

2019

PUBLIC SECTOR PROCUREMENT BAROMETER

RESEARCH SUMMARY



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ABOUT OUR RESEARCH

Richard Wagner and Company (RWCO) conducts a public sector procurement survey at the beginning of each calendar year. The Survey is entitled “Public Sector Procurement Barometer” and the research provides insights into the realities and assumptions within the public sector contract marketplace.

This Summary provides:

- Overview of Assumptions held by the public sector contracting community;
- Benchmarking data for bids, proposal, and business development performance within public sector markets.
- Department of Defense acquisition reform initiatives and acquisition strategies.
- Analysis of contracting trends, such as the durations of procurement reviews for RFP release to time of award.
- Comparison of findings, when applicable, to other research within the public sector marketplace.

SURVEY METHODOLOGY

Our detailed Survey Methodology may be reviewed via our website: www.RichardWagnerCo.com. The following is a summary of that disclosure:

- **Survey Timing:** The survey is released from January 2-January 31 every calendar year. For the 2019 Survey, it should be noted that the Survey overlapped the time period of the 35 day Government closure [December 22, 2018 – January 25, 2019].
- **Respondents:** The respondent pool is comprised of more than 30,000 executives, ranging from Chief Executive Officers to Vice Presidents. The respondent pool is grouped into eleven industrial categories based on self-report; each respondent pool receives questions tailored to that industry.
- **Survey Structure:** The survey is constructed of multiple questions designed to capture information on pertinent industry elements.
- **Survey Objectivity and Review:** Survey questions were reviewed by a research advisory panel comprised of three seasoned research professionals with no affiliation to RWCO. The advisory panel reviewed the survey design, survey platform, survey questions, respondent pool composition, and sampling methodology.

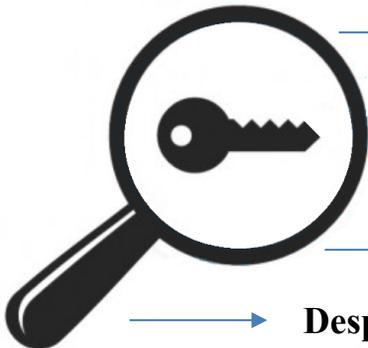
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KEY FINDINGS

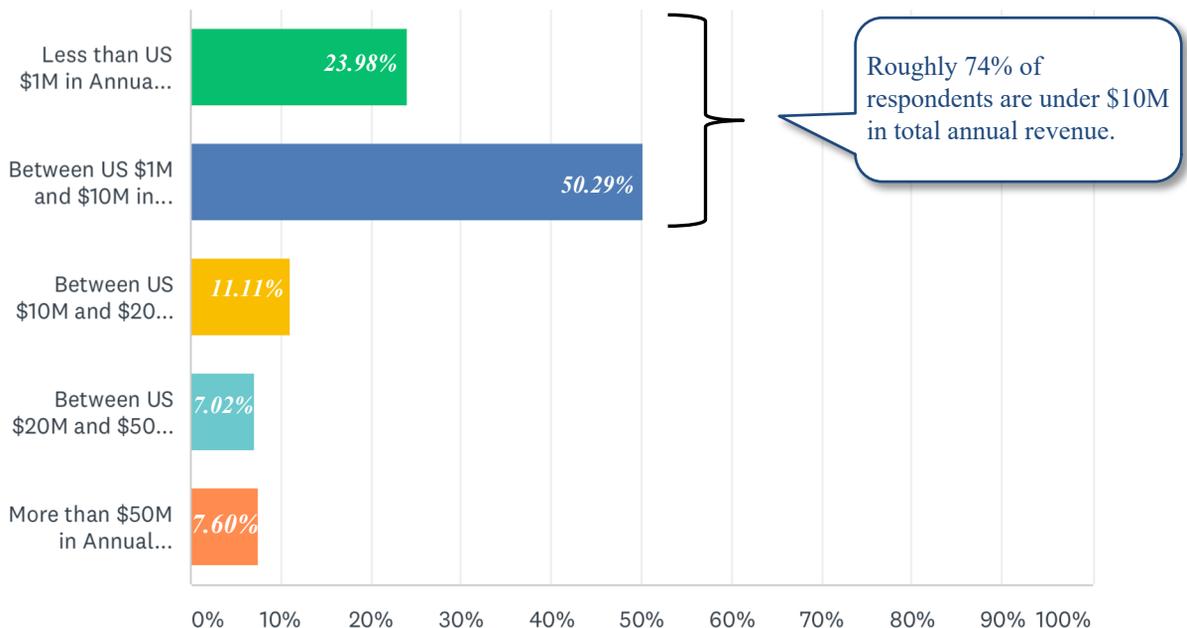
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- Pessimism outweighs optimism in the bidding process.
 - Public sector award span multiple months and, in some cases, years. The trend is getting longer.
 - Win rates, for much of the contracting community, are below 30%.
 - Most organizations generate 1- 2 bids per month.
 - **Despite recent Federal Government shutdown, optimism in public sector procurements still abounds.**

