



# SURVEY OF GOVERNMENT CONTRACTOR SALES EXPECTATIONS 2017-18

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# EXECUTIVE SUMMARY

Our annual survey gives an indication of the current level of confidence among contractors. The 2017 results come at a pivotal time when election year uncertainty has given way to greater confidence in the potential for continued growth in government opportunities. These positive expectations span the range of industries and levels of government. The survey highlights the Government Contractor Confidence Index and the key drivers for growth.

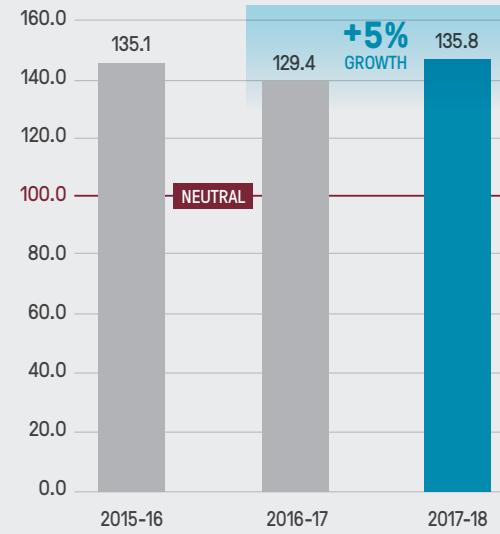
## CONTRACTOR CONFIDENCE REBOUNDS

The overall level of confidence has rebounded since last year by 5% according to the 2017 Onvia Government Contractor Confidence Index. The GCCI reflects recent and expected sales activity along with expectations for change in government budgets. Currently at 135.8, the GCCI is now at its highest point since 2015.

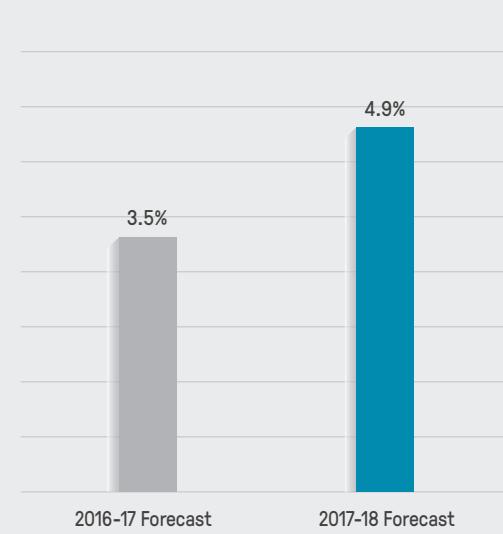


One example of the renewed optimism is an increase in the average expected growth rate in sales for the companies surveyed. After adjustments, we expect contractors to grow by 4.9% in their government sales, up from 3.5% last year.

### ONVIA GOVERNMENT CONTRACTOR CONFIDENCE INDEX (GCCCI)



### HIGHER ESTIMATED OVERALL GROWTH RATE



# EXECUTIVE SUMMARY, CONTINUED

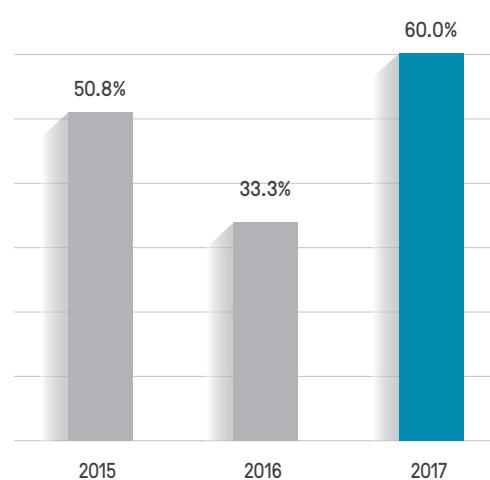
## DRIVERS OF GROWTH

Contractor optimism is being driven primarily by improved expectations for the overall economy and government spending compared with last year at this time. These expectations seem to be based on a “sense of confidence” that things will continue to improve, even though some uncertainties or risks remain.

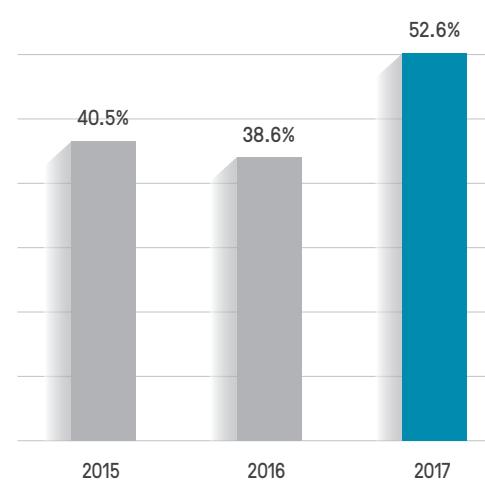
“While there is certainly uncertainty in the air, overall there is a sense of confidence in the economy, that I believe will translate into more tax revenue and larger budgets.”

*— Office equipment vendor interviewed in the survey*

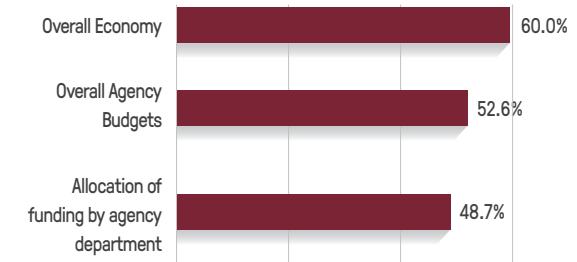
## OVERALL ECONOMY: % POSITIVE IMPACT



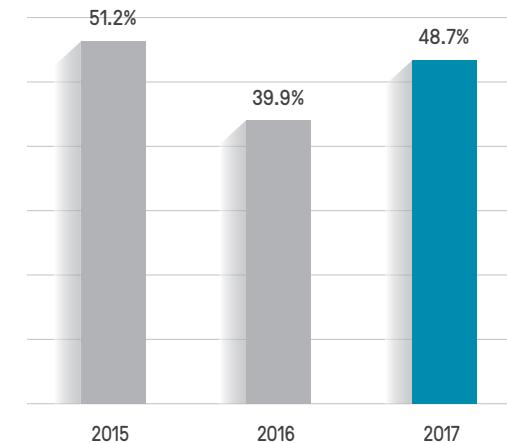
## OVERALL AGENCY BUDGETS: % POSITIVE IMPACT



## TOP THREE POSITIVE DRIVERS OF GROWTH



## ALLOCATION OF FUNDING BY AGENCY DEPARTMENT: % POSITIVE IMPACT



# INTRODUCTION

In the 3rd annual edition of this survey, we reached out to the broader universe of companies selling to federal, state, local and education agencies. With a consistent set of questions, we're able to track and monitor changes in market perceptions between 2015-2017.

