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Scoring Government Contracts Takes an Increasing Amount of Time and Money

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Uncle Sam is spending less, and that means that businesses are having to fight harder to win business contracts with the U.S. government.

In 2012, small-business contractors spent \$128,628 on average to secure a federal government contract, according to an annual survey of [government contractors](#) released today by American Express. That is a 49 percent increase over the \$86,124 active small-business contractors spent in 2009 and a 24 percent increase over the \$103,827 spent in 2010. The survey is part of its Government Contracts Program, which helps train and educate small-business owners on how to win government contracts.

Part of that is because "spending" has become a dirty word in Washington, D.C., as the White House faces budget woes. The U.S. government spent \$517 billion in its 2012 fiscal year, which ends in September, on contracts. That's down 6 percent, or \$35 billion, from what it spent in 2009.

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Of the money spent on government contracts, 23 percent is supposed to go to small businesses. The [U.S. government has repeatedly missed that goal](#). The amount of work for Uncle Sam available to business is slipping, and the small-businesses fighting for remaining contracts are having to invest more time and money to win them.

Small-business owners "are having to do a lot more digging to find the opportunities, and since the opportunities are fewer, they have more competition with other small businesses," says Julie Weeks, an American Express research advisor and author of the report. "They are having to work harder to get that contract victory."

And this survey, which was taken in February and March, was before sequestration hit, further tightening Uncle Sam's belt.

The cumulative cost of the small-business owner's investment includes time spent by staffers to prepare bids, travel cost to contracting conferences, shipping costs of documents and money spent at matchmaking events, says Weeks. Therefore, increased travel expenses, like higher airplane ticket prices, contribute to the increased cost of winning contracts, she says.

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The bigger the small business, the more time and money is devoted to winning those contracts. A small business, defined by the U.S. government, can be as large as 500 employees with millions in revenues, depending on the industry. Small businesses with 50 or more employees invested an average of \$257,098 in time and money seeking contracts in 2012, while those firms with fewer than 10 employees spent only \$37,172, the American Express survey finds.

Meanwhile, even as small businesses invested more time and money winning contracts, they submitted fewer bids for jobs. In the three-year period from 2010 to 2012, active small-business contractors submitted 5.5 bids. Yet from 2007 to 2009, small-business contractors submitted 19.5 bids, the survey finds.

The drop in the number of bids contractors are placing is twofold: There are fewer contracts available, and active bidders grow smarter over time. They know that it's more valuable to hone a single bid than to spam every government agency you can find, says Weeks. "You realize the ones that you have a higher likelihood of winning, and you concentrate your activity on those," says Weeks.

One result -- neither entirely positive nor negative -- of the smaller contracting budget of the U.S. government is that small-business contractors are no longer as reliant on Uncle Sam. In 2010, revenue from doing business with the U.S. government was equal to 38 percent of total firm revenues. In 2012, it was only 19 percent, according to the report. "It is not as easy as it used to be to rely primarily on Uncle Sam," says Weeks.

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