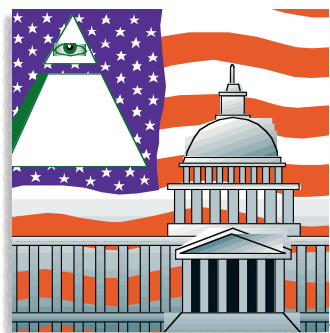


Pursuing Procurements from State and Local Governments



The opportunities presented by local government markets require comprehensive strategies from vendors.

In a move to downsize, the U.S. Government is shifting more program responsibility to state and local governments. This creates an entirely new market for IT vendors, among others, to pursue. In response, marketing and sales executives develop strategic and tactical plans, and companies increase their revenue projections. But it's reasonable to explore this rosy scenario more completely and try to determine how you can capitalize on selling to the state, city and county.

While the federal government is moving additional programs to the state and local levels, what isn't obvious is that often these programs are mandated to the states with little if any federal funding to accomplish the task. The states must come up with the funding, which is often difficult in a sluggish economy. If the states don't have the funding, it becomes difficult at best to develop accurate revenue projections.

Given that, how do you develop strategic plans to increase your sales to state and local governments? Let's look at the way two leading Unix vendors—the Santa Cruz Operation and Sun Microsystems—target this market.

Case Histories

According to Scott Allen, director of enterprise marketing for SCO in Santa Cruz, CA, of the revenues that come from the public sector (federal, state and local governments) an overwhelming amount—98 per-

cent—comes from the federal side. SCO has altered its strategy several times regarding the much smaller state and local sales effort, which was part of the firm's government systems group in Reston, VA, was moved to the individual regions, then back to Reston and again back to the regions. This experience has led SCO to conclude that the best sales strategy in this market is to use resellers in the local regions.

Some of SCO's sales opportunities do come from the federal mandates, says Allen. One such opportunity is the Child Support Enforcement program from the U.S. Department of Health and Human Services. This program, which tracks parents who fail to make child-support payments, has been implemented by the states with federal guidelines to provide standards for information interchange among the states. This is a good example of a "stovepipe" opportunity in the state and local markets, according to Allen.

Sun Microsystems has essentially the same marketing strategy as SCO: selling through resellers. Marty Dunning, Sun's national sales manager for state and local governments in Vienna, VA, feels that this is the only way to sell to the local governments. Dunning says there are over 87,000 different government entities: states, counties, cities and special districts. This is too large a target for any direct sales force to cover effectively. Furthermore, the types of opportunities that present themselves in this arena are driven more by solutions than by technology. This policy

lets Sun focus on selling to resellers who can offer specific solutions, rather than try to sell directly to the local governments.

A Civics Lesson

It appears that, for the reasons stated above, the best way for a small-to-medium technology company to sell to these governments is to cultivate the reseller market. Suppose you're a reseller who wants to be a potential customer of a systems vendor and sell your solutions to the local governments. Perhaps, while you do not have the sales force to adequately cover the 87,000 local entities, you'd like to sell to your own and neighboring state governments. What do you need to know?

The first thing to be aware of is the same thing you need to know when selling to the federal government: what the rules are. The federal government has a very limited set of rules—the Federal Acquisition Regulations (FARs). While there are agencies that have variations of these rules for special cases, in general knowing the FARs will serve you across many agencies. This is not the case with state governments.

As we learned in school civics courses, a state government is a unique entity, headed by a governor. The various counties and towns in that state have their own governments, which are led by county executives, administrators and mayors. The procurement rules in many states are unique to each government entity. In other words, the rules for doing business in one county in any given state might be different from another county in the same state; this is true in a majority of the states.

An exception to this rule is Virginia. (Actually Virginia, like Kentucky, Massachusetts and Pennsylvania, is a *commonwealth*. But you knew that, right?) Virginia operates under something called the Dillon Rule, which essentially says that the local government entities must operate under guidelines set forth by their respective state governments.

Larry Wellman, the director of purchasing for Fairfax County, VA, explains that the counties, cities and towns in Vir-

By Gary Donnelly

ginia operate under the same set of procurement rules and regulations. These local governments have the option of purchasing off larger state contracts, or they can contract directly with outside firms. In both cases, the rules remain the same. So if you are going to sell into the State (oops, Commonwealth) of Virginia, you should become aware of the Virginia Public Procurement Act before beginning your marketing and sales efforts.

Such is not the case in a majority of the other states. Most states operate under a "home rule" setup which, among other things, allows each local entity to set its own procurement regulations. Texas, for example, operates in this manner. Each county or city in Texas has its own procurement guidelines as to how they purchase from vendors. According to Ted Jarrell, a purchaser for the General Services Commission (GSC) of Texas, each vendor applies to the GSC to get on a vendor list. Then they have to work with each local entity (including the state, if desired) on an individual basis. Because the rules for each entity can be different this is very difficult, given that Texas has 254 county governments.

The Role of Political Influence

There is another major consideration you need to understand when planning your state and local sales strategies: politics. Everyone likes to complain about the influence special-interest lobbyists have on the U.S. Congress. This also applies to state and local governments. In an environment where procurement rules are arguably loose, the decision as to whom to buy from becomes influenced by the "powers that be" for that government. Anyone who sells to these governments must understand the power base.

While federal procurement represents a fairly disciplined market, state and local government procurements are politically driven in many cases. One source, not willing to be quoted, said that anyone selling to this market should realize that local governments are centralized in their decision-making. Being more blunt, the gov-

ernors, mayors and county executives have a great deal to say as to the selection of the winners of competitive contracts.

State and local governments often care little about standardization, not concerning themselves with integration with other counties or even other systems in their own counties. Technology is often not a significant concern for these governments, who prefer to make decisions based on a "policy du jour." Anyone who sells into this market must understand the power structures in their respective sales territories.

Both Allen of SCO and Dunning of Sun expect steady growth from their state and local sales. Both feel that the reseller channel makes the best strategy because of the diversification and size of this market. Dunning advises any firm interested in targeting the state and local governments to follow three guidelines: relationship, empathy and technology.

First, build good relationships with the

local governments or work with resellers who have done so. Knock on doors, attend meetings and direct your efforts to those responsible.

Second, be empathetic to the forces under which the local governments procure, and be able to present solutions specific to their needs. Your firm's work with the federal government or a large commercial organization might have little influence with a local government. It will be more impressed with what you have done for other local governments with similar problems. Last, provide a good technological solution to their problem. These guidelines can serve as a good basis for your state and local government marketing strategy. **IT**

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