## OBJECTIVES

The information and insights in this report will provide companies a broader understanding of their opportunity in the government market to make better, more informed decisions. Specifically, we measured expectations and tracked changes in the following areas:

- General market trends (growing or declining)
- Onvia's Government Contractor Confidence Index (GCCI)
- Major drivers of growth and reasons behind expectations
- Constraints or concerns facing businesses
- Understanding the greatest risks facing businesses
- Identifying pro-business changes in policy that would have the most impact
- Determining what level of government has the most potential for growth over the next 2-3 years

## 424 PARTICIPANTS FROM GOVERNMENT CONTRACTING FIRMS NATIONWIDE

### A REPRESENTATIVE SAMPLE

A total of 424 survey responses were received from representatives of government contracting firms nationwide across the full range of industries and levels of government served. The survey has a statistical margin of error of +/- 4.8%.

### MAJOR INDUSTRY GROUPS COMPARED

In order to provide more visibility into differences between industries, three major types of businesses are compared:

- **Infrastructure**  
The broader range of infrastructure-related industries (see Appendix)
- **Technology**  
Providers of computer hardware and software, IT consulting, and other applications

- Other Services and Industries

All other industries and sectors are combined

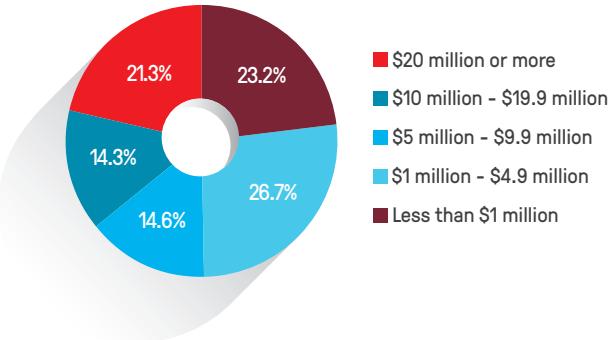
### MEASURING AND TRACKING CONFIDENCE

The GCCI is based on answers to four different survey questions about growth and agency budgets for a more balanced and comprehensive view of the market. This allows for comparisons that factor in both trends in each company's own sales as well as perceptions of the overall market itself – regardless of how that company is performing.



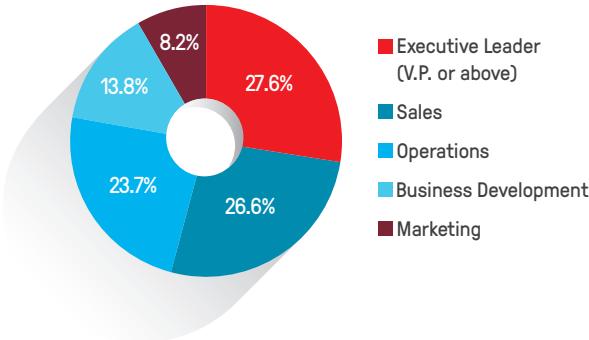
# PROFILE OF GOVERNMENT CONTRACTORS SURVEYED

## CURRENT GOVERNMENT REVENUE



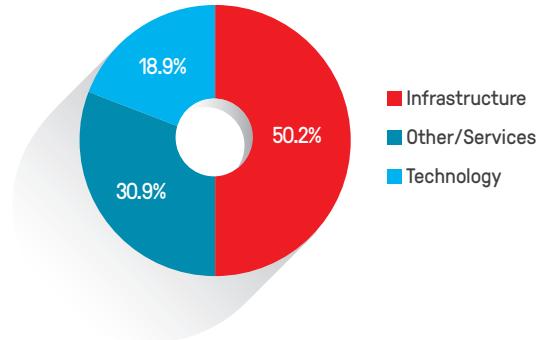
In terms of government sales revenue, the survey included a wide range of firms. The \$20M+ segment was somewhat smaller than last year but remained consistent with the first year. Random fluctuations like this are generally not able to affect the findings in a meaningful way.

## JOB TITLE/ROLE



Those responding held a range of job titles spanning sales, business development, executive, marketing and operational roles. These levels were generally consistent with last year.

## MAJOR INDUSTRY



The three major industry groups are defined in the Appendix. The share for technology companies was very similar to last year's survey, while the other two groupings were re-defined for this survey.

## LEVELS OF GOVERNMENT SERVED

The typical company surveyed sold to federal, state, local and education agencies. A majority sold into each level, except for special districts (27%). These levels were slightly lower than last year's survey but generally consistent.



STATE



CITY



COUNTY



FEDERAL



SCHOOL DISTRICT



SPECIAL DISTRICT

# ONVIA GOVERNMENT CONTRACTOR CONFIDENCE INDEX

## PURPOSE OF THE INDEX

To have a single, balanced, composite metric that can describe the overall confidence that government contractors have in their ability to grow their public sector sales over the next 12 months.

## HOW IT WORKS

The index is constructed using answers to four survey questions about company growth and agency budgets. The Onvia GCCI is based on a 0-200 scale where 0 means "extremely low confidence," 100 means neutral (neither higher nor lower) and 200 means "extremely strong confidence." Scores above 100.0 generally point to an expanding market for contractors. The four components are shown below:

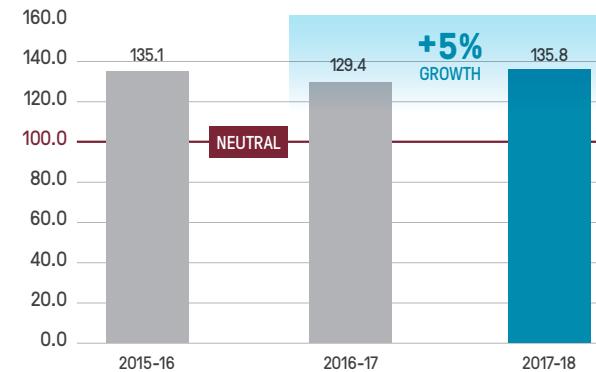
## INDEX COMPONENTS

<b>NEXT</b> 12 months	<b>EXPECTED CHANGE IN SALES</b>
	<b>OVERALL AGENCY BUDGETS</b>
	<b>INDIVIDUAL AGENCY DEPARTMENT BUDGETS</b>
<b>LAST</b> 12 months	<b>REPORTED CHANGE IN SALES</b>

## RESULTS

After a slight decline last year, the latest GCCI score rebounded to a level similar to 2015. The index for 2017 was 135.8, which is 5.0% higher than last year's score of 129.4. This modest improvement was driven by a 21% increase in the score for expected agency spending overall, along with an 8% increase in the score for agency funding by department. The upcoming sales component (tracking % higher versus % lower) went up by 3% while the prior year sales factor declined by 5%, reflecting a smaller share of firms reporting an increase this year over last year.