PARTICIPANT PROFILE

BUSINESS SIZE, BY REVENUES

The Vast Majority of Respondents Are Small to Medium-Sized Businesses

Chart 1: Survey Participant Revenues, By Year



NOTE

For ease of reference, the small business size standard, by NAICS, for the eleven industrial categories associated with the Barometer, as presented below:

- Information Technology (IT): \$27.5M
- Medical Services: \$15M
- Security Services: \$20.5M
- Engineering, Scientific, Technical: *
- Defense and Aerospace: **
- [Social Science] Research and Development: \$20.5M
- Environmental and Conservation Services: \$7M
- Operations and Maintenance: \$35.5
- Construction and Construction Services: \$36.6M
- Other: N/A

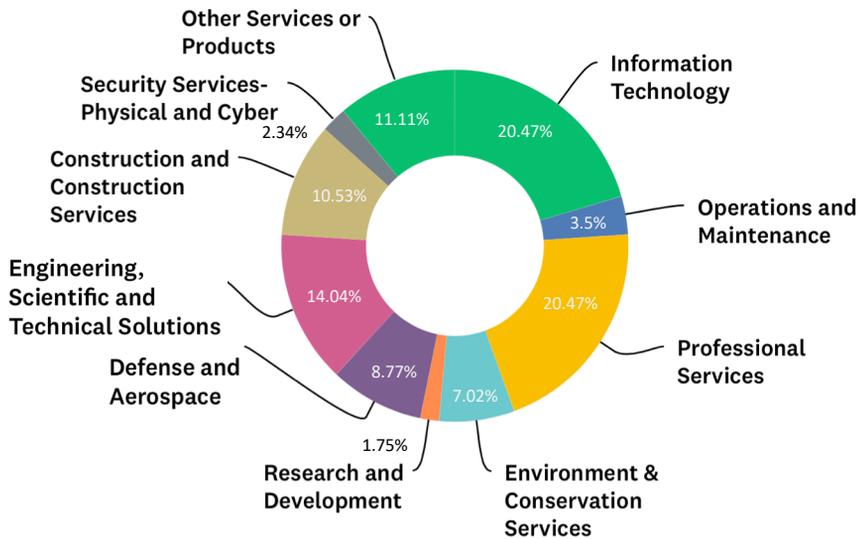
* Engineering/Scientific/Technical firms are determined small business on employee headcount. Organizations under 1,000 employees are considered small by the Small Business Administration. ** Defense and Aerospace are determine small business based on employee headcount (1,500 or under)

INDUSTRY & COMPOSITION

INDUSTRIAL REPRESENTATION AND SURVEY COMPOSITION

Respondents span across eleven industrial sectors, with Information Technology and Professional Services organizations being the largest blocs of survey respondents.

Chart 3: Industrial Representation



Nearly 2/3 of all respondents came from the executive leadership of respondent organizations.

