



THE SMALL BUSINESS ADVANTAGE:

How Entrepreneurial Firms are Bidding for Success with the Federal Government

A White Paper from
The Reverse Auction Research Center

Author: David C. Wyld
Founder and Director
Reverse Auction Research Center

April 2013

REVERSE AUCTION RESEARCH >

The Small Business Advantage: How Entrepreneurial Firms are Bidding for Success with the Federal Government

Executive Summary

The federal government is on the leading edge of the use of reverse auctions in procurement. In addition to saving time and money through the competitive bidding process, reverse auctions create a truly level playing field for small companies to vie for, and win, over a billion dollars annually in federal acquisition of a wide array of goods and services, often against far larger competitors. This white paper presents the findings of an analysis of the past five years of acquisition data from agencies across the federal government. It demonstrates how small businesses as a whole are gaining access to federal business opportunities through FedBid's online marketplace. It then examines how this contracting success translates into an enabling force for small businesses, creating the grounds through which small companies can grow and create jobs. Finally, this white paper shows how the experience of the federal government, by far the world's largest buying organization, stands as a best practice for promoting small business that can be readily emulated not just by other governmental agencies, but by private sector firms as well.

Tables and Figures

Figure 1:	Number of Awards Made to Small Businesses by Federal Agencies Through FedBid, FY2008 – FY2012	4
Figure 2:	Total Annual Awards Made to Small Businesses by Federal Agencies Through FedBid, FY2008 – FY2012	4
Figure 3:	Decline in Average Total Award Size on Acquisitions Made by Federal Agencies through FedBid, FY2008 – FY2012	7
<hr/>		
Table 1:	Growth in Number of Awards: FY2008 – FY2012	5
Table 2:	Growth in Awarded Dollars: FY2008 – FY2012	6

The Problem

Everyone wants to see small businesses succeed, as study after study demonstrates that they are truly the engine of our economy. Yet, can small businesses really compete and win against larger firms? Is it possible for buying organizations to achieve the ultimate win-win: Getting the best possible pricing on the goods and services they need to operate by contracting with small businesses? And as a result grow the economy and create jobs, thereby satisfying both consumer and taxpayer needs?

The Question

This is the first of a series of white papers from the Reverse Auction Research Center where we delve into the question of how buying organizations can both do well and do good through the use of reverse auctioning. To answer these questions, we will look at the competitive bidding experience of the United States federal government, which each and every year procures over half a trillion dollars of goods and services in almost every type imaginable—making it the largest buying organization in the world.

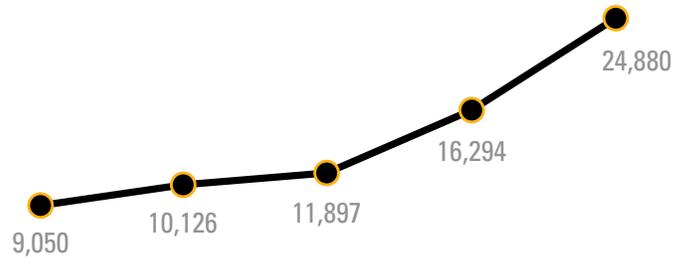
The Analysis

In analyzing the issue, we will examine the results of the past five fiscal years (FY2008 – 2012) of federal agency procurements made through the fully-managed online marketplace operated by FedBid, Inc. For the purposes of this white paper, we looked at the aggregate success of small businesses as categorized by the Small Business Administration (SBA) in reverse auction-based acquisitions made by federal agencies.

As can be seen in Figures 1 and 2, small businesses competing on FedBid saw rapid growth over the past five years in both the number of acquisition opportunities they won and in the actual dollar amounts awarded. In FY2008, small businesses were awarded 9,050 contracts for goods and services through bidding on FedBid. This represented a total of just over half a billion dollars in federal procurement spend (\$547,328,025).

In the most recent fiscal year, FY2012, small business participation and success in FedBid's online marketplace grew to 24,880 awards, totaling over a billion dollars in acquisition spending (\$1,026,961,337).

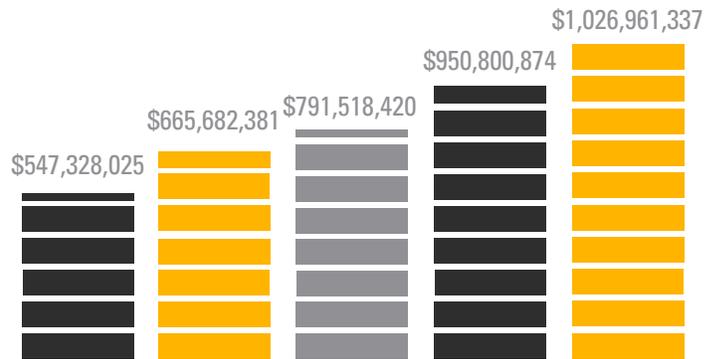
Figure 1: Number of Awards Made to Small Businesses by Federal Agencies Through FedBid, FY2008 – FY2012



FY2008 FY2009 FY2010 FY2011 FY2012

Number of Awards

Figure 2: Total Annual Awards Made to Small Businesses by Federal Agencies Through FedBid, FY2008 – FY2012



FY2008 FY2009 FY2010 FY2011 FY2012

Awarded Amount (in \$Dollars)

While the growth of small business wins is impressive, in the overall federal acquisition context, it's more important that small businesses are competing, and succeeding, on their own merits. Through analysis of the past five years of reverse auction competition data, we see that more small businesses are gaining federal agency procurements. As seen in Table 1, out of the total number of reverse auction-based awards from federal agencies, the share won by small businesses has grown tremendously.

