total market for competitive procurement opportunities. Including the broader market in a vendor's strategy, with an appropriate emphasis placed on each tier, can ensure enough relevant opportunities are available each year.

The market for smaller, mid-size and larger contracts varies considerably by industry. Vendors are encouraged to compare their own share of contracts won to these industry benchmarks to assist in sales planning and evaluate how well they are reaching each tier of market opportunities.

Knowing how the market of procurement breaks down by tier of contract value can help in sales planning and strategy. To assist vendors, the chart on page 8 shows the relative sizes of three major tiers of value, from the smallest contracts between \$25-\$99K to the mid-sized contracts to those valued at \$1 million or more.

The smallest tier under \$100,000 makes up 38% of all awards from competitive procurement, and varies by industry from a low of 30% for construction to 54% for public safety. The middle tier of \$100K - \$999K varies from 37% to 52% depending on the specific industry. A total of 16% of all contracts are in the top tier, valued at \$1M+, but this varies by industry from a low of 8% among office equipment providers to a high of 22% for construction firms.

Taking into account all contract values, the overall average contract is worth **\$2.4 million** across all industries – a figure that is much higher than the typical or median value, skewed by the small group of very large contracts. For those companies looking to target the very highest values, the percentage of all contracts worth at least \$5 million was 4.6% and the share of contracts that are \$10M+ was 2.3%.

38%

OF ALL CONTRACTS ARE
\$25K-\$100K

46%

OF ALL CONTRACTS ARE
\$100K - \$999K

16%

OF ALL CONTRACTS ARE
\$1M+



Typical Values of SLED Projects

Implications for Vendors

While some large vendors may target the \$1 million plus dollar contracts exclusively, the vast majority of awards will be for lesser amounts. For every contract at \$1 million or more there will generally be five with a smaller price tag. Typical or median award amounts, which range from \$100,000 to \$260,000 across the 17 industries, help illustrate the size of awards that are most common in each.

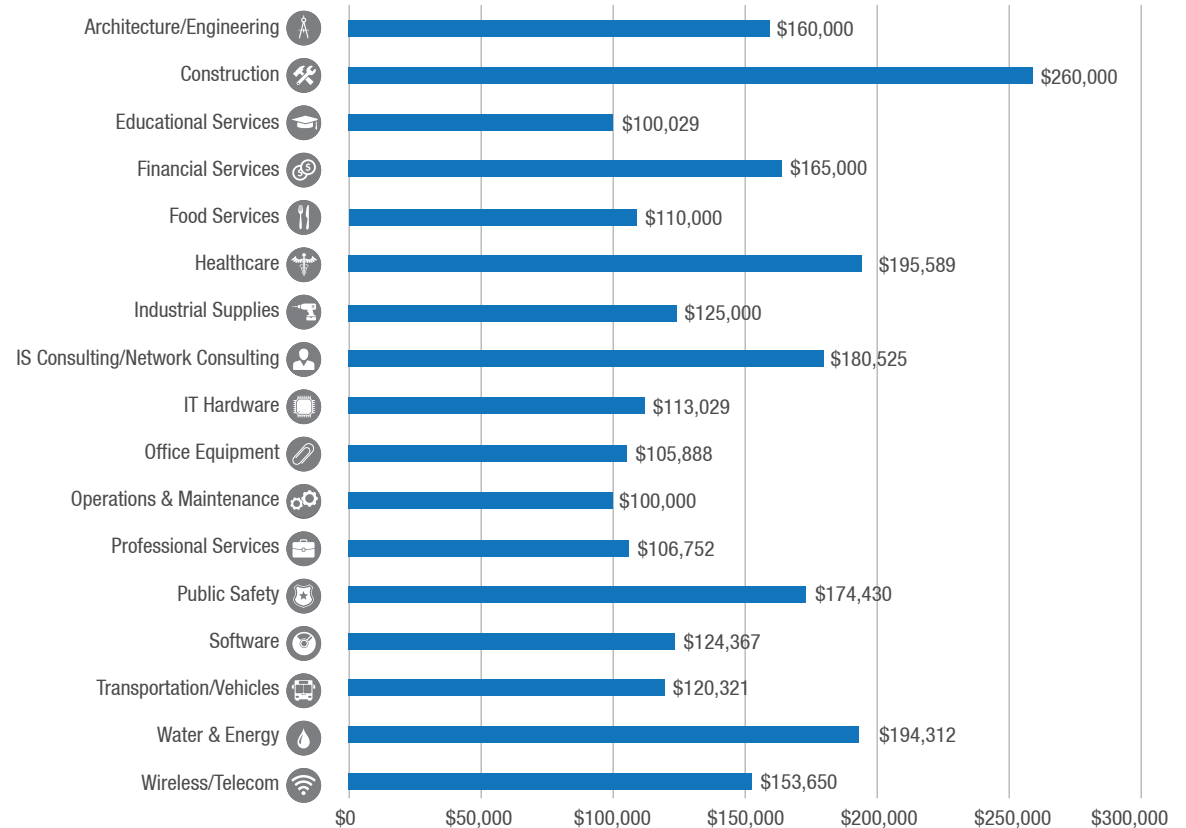
Vendors can compare the typical award amounts they are currently winning from SLED agencies with these median values to evaluate how well they are reaching the broader core of opportunities or if they are above or below the typical award size.