Chart 4: Survey Composition

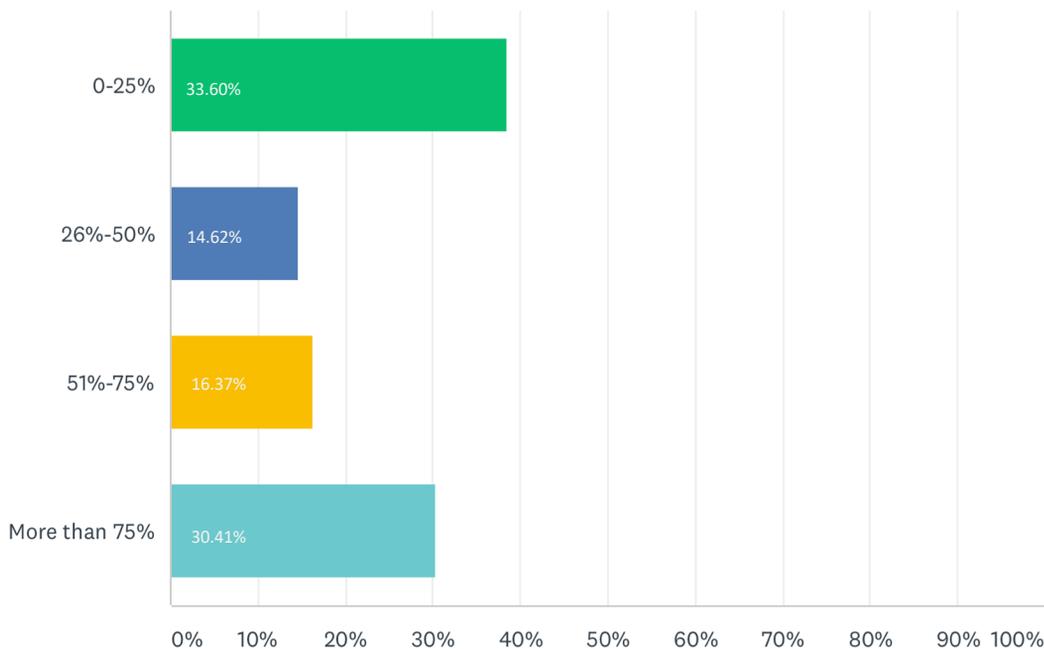
Role at Responding Firm	% of Respondents
Executive Officer (President, CEO, COO, etc.)	68.42%
Business Development (sales, marketing, capture, or proposal administration)	15.79%
Operations and Project Management	9.36%
Contract Administration and Human Resources	1.75%
Accounting, Finance, or Corporate Financial Management	1.75%
Other (please specify)	Responses 2.92%

PRIME VS SUBCONTRACTOR

PRIME CONTRACTOR

Respondents present a mix of contracting environments from which their revenues are derived, but demonstrate an over-reliance on subcontracting.

Chart 2: Percentage of Revenue Provided via Prime Contracts



Nearly half of respondents operate public sector contracting businesses in which the majority of annual revenue is derived from a subcontract, demonstrating an over-reliance upon larger, Prime partners.

BIDDING ACTIVITY

BID VOLUME

The vast majority of respondents (84.21%) participate in 1-2 public sector bids per month. This level of bid intensity is consistent year-over-year.