The overall growth rate for small business awards over the FY2008 – FY2012 time frame was 181%, and the growth rates for certain categories of small businesses were even greater, including:

- 324.9% for Small Disadvantaged Businesses
- 226.7% for Service-Disabled Veteran-Owned Small Businesses
- 210.6% for Veteran-Owned Businesses
- 195.8% for 8(a) Businesses

Table 1: Growth in Number of Awards: FY2008 – FY2012

Number of Awards	FY2008	FY2009	FY2010	FY2011	FY2012	Growth Rate Over Past 5 Years
TOTAL	10,339	11,785	14,313	19,791	29,048	181.0%
Small Disadvantaged Business	1,225	1,526	1,835	2,600	5,205	324.9%
Service-Disabled Veteran-Owned Small Business	896	847	1,012	1,502	2,927	226.7%
Veteran-Owned Business	1,591	1,576	2,006	2,814	4,942	210.6%
8(a) Business	401	359	464	827	1,186	195.8%
Small Business	9,050	10,126	11,897	16,294	24,880	174.9%
AbilityOne Program Participant	242	259	374	514	663	174.0%
Minority-Owned Business	2,305	2,788	3,208	4,318	6,104	164.8%
Woman-Owned Business	2,770	2,980	3,365	4,749	6,673	140.9%
HUBZone Business	521	624	623	857	1,164	123.4%

When examining the data in terms of actual acquisition dollars awarded by the federal government, the overall dollars garnered by small businesses has likewise grown rapidly, even if at a slightly more moderate rate than the number of awards. As can be seen in Table 2, **the growth rate for small businesses was 87.9% over the FY2008 – FY2012 period.** And federal agencies achieved a milestone in the most recent fiscal year, as for the first time, small businesses were awarded over one billion dollars (\$1,026,961,337) through the marketplace. Again, the success rates for specific categories of small businesses were impressive. This was especially true in the realm of small businesses owned and operated by military Veterans. In fact, **the five-year growth rate for Veteran-Owned Businesses was 222.5% and for Service-Disabled Veteran-Owned Small Businesses, the growth rate was 345.3%.**

Table 2: Growth in Awarded Dollars: FY2008 – FY2012

Awarded Amount (in \$Dollars)	FY2008	FY2009	FY2010	FY2011	FY2012	Growth Rate Over Past 5 Years
SMALL BUSINESS TOTAL	\$648,840,600	\$780,985,603	\$1,011,276,773	\$1,209,436,772	\$1,302,079,822	100.7%
Service-Disabled Veteran-Owned Small Business	\$40,654,518	\$36,339,682	\$74,219,569	\$134,240,538	\$181,048,375	345.3%
Veteran-Owned Business	\$74,199,726	\$67,968,192	\$118,756,901	\$185,717,947	\$239,289,338	222.5%
AbilityOne Program Participant	\$5,368,265	\$5,890,703	\$9,180,176	\$10,196,542	\$13,364,770	149.0%
8(a) Business	\$28,149,326	\$20,184,741	\$33,618,817	\$45,090,243	\$59,519,827	111.4%
Small Disadvantaged Business	\$130,491,073	\$136,802,190	\$134,765,354	\$212,280,588	\$264,726,288	102.9%
Small Business	\$547,328,025	\$655,682,381	\$791,518,420	\$950,800,874	\$1,026,961,337	87.6%
HUBZone Business	\$22,334,455	\$51,376,730	\$35,145,352	\$52,319,223	\$41,722,260	86.8%
Woman-Owned Business	\$130,333,938	\$175,132,821	\$152,742,284	\$186,246,290	\$202,649,480	55.5%
Minority-Owned Business	\$225,264,293	\$272,804,951	\$231,568,830	\$334,403,640	\$333,055,788	47.9%

Finally, there is an important trend in the data that is especially favorable to small businesses. Our analysis has shown that the average award size has declined over the five-year period under review. This trend can be plainly seen in Figure 3. As demonstrated previously in this analysis, more and more contracting opportunities from federal agencies are being made available to, and successfully won, by small businesses of all types. As the average award size declines, more and more acquisition opportunities are approachable for small businesses. Currently, over 60,000 companies actively participate on FedBid, the vast majority being small businesses. With more and more bidding opportunities on contracts for goods and services of all varieties, for amounts ranging from millions of dollars to just a few thousand, small companies can easily find opportunities within their particular wheelhouse and succeed in delivering profitable governmental sales for their firms. This is vital, as every award going to a small business supports that company—creating, supporting and sustaining the business and its employees.