\$189 THOUSAND
TYPICAL VALUE OF CONTRACT

Because of the highly skewed averages, typical (median) award amounts can be useful to provide a sense of the most common or likely

awards. Typical contracts are worth **\$189,152** on a median basis. Construction contracts were highest, with a median of \$260,000.

Typical Contract Size (median value)

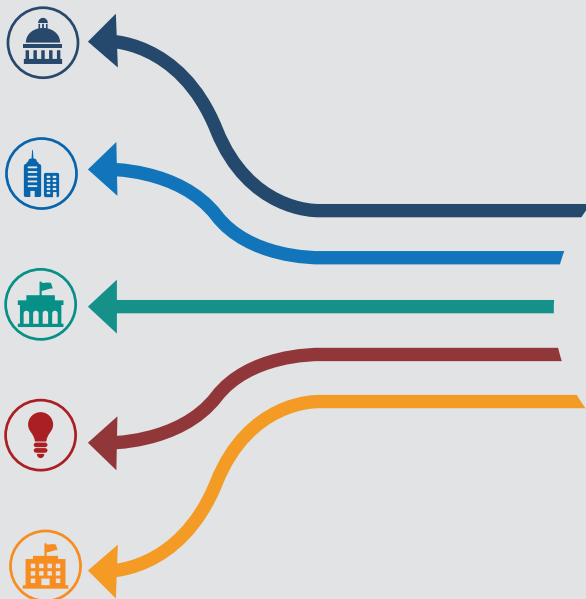




Award Values by Agency Type

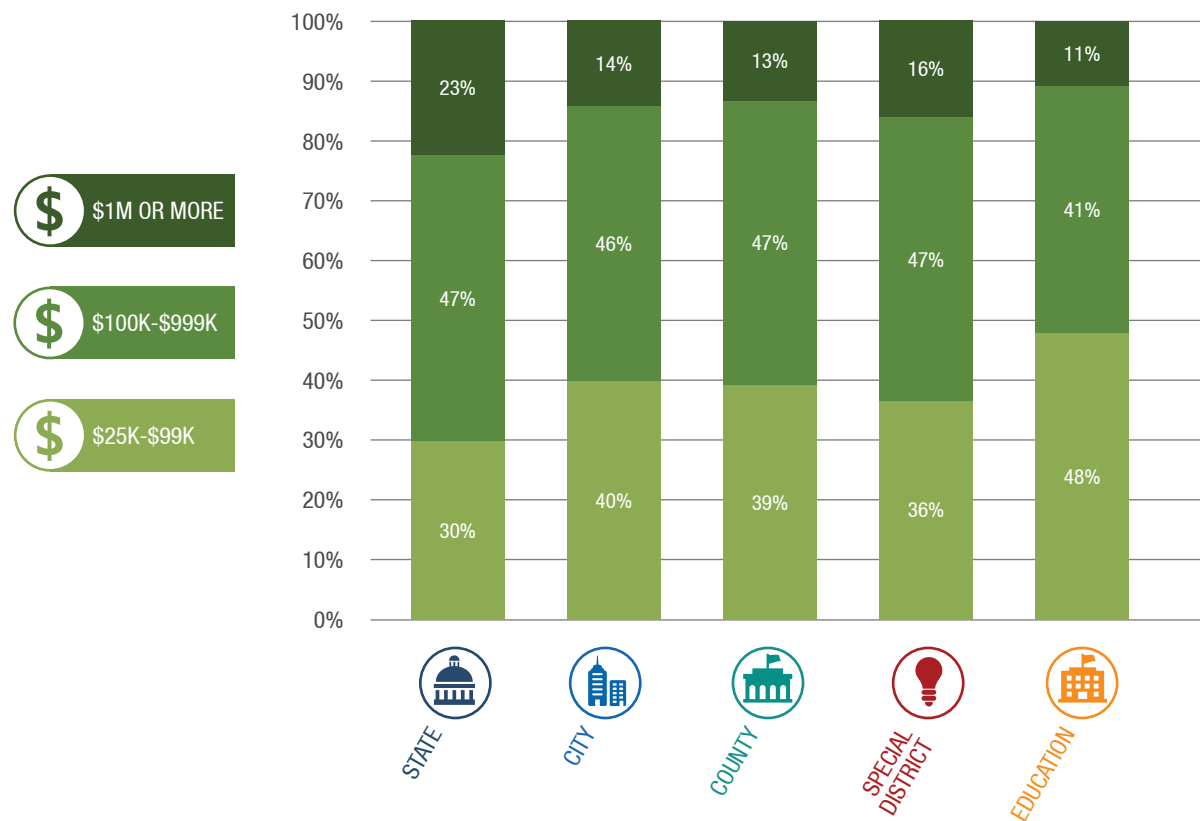
Implications for Vendors

Opportunities can be found across the agency levels for low, mid and high value contracts. This underscores the importance for vendors of developing a multi-channel approach rather than trying to find a single type of agency to sell into.



While some vendors might assume state government contracts are much larger than those of other agency types, the actual mix of projects by value tends to be relatively consistent across the five levels of SLED government. For example, mid-size projects worth between \$100,000 and \$1 million