## ONVIA GOVERNMENT CONTRACTOR CONFIDENCE INDEX (GCCCI)



## IMPLICATIONS

The overall composite index rose enough to make up for the ground lost last year with the uncertainty around the national elections and how it might affect the economy and agency budgets.

Within the index, what is striking is the high confidence of these companies in the ability of the government market to expand or grow this year overall. This basic perception is helping drive market confidence beyond where it would be simply based on company sales expectations alone.



# SELECTED COMMENTS ABOUT THE BUSINESS OUTLOOK

When representatives of the companies surveyed were asked to comment on their business outlook over the next 12 months, many pointed to an increased confidence in the economy and government spending. There were also a number of comments specifically related to growth in infrastructure as well as in areas of technology.

“While there is certainly uncertainty in the air, overall there is a sense of confidence in the economy, that I believe will translate into more tax revenue and larger budgets.”

“Agencies are increasing spending in some areas, and in other areas there is increased outsourcing to reduce cost where budgets are constrained.”

“The new administration plans to spend more on things that we provide.”

“I think decision-makers are seeing the needs that have been on-going and will allocate the funds needed to update and refurbish the government facilities.”

“There seems to be a focus from government on infrastructure spending and our business relies heavily on infrastructure work.”

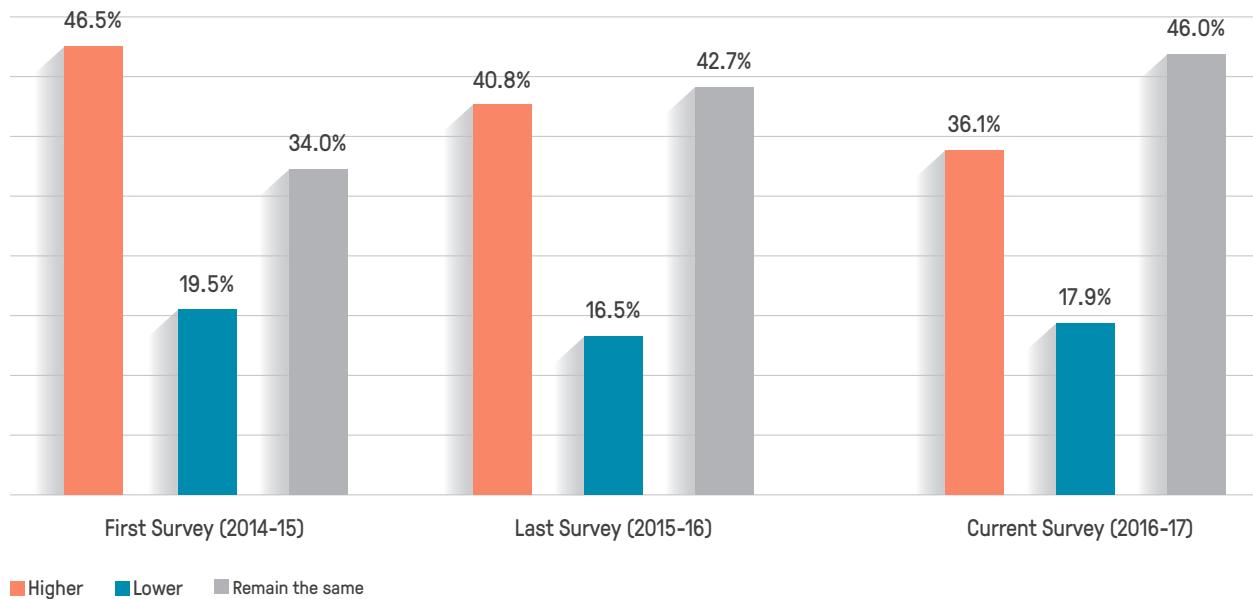
“Better economy, more tax dollars, more road work.”

# RECENT CHANGE IN SALES – LAST 12 MONTHS

Over the last 12 months, 82.1% of contracting firms reported either growth or stability in their public sector sales revenues from government contracts. This is down slightly from 2016 (83.5%) and remains higher than 2015 (80.5%). A total of 36% of companies in this survey reported an increase

in their public sector sales while 18% reported a decrease. The percentage of firms reporting growth was several percentage points lower than last year's survey, which was also somewhat lower than in the first survey.

## RECENT CHANGE IN REVENUE - LAST 12 MONTHS



## TAKEAWAY FOR VENDORS

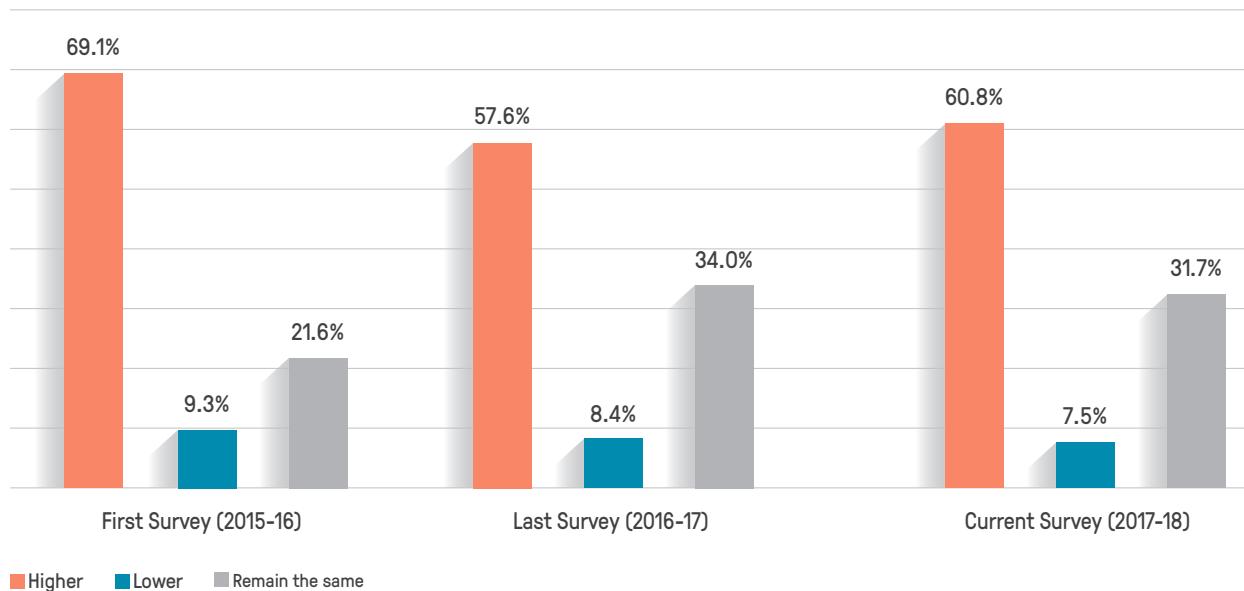
In spite of election year uncertainty and slow economic growth over the last 12 months, these results point to a market that remains healthy and is growing. At the same time, with more firms reporting no change and fewer companies reporting an increase, there are some signs of slowing in the pace of growth overall.