Chart 5: 2017 Bid Volume

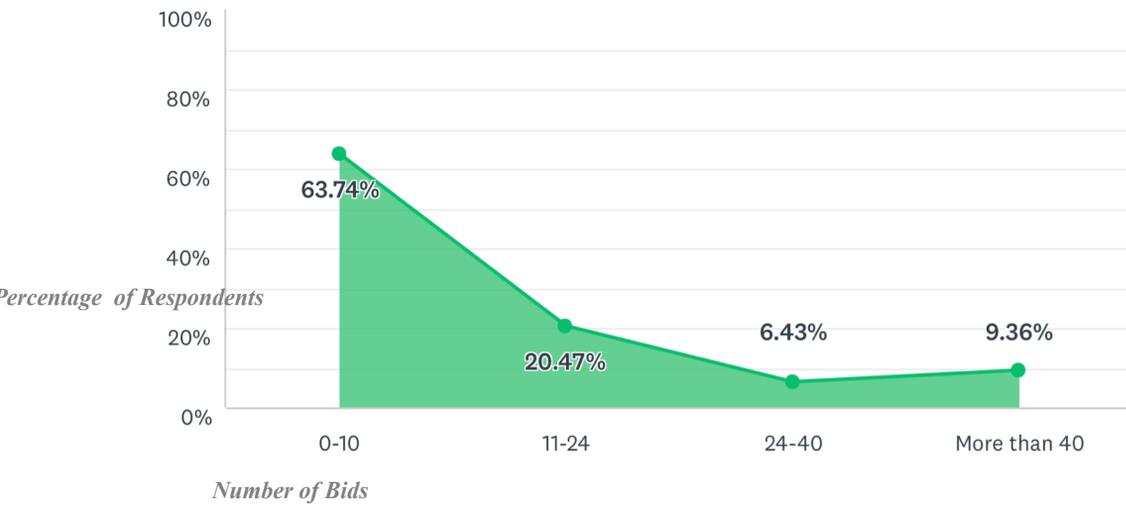
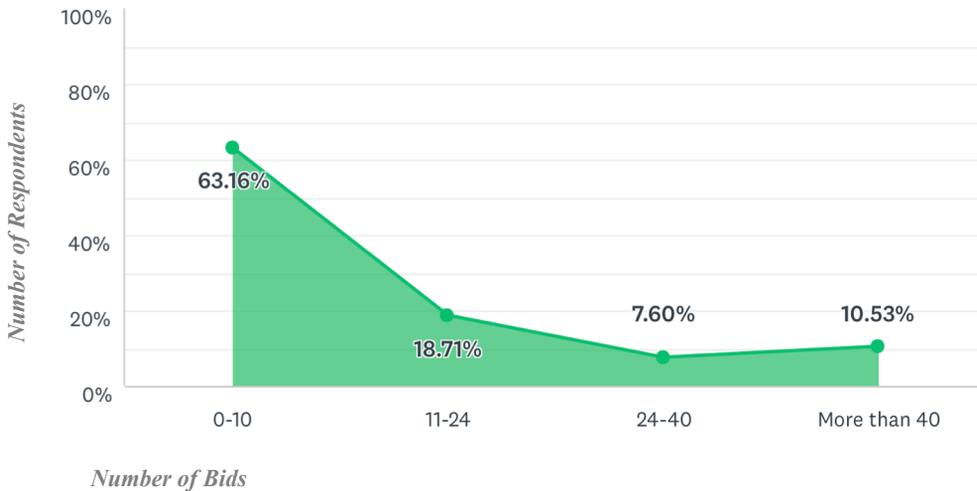


Chart 6: 2018 Bid Volume

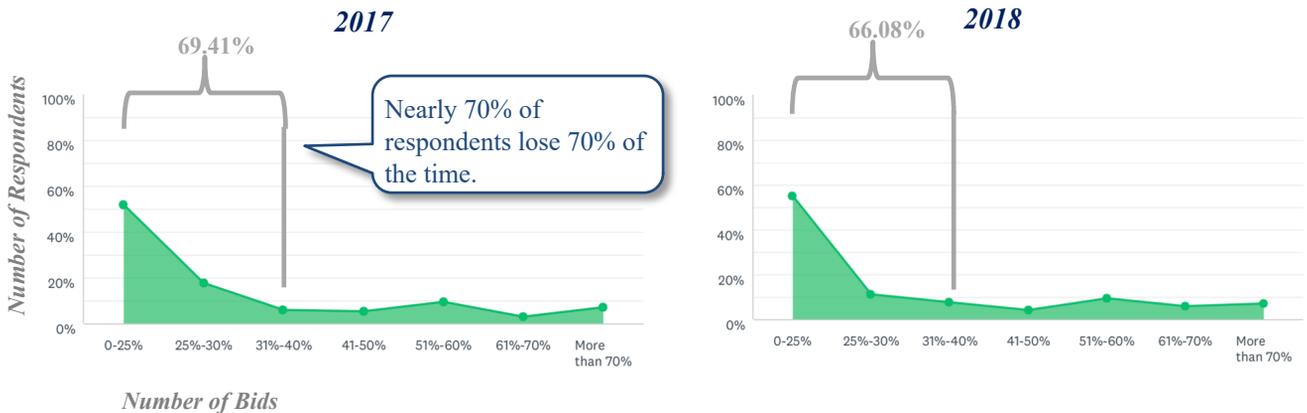


WIN RATES

WIN RATE

Surveyed for 2017 and 2018, the majority of respondents have a Win Rate of 30% or less.