only varied from 41% to 47% depending on agency type. As can be expected, the larger scale of many state government departments translates into a somewhat higher percentage (23%) of awards worth at least \$1 million and a somewhat smaller share of under \$100K awards (30%).





Opportunities by Agency – Share of Projects

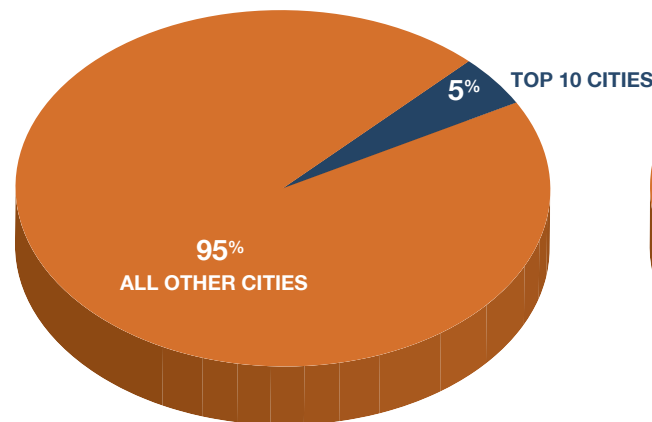
Implications for Vendors

In the process of searching for available, relevant bids, vendors can inadvertently limit their sales volume by focusing on only the most active agencies within a level of government. For many leading vendors who serve cities, the issue is not *whether* to compete for small to midsize city projects but *how* to do it in the most cost-effective, efficient way. The example here was cities, but this principle also holds true in other levels of government. Using a procurement database to automatically locate and screen the most relevant opportunities can help increase revenue and profits.