Figure 3: Decline in Average Total Award Size on Acquisitions Made by Federal Agencies through FedBid, FY2008 – FY2012



The Bottom Line

One of the most important best practices in procurement is the federal government’s use of reverse auctions for purchasing goods and services—a proven buying method, saving federal agencies year-after-year average of 11% across the board on purchases of simple goods and services. As demonstrated through this analysis of the past five years of acquisition data from across federal agencies, the competitive bidding environment within FedBid’s online reverse auction marketplace creates the ultimate level playing field for small companies to aggressively compete for taxpayer dollars. As long as a company can deliver the specified goods and/or services that are the subjects of the procurement action, they can consistently compete, and win, federal contracts.

The federal government is demonstrating that organizations can “do well and do good” through procurement—providing small businesses with access to business opportunities while ensuring their buyers get the very best value for the products and/or services being acquired. Competing procurements through FedBid’s fully-managed online marketplace has enabled agencies to support competitively-focused small businesses, helping to make for not just a larger and healthier supply base, but creating jobs and opportunity in the process. In the continuing effort to improve operations, procurement leaders should consider use of reverse auctions as a best practice for saving money and promoting small businesses—a best practice that can be readily emulated not just by other governmental agencies, but by private sector firms as well.

About the Author



David C. Wyld currently serves as the C.E. Laborde Professor of Management at Southeastern Louisiana University in Hammond, Louisiana. He is the director of the College of Business' Strategic e-Commerce/e-Government Initiative, the founding editor of the *International Journal of Managing Information Technology*, and a frequent contributor to both academic journals and trade publications. He has established himself as one of the leading academic experts on emerging applications of technology in both the public and private sector. He has been an active consultant, a qualified expert witness and an invited speaker on the strategic management of technology to both trade and academic audiences, as well as an invited panelist on technology issues on The Discovery Channel, Federal News Radio and other media outlets.

In addition, he serves as founder and executive director of the Reverse Auction Research Center (www.ReverseAuctionResearch.com), which serves as a hub of research and news in the expanding world of competitive bidding.

In recognition of his research accomplishments, Dr. Wyld has been awarded Southeastern Louisiana University's "President's Award for Excellence in Research" and been named a "Rising Star in Government Information Technology" by *Federal Computer Week Magazine*. Dr. Wyld and his family reside just outside New Orleans.

Contact Information:

David C. Wyld
Founder and Director
The Reverse Auction Research Center
C.E. Laborde Professor of Management
SLU - Box 10350
Hammond, LA 70402-0350
Office: 985-549-3079, 985-542-6831
Cell: 985-789-2127
Fax: 985-549-2019
DWyld@selu.edu



ABOUT FEDBID

FedBid is the fully-managed online marketplace proven to optimize how governments, businesses and educational institutions buy the goods and services they need to keep their organizations running.

Over a decade ago, FedBid was founded on the belief that there's a better way for organizations of all sizes to buy smart, save money and reduce risk when purchasing the things they buy every day. Since then, thousands of Buyers across the public and private sectors have increased procurement efficiencies while saving hundreds of millions of dollars by purchasing through FedBid's online marketplace.

FedBid-registered Buyers save time, stretch budgets, improve transparency and increase small business utilization FedBid can maximize any organization's purchasing power, regardless of size—delivering substantial savings through enhanced procurement efficiency and increased competition.

FedBid-qualified Sellers gain access to thousands of real federal, state and local government, education and commercial sales opportunities while maximizing administrative and sales efficiencies.

Buyers save significant time and money. Sellers gain equal access to more opportunities. It's a marketplace win-win whose benefits positively impact the success of organizations, communities, small businesses, schools, local economies, families and much more.

For more information, visit FedBid at www.FedBid.com.

REVERSE AUCTION RESEARCH



ABOUT REVERSE AUCTION RESEARCH

The Reverse Auction Research Center, founded in 2010, was created to stimulate research in the use of reverse auctions in procurement, both in the private and public sectors. Since the founding of the Center, the institution has become a catalyst for reporting research findings and has served as a hub for news and resources on the use of reverse auctions.

The Center is under the direction of Dr. David C. Wyld, who is the C.E. Laborde Professor of Management at Southeastern Louisiana University. Dr. Wyld is one of the world's leading experts on reverse auctions, and under his leadership, the Center has produced findings that have been reported in major news stories, cited in academic journal articles, and served as a foundation for corporate and governmental entities to guide their decision-making on reverse auctions as part of their acquisition strategies. Dr. Wyld continues to lead the Center in exploring new applications of the reverse auction model beyond the procurement of commodities and simple services, with new efforts underway in the fields of energy and telecommunication resource allocations.