# EXPECTED CHANGE IN SALES – NEXT 12 MONTHS

Over the last three surveys there has been an upward trend in the percentage of companies that expect their public sector sales to grow or remain stable over the next year (from 90.7% to 92.5%). A total of 61% of vendors expect to grow revenue, which is up slightly from 2016 (58%). Meanwhile,

the percentage expecting a decline decreased slightly to 7.5%. In contrast to the fact that fewer companies have been growing in the last 12 months, these expectations suggest a market with more optimism about the potential to continue growing.

## EXPECTED CHANGE IN REVENUE - NEXT 12 MONTHS



## TAKEAWAY FOR VENDORS

Government contractors are more bullish about their prospects for sales growth in the coming year. This optimism is noteworthy in a slow economy with continued uncertainty at the federal level.

Infrastructure is certainly a factor, with more than \$200 billion in voter-approved tax initiatives in November. This positive shift is also consistent with Onvia's quarterly [Procurement Snapshot](#) on bids and RFPs in the broader market – which showed that since the November elections growth has resumed, with a 4.9% year-over-year increase in Q1 2017.

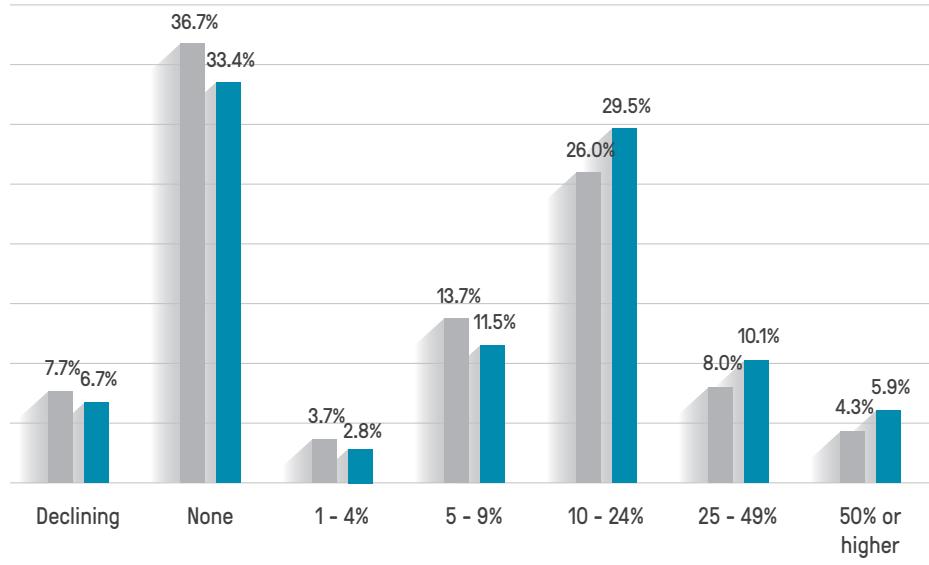
# EXPECTED AMOUNT OF CHANGE – NEXT 12 MONTHS

Overall, companies are expecting an increase of 10.9% over last year in their sales to government agencies. This is a noticeable improvement from last year's average of 8.7%. Looking at the detail, the largest concentration of expectations were for "no change" or 10-24% growth. Those expecting strong growth of at least 10% generally increased as a share of the total. These results were generally consistent across industries except for technology firms (at 15.9%).

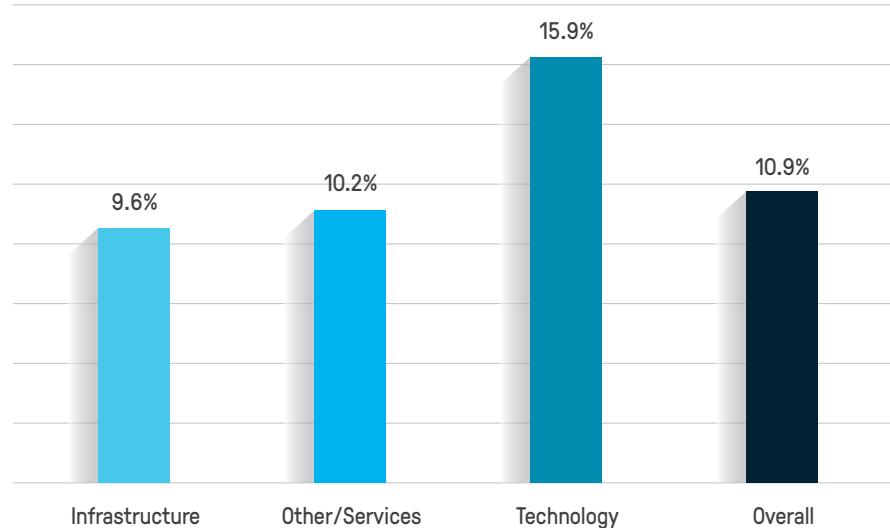
## TAKEAWAY FOR VENDORS

These results point to a market that is expecting somewhat better revenue growth over the next year compared to the last survey (11% versus 9% last year). In giving these responses, contractors presumably are factoring in their own expectations for their company's ability to grow as well as the goals that have already been adopted for sales. Since we did not ask them to create a realistic or "highly likely" actual forecast, these expectations most likely reflect targets to hit rather than actual levels.