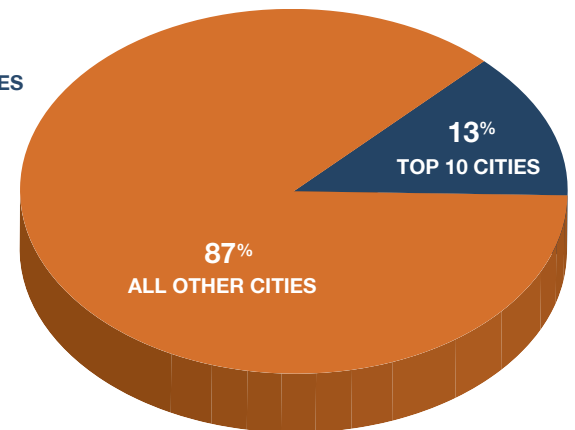
For every level of SLED government there will always be a few agencies issuing a greater share of the bids. Given that these agencies will normally attract more competition, one of the key considerations for vendors is to determine how much emphasis to place on these government buyers in terms of sales, marketing and relationship-building activities.

For this analysis, city agencies was selected to explore this dynamic. The 10 most active U.S. city agencies do generate a much higher volume of competitive opportunities each year.

However, given that there are around 36,000 cities and townships, the first chart shows that the top 10 city agencies only make up 5% of all bidding opportunities. The second chart calculates the share that these agencies represent in dollars, factoring in that their contracts tend to be around three times the average size of other cities. Adjusted for dollars, the share is 13% - impressive but still a relatively small slice of the total market.



Share of Bids & RFPs from
10 Most Active Cities



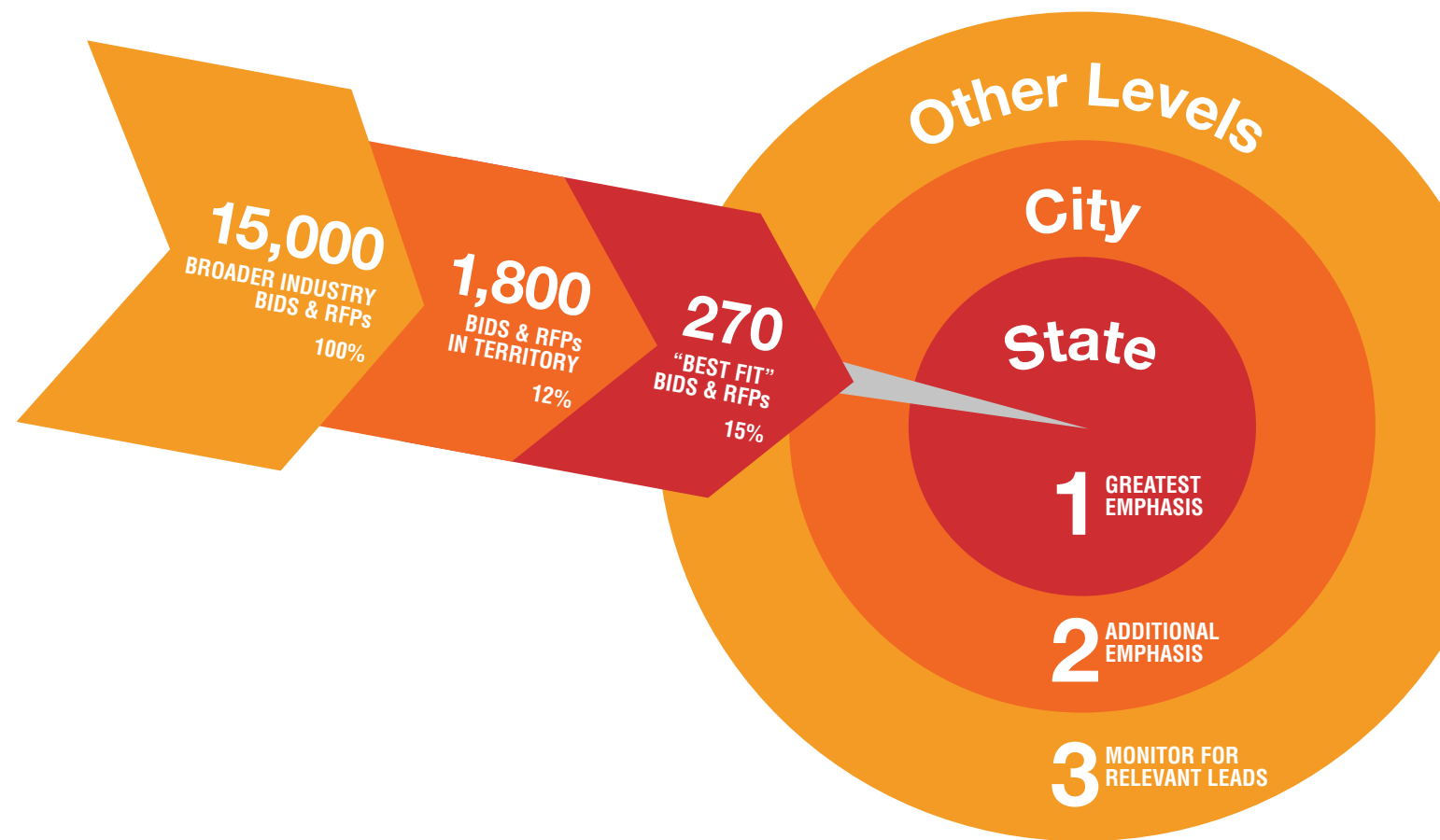
Estimated Share of \$ from
10 Most Active Cities
(3X more per contract)



