

B2G vs. B2B Contracting: Differences and Similarities

The federal government buys many of the same products and services as the B2B commercial market, but the procedures and rules for doing business in these sectors are very different. Nevertheless, B2G contracting shares some key similarities that your business should recognize.

Notable Differences: FAR, UCC, GSA

The Federal Acquisition Regulation (FAR) <http://www.acquisition.gov/far/> is the law for most federal government procurements. Some agencies have regulations in addition to FAR, such as DFAR and GSAR. Other agencies, such as United States Postal Service and the Federal Aviation Administration have their own set of rules and are exempt from the FAR altogether. Businesses selling to the U.S. Federal Government must understand and adhere to these policies and procedures, and understand their potential impacts in areas such as accounting, sourcing and hiring.

The Uniform Commercial Code (UCC) and common law govern contracts between most commercial entities, giving both parties equal leverage to negotiate contract terms and resolve disputes. The UCC is designed to protect the buyer and seller equally. The FAR, however, is written in the interest of the federal government as a fiduciary of the taxpayer. The FAR most certainly protects contractors from abuses, but companies must understand if and when their commercial contract terms or business practices will require adjustment for government business. They must also understand their rights specific to the marketplace, and how to effectively negotiate their position.

Commercial customers may have significant leeway in choosing their vendors. **Government customers, however, are often limited to the use of existing contract vehicles such as GSA contracts or GWACS**, and/or to businesses of a certain size. All federal agencies (except the Postal Service) are required to set aside a certain percentage of their procurements for small businesses, and even certain subcategories of small businesses. The Department of Veterans Affairs for instance, awards certain VA contracts exclusively to Veteran Owned Small Business. Businesses interested in the government market must understand and have access to the contracting vehicles and channels through which agencies buy their specific products or services.

Major Similarities: Developing Relationships & Procurement Policies

Relationships and reputations matter in both markets. Despite government restrictions in areas such as entertainment, meals and gifts, successful government contractors take the time to get to know their customers and their mission. No two customers in either market are ever exactly same. Two seemingly similar FBI field offices or Naval Support Activities can vary significantly in terms of needs, budgets, sales cycle, their preferred contracting mechanism, and how they define value.

Over the years, government has adopted many commercial business practices, namely the increased use of contracting mechanisms that offer a selection of “off the shelf” commercial items and technologies where appropriate, rather than uniform specification requirements. Likewise, many businesses have implemented [procurement policies](#) that originated in the public sector such as set aside contracts and country of origin requirements for materials.

Differences in these two markets will always exist, but success in both is built upon quality communication and performance.

Case Study: Successful Diversification through B2G

In 2006, Interface was retained to develop the federal government market for a large U.S. manufacturer of transportation products. Though their brand recognition and the federal government's increased usage of "commercial" products provided a receptive marketplace within many federal agencies, the company's size and price points presented challenges. It was difficult to compete directly for open market federal business opportunities, most of which (relative to their industry) were set aside for small businesses and awarded solely on the lowest price.

To reduce competition and provide improved direct access for federal buyers, Interface secured a GSA schedule contract for the company that they then used as part of a comprehensive business development and sales strategy. This strategy included market research to identify specific potential users and funding, followed by targeted introductions and relationship building within their agencies. One of these agencies was the National Guard Bureau, who awarded a series of multi-million dollar delivery orders and blanket purchase agreement against the GSA contract. **Within two years, the company became the largest provider of their product to the federal government, and remains so today.**

Becoming a successful government contractor typically requires more than just effective marketing, and this case was no exception. Adjustments to back office operations and business processes were required to ensure contract compliance and optimum performance on delivery orders. Interface helped the company's management identify and make the necessary adjustments across functional areas such as accounting and customer service. Interface also provided ongoing training to executives, sales teams, and other personnel to ensure that best practices for the government market became ingrained into day to day business operations and the corporate culture at large.

When companies invest in proven approaches to develop the government market that account for its unique characteristics, they are setting themselves up for long term success in business overall. In this particular case, a strong base of federal government business driven by a proactive approach helped to sustain the company during one of their industry's most severe economic downturns.