### EXPECTED % GROWTH IN GOVERNMENT SALES – NEXT 12 MONTHS



### AVERAGE CHANGE EXPECTED – NEXT 12 MONTHS



Last Survey (2016-17)

Current Survey (2017-18)

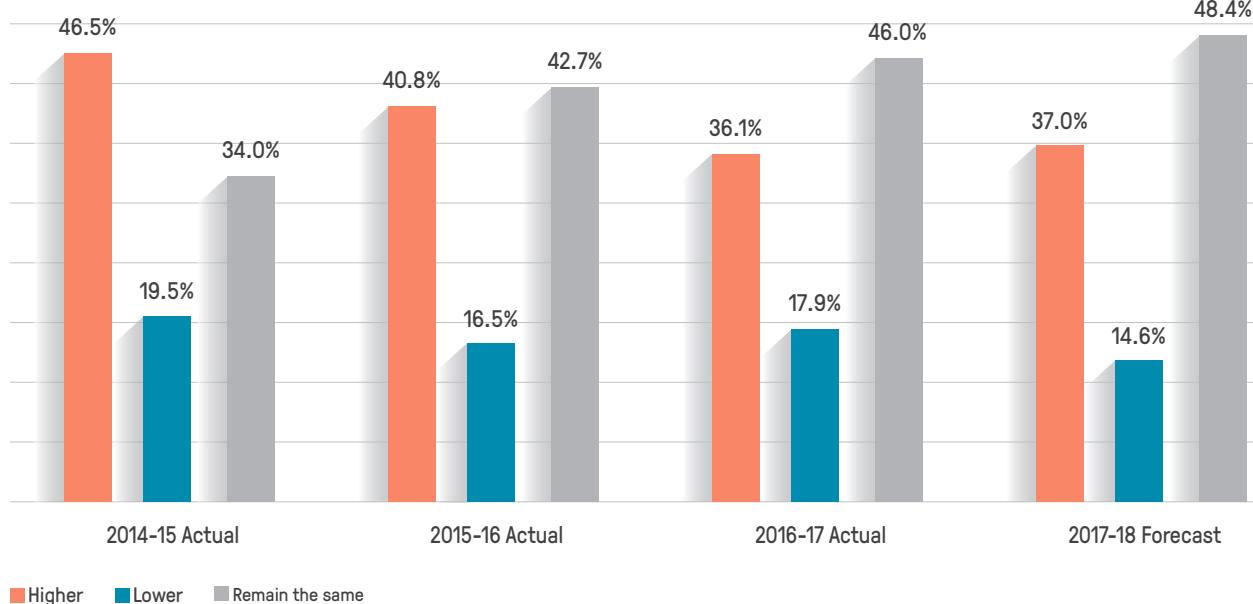


# FORECAST OF REALISTIC SALES OUTCOMES – NEXT 12 MONTHS

Using data from our last two surveys, we generated a realistic forecast for outcomes over the next 12 months. This was based on comparing reported actual changes experienced (looking backward) with the predictions companies made in the previous year. While 61% of firms expect to grow in the current survey, the forecast is calling for 37.0% to actually grow in government sales when

the realistic adjustments are made. That is up very slightly from the actual results reported in this survey of 36.1% growing in the past year. However, at the same time the share of companies declining is projected to decrease to the lowest level of the past three years (14.6%), meaning over 85% of companies should either remain stable or grow.

## EXPECTED CHANGE IN REVENUE - NEXT 12 MONTHS



## TAKEAWAY FOR VENDORS

The forecast here provides a more realistic indication of the direction that government contracting is likely to take to assist in interpreting changes in the survey results.

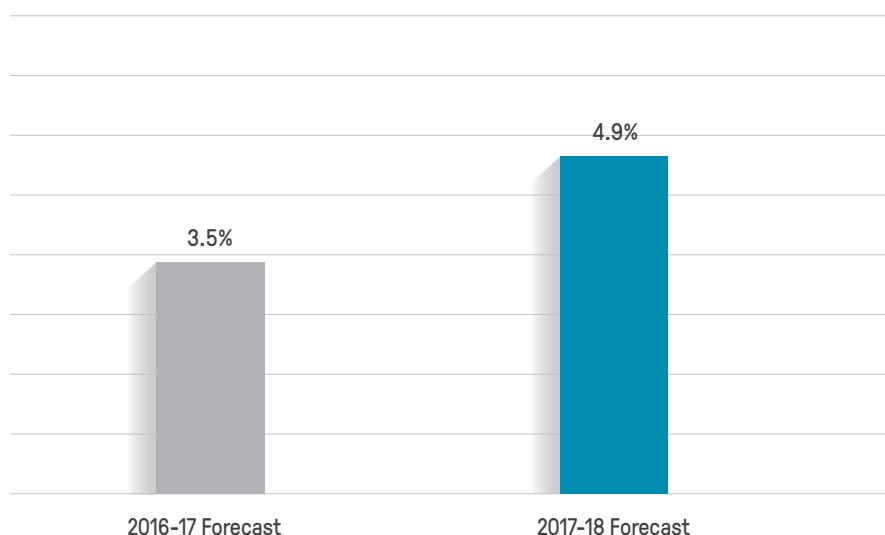
Based on these adjustments that simulate reality, the data suggests the market will be able to support real growth over the coming year – with more firms actually growing than declining. This helps support a higher overall average rate of growth than experienced last year.

# AVERAGE REALISTIC AMOUNT OF CHANGE – NEXT 12 MONTHS

Applying the same adjustment factors used in the forecast of high/low/same outcomes to the data for the exact amount of expected change in public sector revenue, we were able to calculate a likely forecast for the overall amount of change that these companies will experience over the coming 12 months\*.

With the adjustments in place, contractors are forecasted to grow by 4.9% in the coming year, which compares to last year's equivalent estimate of 3.5% (an improvement of 1.4%). Factoring in differences by industry, established technology firms should be able to grow somewhat faster, by 7.3%, versus around 4.5% for other industries.

## AVERAGE REALISTIC GROWTH RATE



\*Note: This estimate is based on market conditions and perceptions at the time of each survey and the expectation that the relationship of sales predicted in the earlier year to actual sales changes reported in the current year will continue to be consistent moving forward. They are also based on a sample focusing on the more established contractors (see demographics) and may be somewhat different from overall market averages if all types of contractors were included in the survey.

## TAKEAWAY FOR VENDORS

Adjusting for reality gives us a fairly strong likely growth amount of 4.9%. Vendors should remember the old saying that "individual results may vary." Just because the metric shows a reasonable amount of average growth doesn't mean this will happen regardless of sales and marketing efforts.

Those companies who are now investing in the market or are improving their marketing tactics stand to raise their win rates and grow at a higher rate while others may see lower or minimal growth with a reduced share.