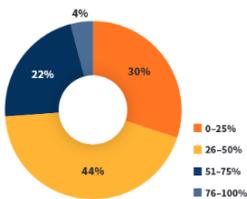
Chart 7: Win Rate 2017 and 2018



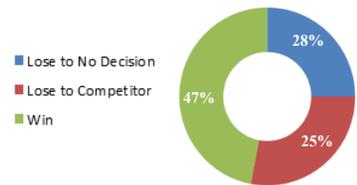
Approximately 7 out of 10 respondents report a win rate that is 30% or less per year. Contrast this finding to that of traditional industry benchmarks.

ANALYSIS

For reference and comparison purpose RWCO has reviewed the prevailing research and literature within the public sector marketplace. Industry sources have historically benchmarked win rates in an effort to determine the average rate across all industrial sectors.



Source: 2018 Gauge Report [CohnReznick, October 2018, 2nd Edition]



Source: Rain Group Center for Sales Research

INDUSTRY WIN RATES

WIN RATES BY INDUSTRY

Here is how win rates, by industry, stack up when compared to other industries within the public sector marketplace:

Chart 8: Anticipated 2018 Win Rate(s), by Industry

Industry	Win Rates		
	0% - 30%	31% - 60%	61% +
Information Technology	60.00%	28.57%	11.43%
Operations and Maintenance	33.33%	50.00%	16.67%
Professional Services	64.29%	20.00%	5.71%
Environmental and Conservation Services	58.33%	25.00%	16.67%
Research and Development	66.67%	0.00%	33.33%
Defense and Aerospace	73.33%	13.34%	13.34%
Engineering and Scientific	54.70%	21.37%	25.00%
Construction and Construction Services	72.22%	16.67%	11.11%
Security Services	75.00%	25.00%	0.00%
Other	78.57%	10.71%	10.71%

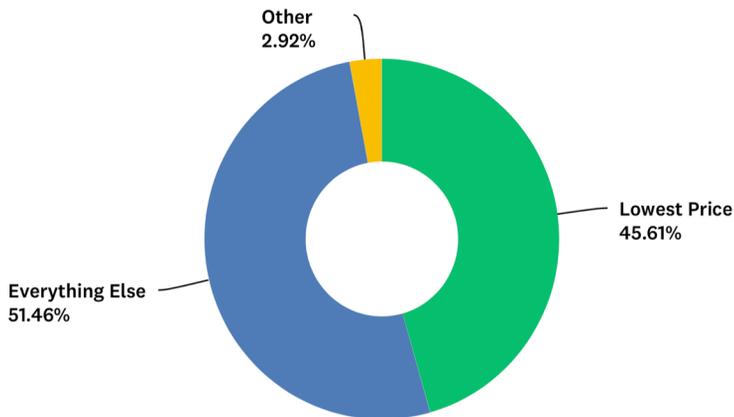
The shaded regions represent the win rate group that represents the majority of respondents with the specified industry. Nearly all of the industry represented in our survey have “average” win rates, that fall well below the historical industry standard of 40%, with in rates hovering with the 0%-30% band for most public sector contractors.

