

2018 FEDERAL GOVERNMENT CONTRACTOR STUDY:

*Perfecting the Marketing and
Business Development Playbook*



EXECUTIVE SUMMARY

To understand today's fast-changing federal contracting landscape and the strategies winning contractors are using to succeed in this environment, Market Connections partnered with Merritt Group and the Professional Services Council (PSC) to conduct an anonymous online survey of 200 business development (BD) and marketing professionals from the government contracting industry.

The study found that the most successful firms are seizing on a winning formula that involves optimizing the alignment of marketing and BD resources; embracing research-intensive, account-based marketing and RFP-specific campaigns; differentiating themselves from the competition on factors other than price; and fueling campaigns with strong, tailored messages deployed across a strategic blend of channels, including highly customized digital marketing.

This white paper summarizes the study's [findings and analysis](#), and includes expert insights generated from a July 2018 forum held in Arlington, Virginia. The in-person seminar featured a panel of federal contracting experts reviewing the study and its marketing and BD implications before an audience of more than 150 industry peers from across the federal contracting spectrum.

FOR US, WHAT'S CRITICAL IS THAT EVEN THOUGH OUR MARKETING FUNCTION AND OUR BD FUNCTION ARE SEPARATE, THEY MUST BE ALIGNED.

JAY HAUCK, VICE PRESIDENT, COMMUNICATIONS AND MARKETING,
GENERAL DYNAMICS INFORMATION TECHNOLOGY

CHALLENGES IN TODAY'S COMPLEX FEDERAL MARKETPLACE

The federal marketplace has never been more complex. Federal funding challenges and non-linear budgeting have compounded an already complicated business development process. Continuing resolutions, omnibus spending bills, government shutdown threats (and realities) and legislative gridlock have prolonged traditional procurement timelines. Not surprisingly, approximately half of both the BD and marketing respondents in our survey cite the changing acquisitions process among their top ongoing capture challenges. At the same time, only half of respondents said their organizations were well-positioned and ready to adjust to this ever-evolving marketplace.

The good news is that plenty of firms have learned to adapt and thrive amid these environmental challenges: Contract win rates have remained consistent over the past four to five years; **nearly 40 percent of respondents reported win rates on recomplete contracts exceeding 75 percent, and over one-third reported win rates above 50 percent on new pursuits.**

These findings highlight the fact that many organizations are still extremely effective in their capture efforts — and it is important to truly understand the habits of these winning contractors.

MARKETING AND BUSINESS DEVELOPMENT: SEPARATE, BUT COLLABORATIVE

Respondents cited a variety of reporting relationships between marketing and business development teams within the federal contracting industry, yet the data showed that empowering everyone to work to their respective strengths drives long-term success.

Half of the respondents reported that the sales and marketing teams reported to different supervisors, while the other half had a blended structure of marketing and business development reporting to the same supervisor or to one another.

Significantly, those respondents with **higher than average win rates on new pursuits had a reporting structure that kept marketing and business development separate.** However, this doesn't mean that collaboration between these functions doesn't happen. Approximately **two-thirds of contractors hold joint marketing and business development meetings at least monthly, and over one-quarter meet weekly.**

Successful contractors employing a blended structure often benefit from leadership that has distinct experience in both marketing and sales. These executives typically build their organization in their own image, requiring staff with broad expertise. "Today's BD people are like Swiss Army knives, and marketing is one tool in their toolkit," explained MAXIMUS Federal Senior Vice President of Business Development & Marketing, Lisa P. Veith, at the July 2018 forum. "BD involves a lot more than marketing, [and] such considerations should never be far from view."



"We're in the foxhole together, so we really can't function without one another."

KIM HOWER, DIRECTOR, PUBLIC SECTOR MARKETING, NUTANIX FEDERAL



THE VALUE OF RFP- AND ACCOUNT-BASED CUSTOMIZATION ACROSS ALL EFFORTS

So far, we've explored a changing contracting landscape and drawn insights around how winning contractors structure their BD and marketing operations. But how do they structure their actual campaigns? **The answer is that they find ways to listen closely to the client and develop tailored, RFP-focused campaigns.** This is essentially a federal-space version of what's known as Account-Based Marketing (ABM) — a personalized approach to targeting high-value prospects with very specific research, targeting and messaging.

Indeed, the study data reinforced the effectiveness of these hyper-targeted campaigns: Winning contractors are more likely to anticipate RFP opportunities early, develop RFP-specific capture campaigns and build marketing content targeting specific agency decision-makers. And two-thirds of respondents overall reported that account-based marketing and research are effective tools for moving sales through the pipeline.