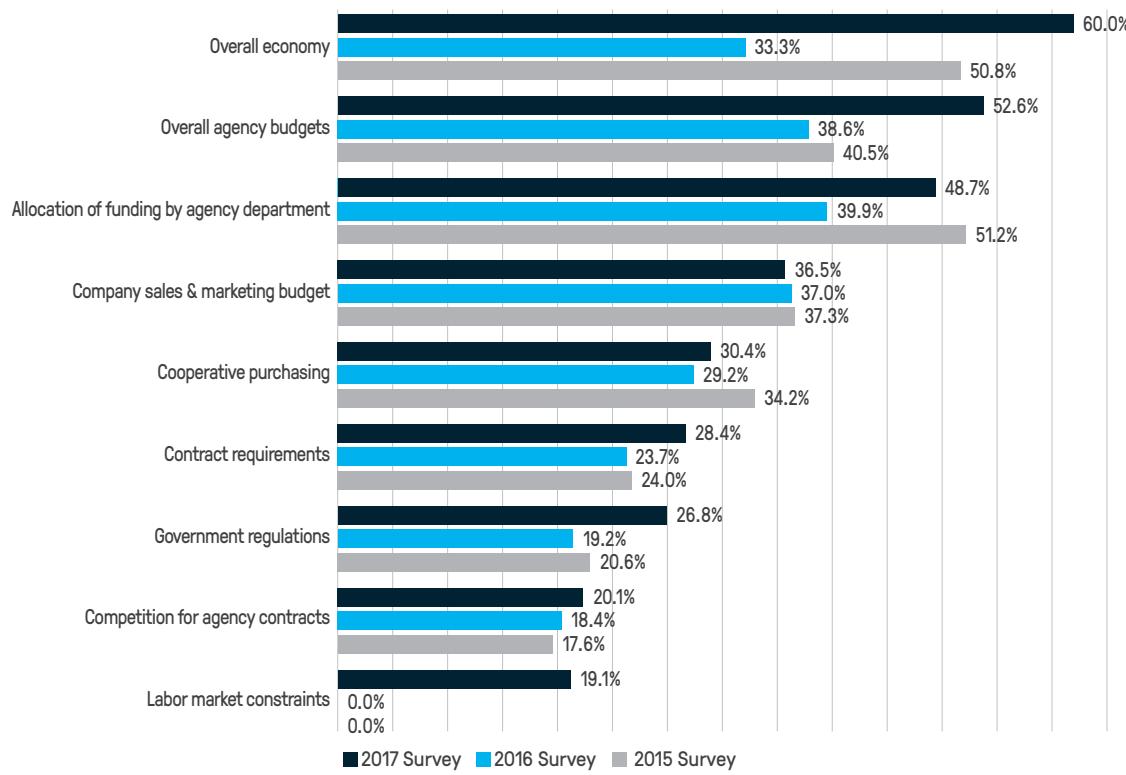


# TOP DRIVERS OF GROWTH EXPECTATIONS

Nine factors were considered that may positively or negatively affect a company's government sales in the coming year. The top drivers of growth are shown in the chart below, which ranks each one from high to low in the percentage of companies that expect a positive impact. In the current survey, the economy was the highest ranked positive factor, followed closely by "overall agency

budgets" and "allocation of funding by agency department". Following an uncertain 2016 election year, confidence is clearly higher in the economy and government budgets. Another shift is in the area of government regulations under a more "pro-business" administration, with a rise in the share of companies expecting a positive impact.

## TOP DRIVERS OF GROWTH EXPECTATIONS



## TAKEAWAY FOR VENDORS

Certainty appears to be up, which is always a positive for business confidence and investment decisions. Much of the force behind positive expectations seems to be coming from improvement in perceptions about the health or vitality of the economy as well as overall agency budgets. These perceptions appear to be rebounding after an unusual amount of uncertainty in the 2016 election year.

## BECOMING MORE OF A POSITIVE DRIVER

Factor	2016 Survey	2017 Survey	Difference
Overall economy	33.3%	60.0%	<b>26.7%</b>
Overall agency budgets	38.6%	52.6%	<b>14.0%</b>
Allocation of funding by agency department	39.9%	48.7%	<b>8.9%</b>
Government regulations	19.2%	26.8%	<b>7.6%</b>



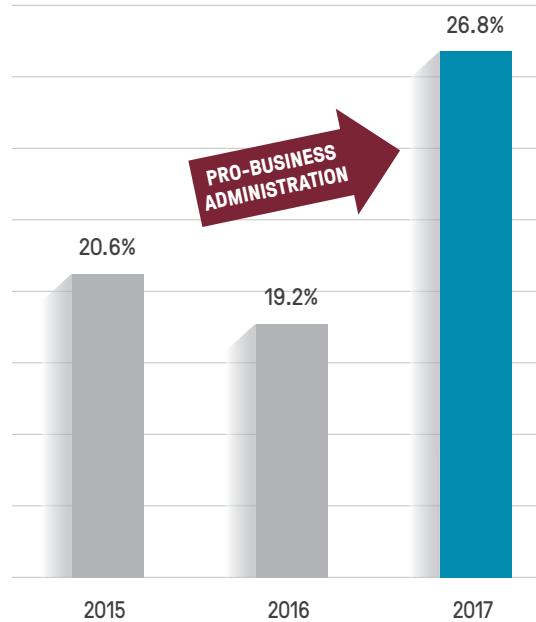
# TRACKING CHANGE IN SELECTED POSITIVE DRIVERS

Recent trends in several of the key drivers were meaningful enough to break out visually and discuss further. It can be argued that these drivers were influenced by the end of a particularly difficult or uncertain 2016 election year.

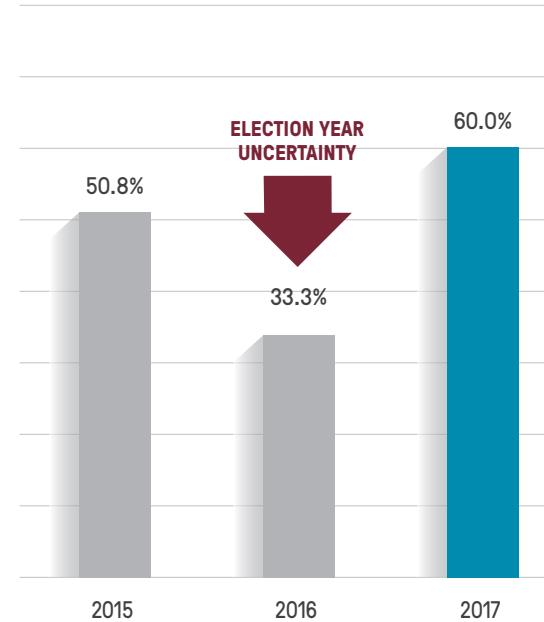
Moving forward from the November elections has apparently led to greater confidence in the

direction of both the economy and government spending. At the same time, more companies are looking forward to “pro-business” changes in regulations than before and this positive segment is now slightly larger than those complaining about regulations (see page 17).