AWARD FACTORS

FACTORS IN THE EVALUATION PROCESS

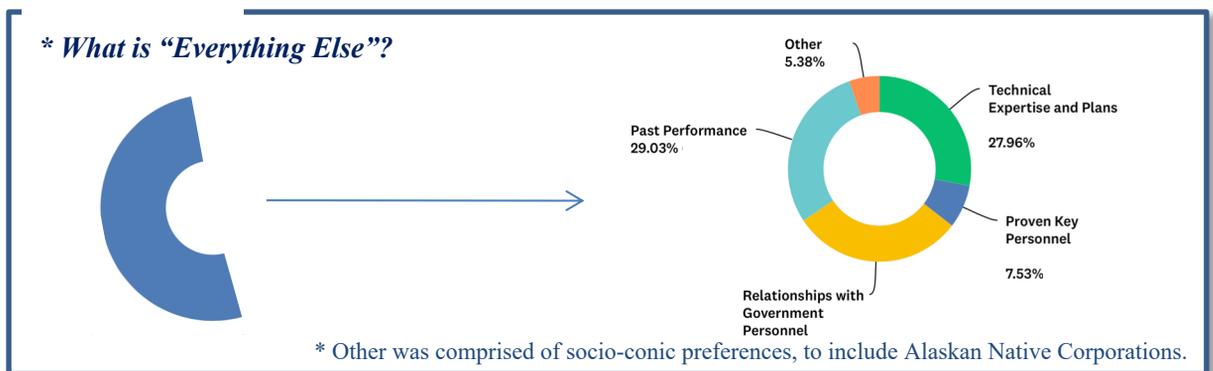
Price is viewed as equally important as “Everything Else” in evaluating bids and determining public sector awards.

Chart 10: Factors in the Evaluation Process that Influence Award Decisions



While taken as a stand-alone category, respondents reported that Price was a key determinant in the award decision 45.6% of the time. The next non-price factor is Relationships with the Government and reported to be a key determinant in the award decision 16.37% of the time.

However, when non-price factors are viewed as a group (“Everything Else”), respondents reported they were a key determinant in the award decision 54.4% of the time.



AWARD TIMING

LAG BETWEEN BID AND AWARD

Findings show that procurement decisions and award activities take place with the first 120 days after submission.