ABM is built on a foundation of competitive intelligence and account-specific data and information — and it informs your entire campaign, from branding, BD and thought leadership, to messaging across marketing, sales and proposal materials. Perfecting account-based and RFP-specific capture campaigns is easier said than done. But when you consider large federal contract values and 12-18 month procurement cycles, the effort is well worth the ROI that follows.

Unfortunately, not enough contracting firms realize the necessity of this approach. While marketing services

and BD investments are robust within the government contracting community, the study found that the methods contractors use are not always updated to match the RFP or target the right audience. Nearly a quarter of government contractors rarely or never develop content and strategies tailored specifically to match RFPs and the challenges faced by key government decision-makers.

Responding to RFPs on a recompile can be particularly challenging — and it requires an especially good grasp of the details, including those about your own performance. Who knows your client's issues better than you? On the flip side, though, who knows your strengths and weaknesses better than your client? Are you 100 percent sure your client is truly satisfied with how tasks under the contract were performed, or are you leaving yourself wide open for a competitor to unseat you? On the other hand, if you are looking to unseat an incumbent, finding out details about what is or is not working can help you position messaging addressing a prospect's or client's needs.

Findings from the survey point to the ABM approach being effective in such cases. More than 80 percent of those contractors with recompile win rates over 50 percent make a practice of anticipating upcoming RFPs — crafting campaigns with those RFPs in mind, developing marketing content targeting the government decision-makers and finding ways to align the proposal criteria with their company's brand. Those with lower win rates do not have the same level of commitment to these activities.



**ACCOUNT-BASED MARKETING
CONTINUES TO BE KEY FOR US.”**

JAY HAUCK, VICE PRESIDENT OF COMMUNICATIONS & MARKETING
AT GENERAL DYNAMICS INFORMATION TECHNOLOGY

THE KEY TO SUCCESS: BE DIFFERENT BEYOND PRICE

Having a firm grasp on what makes your company different in the marketplace, beyond price, and identifying the right ways to emphasize those differences are critical to elevating chances of success. Whether trying to unseat an incumbent on an existing contract or pursuing something completely new in the marketplace, contractors who struggled to crystallize a way to differentiate their firm, other than cost, experienced lower win rates on new pursuits. Well over half of those contractors with win rates on new pursuits falling below 50 percent experienced difficulties in this area.

Differentiation through something other than price relies on developing sound and effective win themes — the company narratives and key points organizations craft to stand apart from the crowd and position their solutions and expertise to match the RFP. Firms that struggle with differentiation are more likely to lose both new contract opportunities and recompetes as the incumbent. Nearly three out of five contractors who found win themes a challenge had recompile win rates lower than 50 percent.

Beyond price, high-quality thought leadership that demonstrates the contractor knows the agency's pain points and operating environment can be a big differentiator. Agencies need to view their contracting partners as trusted advisors. They should know who you are, what you think, and how you can help them — all which is clarified to the extent contractors stand out in the market with an educational and differentiated message.

The most important differentiator of all to position your company ahead of the pack may come down to how well you actively work to hear the true voice of the customer. Far too often, contractors assume that their customer will provide open and honest feedback to their sales reps and program managers. While these individuals may hear when the house is on fire, what they don't often hear are the latent embers smoldering under the surface. The best contracting firms are able to proactively listen to and research a client, probe existing challenges, understand overall market perceptions and identify key differentiators between the current contractors and its competitors.

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Few have won new business by saying ‘We’re pretty much the same as everyone else, but we’re cheaper!’ It doesn’t instill confidence and isn’t necessarily what you’re going to want to be known for going forward.”

AARON J. HEFFRON, PRESIDENT, MARKET CONNECTIONS, INC.



OPTIMIZING MESSAGING TO REACH YOUR AUDIENCE (AND PROPEL SALES)

Once you understand your company and what differentiates you in the marketplace, the onus is on your agency to develop succinct and powerful messaging that is customized for that targeted agency and that opportunity. Just as differentiation and company-focused win themes are about perfecting your understanding of your firm and how you stand apart from the competition, messaging is about looking outward — perfecting your understanding of the client and making sure the client sees that you “get” their challenges and needs. The right targeted messages are what bring all of your research, marketing, BD and outreach strategies to life. Contractors reported having the greatest success with campaigns that featured personalization (63 percent) and particular calls to action (43 percent). That level of specificity can’t be achieved with general marketing and branding efforts alone. While branding and other foundational messaging have a role in establishing credibility and building awareness, tactical and intensive messaging efforts customized to the client are essential for yielding enduring and high-quality results.

