Consolidation Myths and Realities

1. Myth: For a government customer, moving to an existing vehicle at another agency lessens control over an acquisition

Reality: GWACs still allow for direct acquisition where agencies maintain full control.

2. Myth: Consolidation has eliminated duplicative scope between existing and new contract vehicles

Reality: Redundancy remains among next generation vehicles, which compete with one another.

3. Myth: Program management and reporting are the only additional requirements to manage a GWAC

Reality: Marketing and rapid proposal response capabilities are also essential.

4. Myth: Unique needs necessitate agency-specific contracts

Reality: Broad scope among existing vehicles enables sufficient flexibility to satisfy diverse missions.

5. Myth: Scorecard-based evaluation models are cheaper to bid and win than traditional proposals

Reality: Certifications, systems, and process requirements increase the price to play and compliance is costly.

Contract Consolidation

- While growth in vehicles has created some opportunities for industry, it has also led to a cumbersome, costly contracting environment.
- Agencies are now seeing lower negotiated fees to move work to existing vehicles, which is catalyzing contract consolidation.
- After years of contract fragmentation – and limited downside from missing any single opportunity – the stakes are now much higher.
- With the advent of self-scoring models, every point matters and companies must learn how to succeed in these new evaluations.
- Small businesses will be hardest hit by consolidation, as they are least prepared – operationally and financially – for secondary competition.
- Contract consolidation will widen the gulf between winners and losers and accelerate the pace of M&A-related portfolio shaping.

AP and Coaches Polls

The proliferation of contract vehicles has led to hundreds of competing multiple award contracts (MACs) across the Federal Government. Beginning in the early 2000s, many agencies sought to control their own procurements. This was driven in part by the belief that their procurement needs were unique, despite the reality that disparate agencies often seek similar goods and services capable of being sourced through existing contract vehicles. These agencies also mistakenly believed they could save capital by avoiding GSA service fees.

Here too they missed the mark, increasing costs and overextending staff by keeping acquisitions in-house. Now, the pendulum has swung too far. Industry and government agree that we need a better system, to replace the current environment in which GSA and Federal Agencies compete like the Associated Press and the Coaches Poll to crown a champion.

Bowl Championship Series

In the wake of this chaos, the government has undergone a renewed push for consolidation, responding to demand for streamlined “protest-proof” acquisitions, lower costs, and improved customer service. Just as the power football conferences banded together to create the Bowl Championship Series, GSA’s Professional Services Schedule has consolidated seven schedules into one. One layer down, contract bundling has emerged as a means to combine requirements from multiple smaller contracts into single MACs. Alliant, OASIS, and NETWORK/EIS have gained momentum as vehicles to consolidate IT, professional, and telecommunications services, respectively, while Category Management works to assist agencies struggling with the rising complexity and costs associated with administering their own procurements. Coupled with lower negotiated fees for using existing contract vehicles, the tide has turned towards natural consolidation.

While consolidation streamlines the procurement process for government, it poses a challenge to industry. Companies must retool their bid and proposal expenditures to first go all-in on primary competitions (to win spots on the vehicles themselves), then to prepare for ruthless secondary competition (task orders). As bidders price the opportunity cost of missing out on key contracts into their pursuit strategies, it will be difficult for all but the most competitive to win a seat at the table. Compounding these difficulties, many contract vehicle competitions have process maturity, infrastructure, and certification requirements that place a further tax on those who wish to bid. Once the task order shootout begins, those who cannot respond to mandatory minimum volumes risk being removed. As with the recently adopted College Football Playoff, winners in the new federal market environment must execute flawlessly during the regular season, and have enough staying power to keep pace through another round of grueling competition in the playoffs.

GWAC Spending Growth

Across government, GWAC spending has increased as agencies seek to accelerate time to market, reduce cost, and avoid protest. Since 2010, the GWAC share of wallet has nearly doubled.

College Football Playoff

With the advent of self-scoring models, every point matters and companies must learn how to succeed in these new evaluations. Small businesses will be hardest hit by consolidation, as they are least prepared – operationally and financially – for secondary competition. Contract consolidation will widen the gulf between winners and losers and accelerate the pace of M&A-related portfolio shaping.

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