Targeting the SLED Market with a Disciplined Strategy

To help illustrate a disciplined SLED sales strategy, the graphic (to the right) describes the number of bids and RFPs available to our hypothetical business. Let's assume the vendor has an average of 15,000 bids & RFPs to review in their industry, operates in a territory of six states and determines that their solutions and expertise are a good fit for 15% of these opportunities.

The circles represent specific targets of relevant bids & RFPs to focus on by agency level. The vendor can now use the results of this exercise as a basis for prioritizing their marketing efforts (i.e. increase focus on state agencies, followed by cities) as well as assist in sales planning (i.e. "This year we will compete on "x" amount of projects within the "y" level of government...")





Conclusion

At approximately \$1.5 trillion, around three times larger than the federal market, the vast SLED procurement marketplace holds opportunities for vendors of all types and sizes.

While extremely large, the market is also highly fragmented, posing an operational challenge to vendors seeking to tap its full potential. With over 90,000 procurement entities the market includes five distinct levels of government issuing 400,000 annual bids and RFPs ranging from tens of thousands to millions of dollars.

Successful vendors approach the fragmented SLED market proactively, with a disciplined marketing strategy that sets targets and allocates resources based on the importance of each segment.

In Onvia's experience, vendors selling into this market belong to one of two categories based on their sales approach:

- *Opportunistic vendors:* Reactive and passive, these vendors respond to bids as they are noticed from different sources, and have not adopted a disciplined strategy

- *Strategic vendors:* Proactive and perceptive, these vendors understand the value of visibility into this huge market and allocate sales resources based on an established data-driven strategy