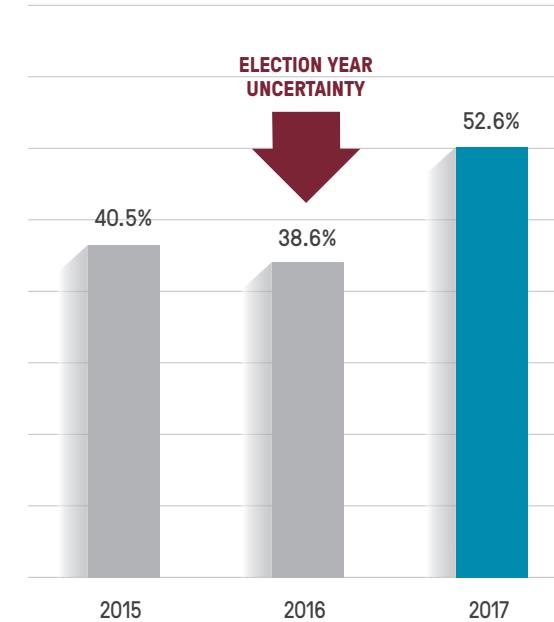
## GOVERNMENT REGULATIONS: % POSITIVE IMPACT



## OVERALL ECONOMY: % POSITIVE IMPACT



## OVERALL AGENCY BUDGETS: % POSITIVE IMPACT



# SELECTED COMMENTS FOCUSING ON SALES & MARKETING

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In their comments about growth expectations, a number of companies indicated they are either increasing their focus on the government market or are improving their marketing efforts to accelerate sales. The implication for vendors is that in a growing market, where many players are upping the stakes or increasing their marketing investment, just doing the same things may not be enough to maintain market share in the coming year.

---

“We are always improving our outreach to government entities and hopeful that this continues to pay off in term of sales.”

---

“We have increased our sales staff for this segment of the market.”

---

“We are partnering with multiple companies to support bids.”

---

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“We are pursuing government work that we did not focus on previously.”

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“We are aggressively marketing our services to additional agencies.”

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“We are expanding territory coverage.”

# TOP CONCERNS AFFECTING GROWTH

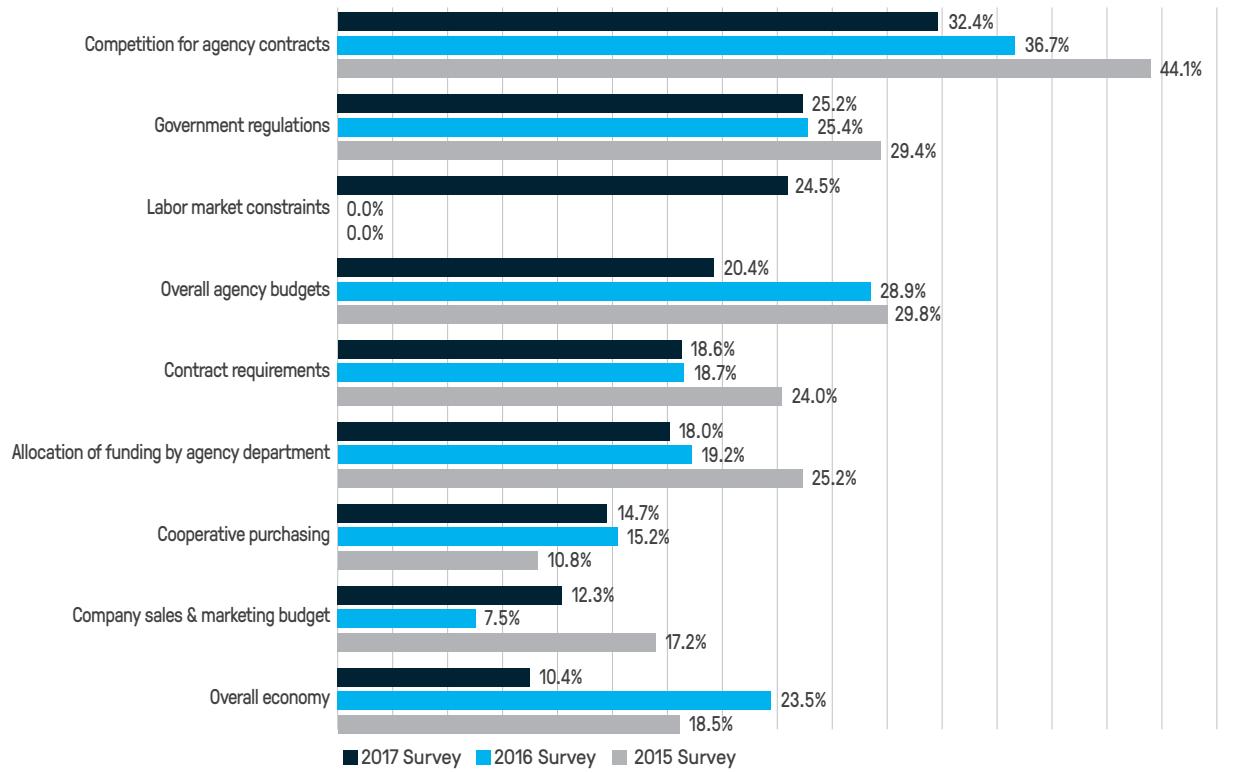
Ranking the nine factors by the percentage of companies expecting a negative impact revealed some of the major concerns. Competition among government vendors for contracts once again was ranked #1 (32%), followed by government regulations (25%) and labor market constraints (25%). Concerns about overall agency budgets was fourth in order (20%). Concerns about inadequate

company sales budgets were only mentioned by 12% - the second to lowest ranked factor. Ranked last as a negative factor was the overall economy (10%). Differences from last year, other than for the economy and overall budgets, were generally not large enough to be meaningful.

## TAKEAWAY FOR VENDORS

In a growing marketplace with more opportunities, fewer companies will cite negative impacts or major concerns. Around 25-32% considered competition, regulations and labor market constraints to be among the top concerns affecting their outlook.