Chart 9: Award Timeline

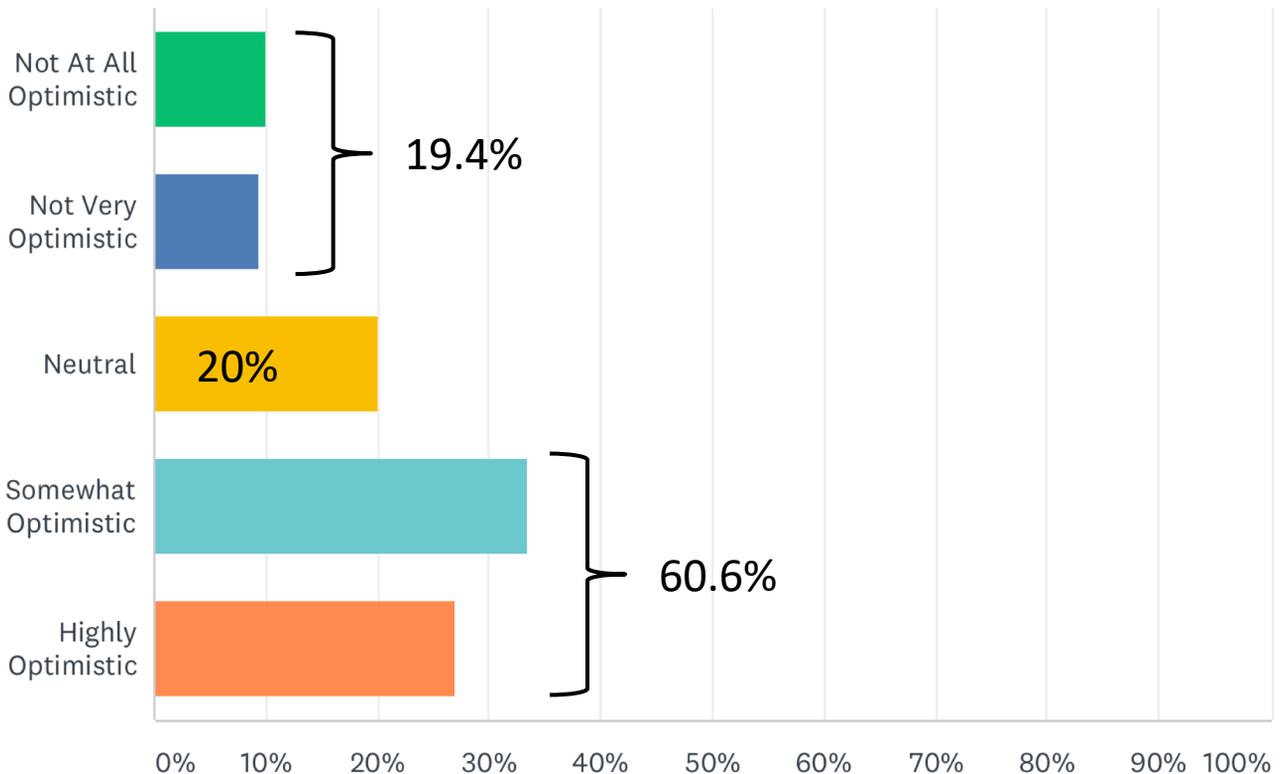


OPTIMISM SCALE

OPTIMISM ABOUNDS

Even in the midst of the Government shutdown (December 22, 2018–January 25, 2019), the public sector marketplace was optimistic in its prospects for success and growth.

Chart 11: Optimism that Revenues will Increase in 2019



While 20% of respondents remain neutral, optimism continues to fuel the business development function in the public sector marketplace.

ABOUT RWCO

RICHARD WAGNER AND COMPANY

Business Strategy, Business Development, and Proposal consulting firm headquartered in the Washington, DC, metropolitan region.



RWCO was founded to assist small- and medium-sized businesses efficiently navigate the complicated and hyper-competitive process of winning business with public and private markets, to include Government sectors and regulated markets

RWCO prides itself on having a positive, demonstrable impact on the growth and development of our clients. Our staff is composed of motivated, driven professionals who take the business of winning very seriously. RWCO staff has decades of experience and a proven track record of success. This hands-on experience, combined with our unique approach, makes us different from other business development organizations.

We equip clients with the tools, resources, and expertise necessary to consistently win new business, retain existing business, and grow the operational capabilities of their organizations. We do this by providing seasoned, experienced consultants with a track record of navigating competitive business environments. We optimize our impact on client success through defined processes and approaches that have been proven effective over an extended period of time and across multiple business domains.

For more information: www.RichardWagnerCo.com

CONTRIBUTORS

RICHARD WAGNER AND COMPANY

Everyone on our team has served in senior executive and execution-oriented positions within a diverse collection of leading government organizations, government contractors, and institutions. Here are a few that contributed to this report.



Richard Wagner, Chief Executive Officer

Mr. Wagner brings more than 20 years of diverse, cross functional experience and expertise in the areas of proposal writing, proposal management, business processes, capture, pricing, and acquisitions. Mr. Wagner received his Master of Business Administration from The American University, Kogod School of Business, and his Master of Arts, with distinction, from American University, School of International Service. Mr. Wagner completed his undergraduate work at Mercyhurst College, graduating with a Bachelor of Arts, *cum laude*.

Email: RJWagner@RichardWagnerCo.com

Telephone: 202-577-8945



Richard Corriea, Research Advisor

Mr. Corriea is a seasoned corporate leader that spans the private and public sector, including a career within law enforcement that spanned thirty-five years. Retiring from the San Francisco Police Department, where he achieved the rank of Police Commander, Mr. Corriea served as Vice President of a global security organization that include group operations and support of Transportation Security Administration at a Category 3 airport. He is a member of the California Bar and credentialed as a Project Management Professional (PMP) by the Project Management Institute. Education includes an MBA and a Juris Doctorate.

Email: RCorriea@RichardWagnerCo.com

Telephone: 1-800-674-3531



Ravi Khalsa, Director of Client Relations

Ms. Khalsa oversees RWCO's Client Engagement group, to include client research initiatives and project coordination. She is an experienced business development professional with Customer Relation Management (CRM) expertise that spans two decades. As an entrepreneur, she has been successful in the start-up, launch, and operation of commercial, customer-centric businesses throughout North America.

Email: rkhalsa@RichardWagnerCo.com

Telephone: 1-800-674-3531