The best messages are the ones that start with a solid understanding of the customer challenge and build on that understanding in succinct, specific and memorable ways. Such message positioning and development is best done through a collaborative effort between sales and marketing and can benefit from an outside opinion at times. Facilitated roundtable discussions between the sales and marketing teams can often identify many of the issues facing the firm and highlight pivotal messages that are important 12-18 months or more before a contract is ready.

Throughout, messaging should be short and to the point wherever possible. As Jay Hauck, General Dynamics Information Technology Vice President for Communications & Marketing observed, “Brevity is the soul of wit.” Consider some message testing in focus groups prior to major campaign launches to make sure messages resonate with your target audiences.



FINDING THE RIGHT CHANNELS IN A FAST-CHANGING LANDSCAPE

According to the study, the vast majority of contractors (86 percent) are prioritizing events in their 2018 marketing budgets. This finding shows that face-to-face interactions are still highly valued in the federal contracting market. And with so many options for government decision-makers to choose from, it's important to plan soon and be creative in how and when you execute your sponsorships to reach the top decision-makers. Especially in the critical federal “sub-markets” — such as defense, public health, and intel — events remain an effective way to reach niche and targeted decision-makers directly.

That said, events are just one tool; the fact that so many companies rely on events means that additional channels — filled with strategic messaging aligned to unique target audiences — are crucial for getting a competitive edge. To that end, winning contractors are experimenting with many new channels and tactics that align with the customized approach previously mentioned. The majority of respondents in our survey are including a wide variety of initiatives in their budgets — ranging from social media to market research and advertising. It's clear that contractors are branching out with new and innovative channels — especially digital channels.

In advertising, for instance, the consensus is decidedly in favor of digital marketing over more traditional channels like print, TV and radio advertising. Fifty-three percent of contractors increased their digital advertising spending this year, and 57 percent of contractors identified digital and online marketing as effective. By contrast, only 39 percent found traditional print, TV and radio advertising to be effective.

Why are digital channels becoming so popular? For one thing, digital outreach allows firms to target specific decision-makers at specific agencies within specific regions of the country that hold the keys to RFP success. In addition, digital campaigns are easy to measure and immediately assess engagement, effectiveness, and ROI (Are people clicking on my content? Are they downloading? Are they opening my email?). These metrics provide the real-time data organizations need to optimize strategies throughout the procurement process.



Digital marketing is bringing new levels of sophistication across both targeting and measurement, and successful contractors are embracing these emerging channels to reach specific federal decision-makers.”

MATT DONOVAN, SENIOR VICE PRESIDENT,
MERRITT GROUP

CONCLUSION

While marketing services and BD are important to the government contracting community, **the 2018 Federal Government Contractor Study shows that optimal success comes with strategies and organizational structures that are fully aligned with the right federal opportunities and decision-makers.** This study makes clear that the formula for success involves the right mix of both an organization's marketing and business development assets. Few things are more important than having the right value proposition, and the contractors that win are the ones that spend the time and effort necessary to figure out the best way to talk to their customers.

About the Study

Market Connections, Merritt Group and PSC teamed to conduct a blind online study of 200 government contractors in May of 2018. Respondents included government contractors who work in business development and marketing.

About Market Connections

Market Connections delivers actionable intelligence and insights that enable improved business performance and positioning for leading businesses, trade associations, and the public sector. The custom market research firm is a sought-after authority on preferences, perceptions, and trends among the public sector and the contractors who serve them, offering deep domain expertise in information technology and telecommunications, health care and education.

To learn more, visit: www.marketconnectionsinc.com or follow us on [Twitter](#) or [LinkedIn](#).

About Merritt Group

Merritt Group is a nationally-recognized strategic communications agency that provides marketing, PR and creative services to organizations ranging from venture-funded startups to global Fortune 500 companies. Merritt Group applies its deep expertise in core market areas – cybersecurity, AI and analytics, IoT, blockchain, enterprise software, mobile, healthcare and government – to deliver results that drive business. Founded in 1996, Merritt Group has offices in Washington, D.C., and San Francisco, CA.

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About Professional Services Council

PSC is the voice of the government technology and professional services industry. PSC's more than 400 member companies represent small, medium and large businesses that provide federal agencies with services of all kinds, including information technology, engineering, logistics, facilities management, operations and maintenance, consulting, international development, scientific, social, environmental services, and more. Together, the trade association's members employ hundreds of thousands of Americans in all 50 states.

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