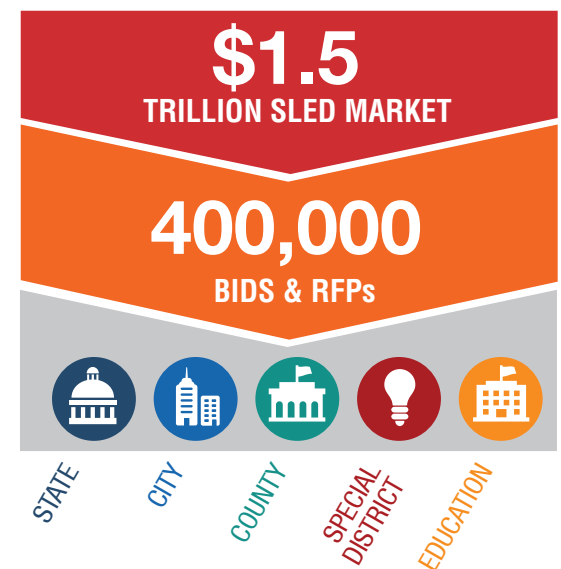
Vendors that are successful find that with a disciplined, strategic approach they can differentiate themselves from their less prepared competitors. These higher performing companies are leveraging available procurement data and, as a result, are able to confidently manage the fragmentation within this market rather than letting market complexity limit their sales potential.

While identifying the share of bids and RFPs at each agency level represents a good starting point for planning a sales strategy, it's not the only decision factor available: Vendors can also consider factors such as award values, win rates, agency relationships, competitive challenges, etc.

Our report demonstrates that vendors serving only one level of SLED government are missing a huge part of the market.

Overall, cities and state agencies are largest in terms of project bid volume but the county, education and special district levels offer significant additional opportunities, pointing to the advantage of a multi-channel approach.

The most active agencies in terms of procurement issue a larger number of awards but only represent a small percentage of all opportunities. Successful vendors target both the most active agencies as well as the broader market to ensure there are enough relevant bids to consider and maximize total government sales.





Key Planning & Strategy Questions for Vendors

Are you lacking the data to make strategic decisions and build an effective sales and marketing strategy?

Onvia can help you develop a comprehensive data-driven strategy with our market-leading database of opportunities, agency contacts, agency budget data, award information and competitor profiles.

Click on the link below to visit Onvia's website and learn more: www.onvia.com

Is your team actively tracking the five levels of SLED government?

If not, consider broadening your lead capture strategy to include all five agency types, prioritizing them based on market potential to maximize government revenues.

1

2

Are you finding all of the projects in your industry?

Key to making data-driven sales decisions is having access to all of the opportunities in your market. If this is a gap in your sales process, consider adding comprehensive coverage at all levels of government and all geographies within your territory.

3

4

Are you pursuing the right sizes of projects for your industry?

If you don't know what the typical mix of project sizes are for your specific industry niche, consider using the benchmarks in this report or custom data from a procurement database to determine how well your firm is aligned to industry norms.


















How did you identify your current target market?

Without reliable market data, government vendors often build their territories and define their markets based on qualitative assessments such as the opinions of the sales team, local market knowledge or a review of the recent wins. Successful vendors are able to use procurement data as a powerful tool for effective strategy development and market planning.



Appendix: Annual Volume of Contracting per Industry

The table below lists the average annual counts of opportunities (bids and RFPs) for each of the 17 industry groups identified in this report, using Onvia's procurement database over the last three years.

INDUSTRY	BIDS & RFPs	INDUSTRY	BIDS & RFPs
Architecture/Engineering 	38,626	Office Equipment 	7,643
Construction 	201,307	Operations & Maintenance 	54,839
Educational Services 	8,930	Professional Services 	24,454
Financial Services 	10,320	Public Safety 	6,290
Food Services 	12,704	Software 	6,347
Healthcare 	11,315	Transportation/Vehicles 	29,387
Industrial Supplies 	16,114	Water & Energy 	10,681
IS Consulting/Network Consulting 	3,411	Wireless/Telecom 	6,350
IT Hardware 	10,900		



Interested in Learning More?

Visit our website: www.onvia.com and request more information on how we can help you grow your government sales through a data-driven strategy.

Onvia specializes in providing business intelligence solutions to vendors to grow their government business, helping them get ahead of the bid and RFP process. Active vendors in the government market that need timely, comprehensive and unique insights in their industry vertical, key buyers and competitive landscape should visit www.onvia.com and request a demo to speak with a Business Development Manager in their industry.

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