



Federal Market Research and Analysis

2017 Government Services Competitive Intelligence Report



COMPETITIVE INTELLIGENCE

The roughly 250 largest competitive contracts and task orders awarded each year in the federal services industry – **those topping \$50 million in total value** – are in many ways the market movers and the drivers of success and failure for industry players. These are the awards where the stakes are the highest – the ones that CEOs fret over, investors monitor, and business development professionals stake their careers on. The report you are now reading is the most comprehensive analysis of the competitive environment for such contracts and task orders ever published. It's based on data, compiled here for the first time, that identifies the winner of every major new requirement and re-compete, every displaced incumbent, and categorizes the acquisition approach that led to every award.

In the analysis, we examine every major competitive award issued in fiscal 2016. The insights address many of the most urgent questions we hear from clients: Where are the most significant new requirements being generated? Which companies are crushing the competition, and which appear beatable? Which customers are opening the door to challengers, and which tend to favor incumbents? What kind of requirements are being moved into the small business market? Which re-competes are toughest for incumbents to hold onto?

If you're a CEO or business development professional, you'll use this analysis for a variety of purposes – to put your own performance in context with peers and benchmark the best-performing companies in the market; to assess the relative attractiveness of potential new markets and/or acquisition targets; to assess your own pipeline with a new view of what it takes to win; to prioritize which customers to target; to evaluate potential team members for future bids.

If you're an investor, you'll use this analysis to identify outperformers and laggards, inform forward revenue projections, and gain insight into risk levels for companies facing major re-competes.

The 2017 Government Services Competitive Intelligence Report is divided into three sections. This first section examines the competitive landscape for major task order and contract awards to help companies and industry analysts understand the forces driving wins and losses in the federal market, and to help them make forward decisions at both the strategic and tactical level. The second section examines competition at the agency level—which agency customers stick with their incumbents, which are issuing the most new requirements, which force the most competition for major awards. The third section includes comprehensive data on company wins and displacements, providing a new level of transparency into competitor performance.

1. PUSH BUTTON TO OPEN DOOR
2. PULL RING OUT 6 FEET TO JETTISON CANOPY

RESCUE



MOST MAJOR CONTRACTS ARE RE-COMPETES

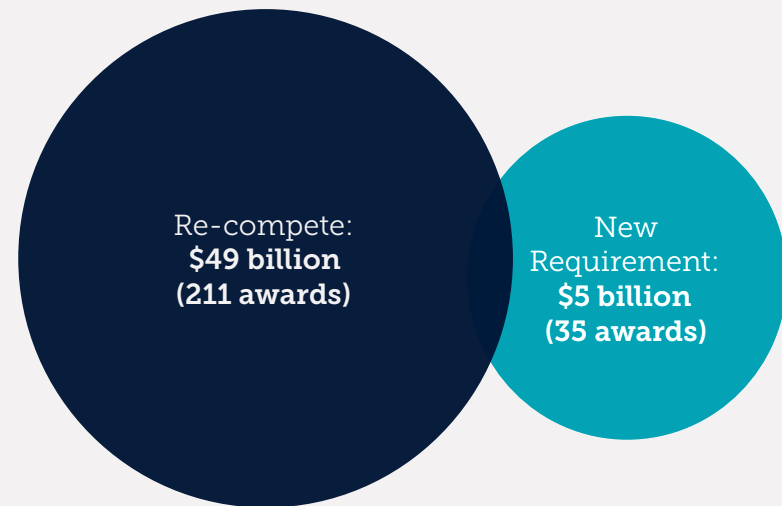
The federal government competitively awarded 246 task orders and contracts for services worth \$50 million or more in fiscal 2016. These awards typically involve periods of performance of three to seven years and have annualized values of \$10 million at the low end to several hundred million dollars at the high end. Combined, these awards will generate some \$54 billion in booked revenue for the winners during the next decade.

(Methodology note: In selecting the contracts to analyze in this study, Nation Analytics homed in on the competitions that matter most to services companies with substantial federal divisions. That means we focused on awards for recurring services in market areas with large competitive fields. Awards for one-time services such as construction projects and highly commoditized services such as telecommunications were excluded. See appendix for complete methodology description).



IN OUR DATA SET, **211 AWARDS WERE RE-COMPETES** WITH A COMBINED POTENTIAL VALUE OF \$49 BILLION, WHILE JUST **35 WERE NEW REQUIREMENTS** WITH A TOTAL POTENTIAL VALUE OF \$5 BILLION.

FY16 Major Competitive Award



New requirements often represent initial efforts by agencies to use new technologies or develop new programs, so it's not surprising that their dollar value is less than for existing programs that are re-competed.



THERE WERE FAR MORE AWARDS IN THE \$50 MILLION - \$100 MILLION RANGE THAN THERE WERE IN THE HIGHER-VALUE CATEGORIES.

This reflects a trend toward shorter periods of performance for large services contracts and underscores just how rare mega contracts (those worth \$500 million or more) are in today's federal services market.



Number of FY16 Major Competitive Services Awards by Value Category

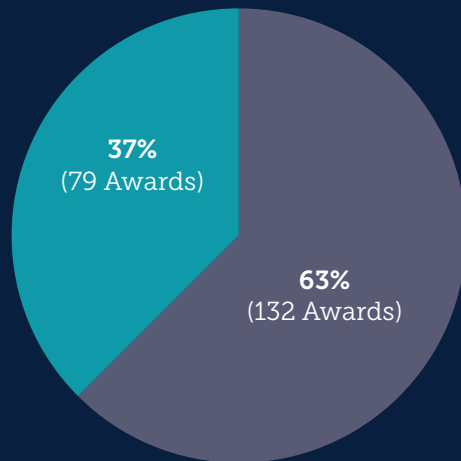




INCUMBENTS DON'T ALWAYS WIN

Most veterans of the federal market assume incumbency comes with a substantial advantage. It's routine to hear the refrain "incumbents always win." This analysis shows for the first time that when it comes to major awards, the incumbent's edge is likely less than the conventional wisdom holds. Let's start by looking at how incumbents fared in all major competitions in fiscal 2016. In 211 re-competes, incumbents won 132 awards, giving them a 63% success rate.

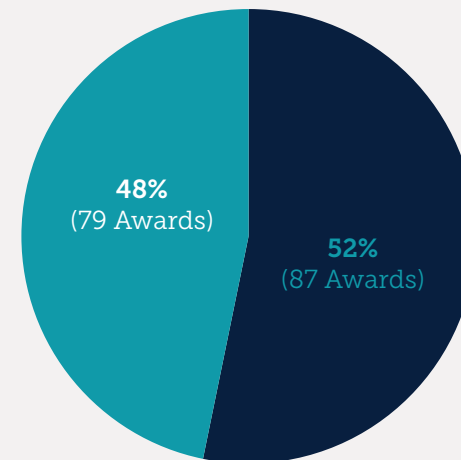
All Major Re-competes



While that represents a decent advantage, it's important to look a level deeper to understand the full story.

In 45 of those re-competes where the incumbent successfully defended its position, only one bid was submitted despite being subject to open competition (such cases are termed "competitive one-bids," an internal government designation, throughout this analysis). If we exclude competitive one-bids and look at just re-competes in which multiple bids were submitted, we see that the incumbent advantage virtually disappears. In such "multi-bid re-competes" incumbents won 87 awards (52%), compared with 79 wins (48%) for challengers.

Multi-Bid Re-competes



In other words, if you're reasonably sure there are multiple bids in play, the starting assumption can be that the incumbent's chance of survival is only slightly better than a coin-flip.