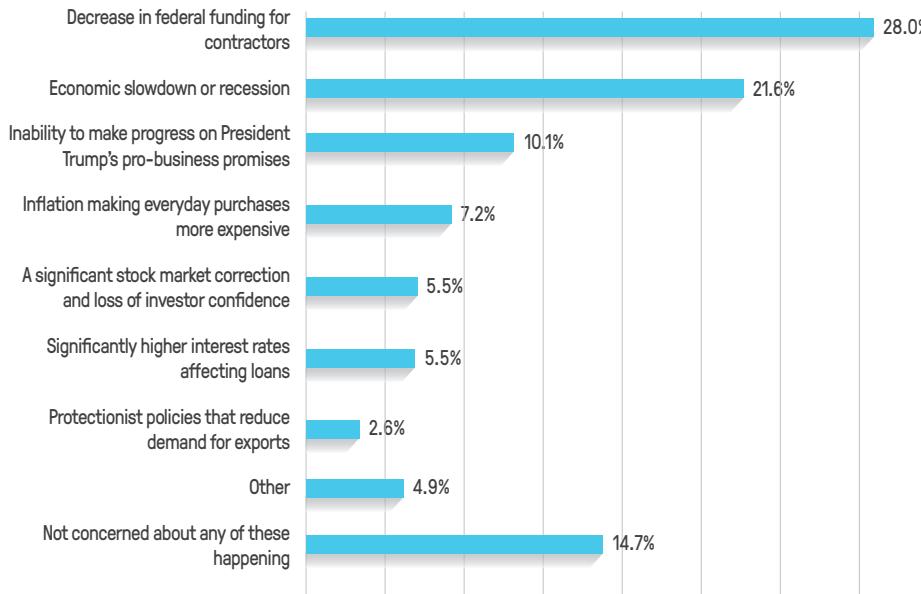
TOP CONSTRAINTS LIMITING GROWTH



# TOP POTENTIAL RISKS AND POSITIVE CHANGES

There was a general consensus on what the greatest business risks or threats are at this time, as well as which pro-business policy changes would have the greatest impact. Government contractors are most worried about potential declines in federal funding for contracts (28%) followed by the possibility of an economic slowdown or recession (22%). On the positive side, they are hoping to see funding for the promised infrastructure stimulus program (30%) as well as pro-business federal tax reform (24%).

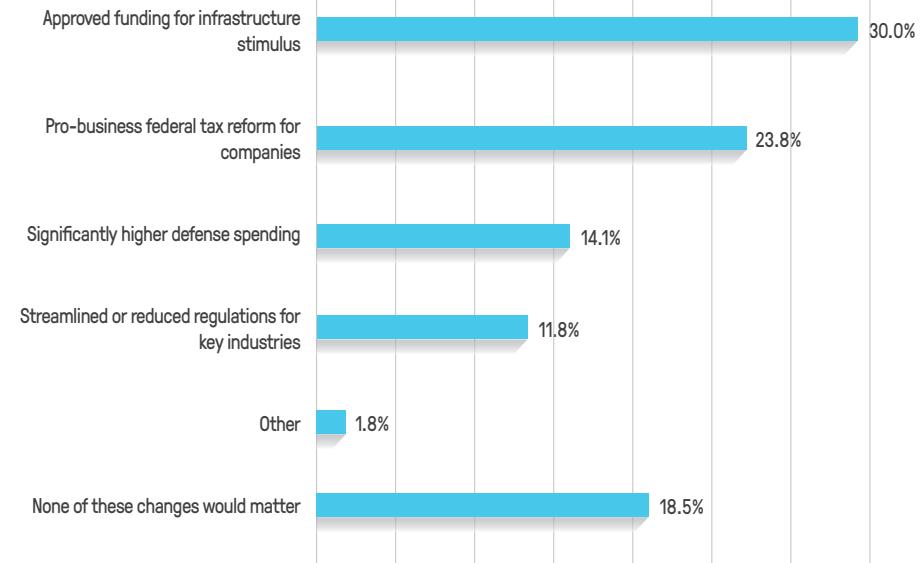
## WHAT IS THE BIGGEST RISK TO YOUR BUSINESS OUTLOOK?



## TAKEAWAY FOR VENDORS

85% indicated they were concerned with at least one of these business risks. The top two risks selected suggest that even though contractors are generally positive about the market, some questions remain about the economy and federal spending. More than one in five indicated that a slowing economy was the top concern. The top two concerns are somewhat related: In the event of a recession or downturn there would most likely be greater pressure to cut federal budgets.

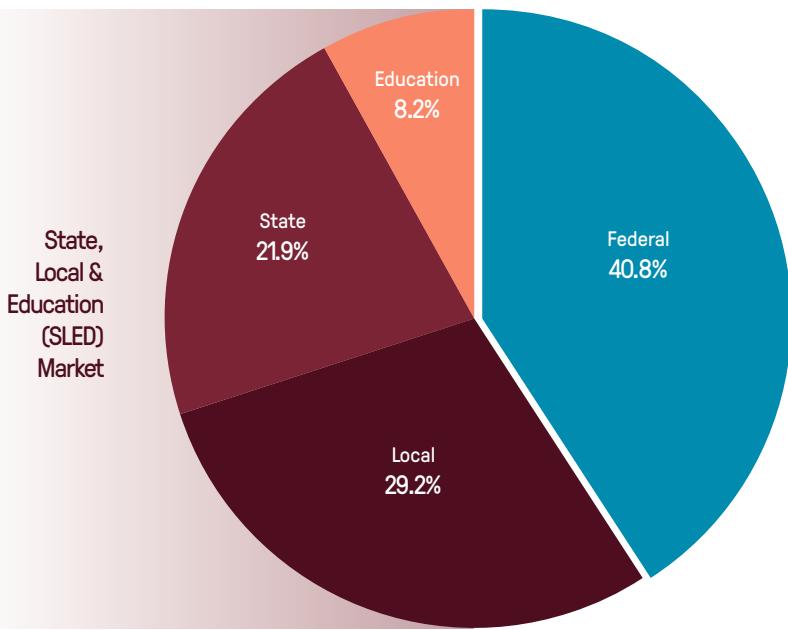
## WHICH PRO-BUSINESS POLICY CHANGE WOULD HAVE THE MOST POSITIVE IMPACT



# POTENTIAL FOR GROWTH BY LEVEL OF GOVERNMENT

Companies surveyed were asked to choose a single government market that was seen as having the greatest potential to grow in the next 2-3 years. Nearly sixty percent (59.2%) of businesses selling to the public sector named one of the state, local or education (SLED) agency types as having the strongest potential.

## WHICH MARKET HAS THE MOST POTENTIAL FOR GROWTH (NEXT 2-3 YEARS)



## TAKEAWAY FOR VENDORS

These responses point to a broad-based positive outlook about government in general, with opportunities for growth and expansion at virtually every level.

The most successful contractors do not limit themselves to only federal or only state and local agency customers but are open to considering contracts across multiple levels of government.

# SUMMARY OF FINDINGS

## COMPETITION, REGULATIONS AND LABOR MARKET RANKED HIGHEST AS CHALLENGES

Out of the nine factors affecting outlooks, the top three ranked highest for negative impacts were competition, regulations and labor market constraints

## CONFIDENCE REBOUNDS IN GCCI INDEX

Confidence rebounds after a lower 2016 year, as the GCCI index rises by 5.0%

## HIGHER RATE OF GROWTH ESTIMATED

Adjusting for typical outcomes, sales should be able to grow by 4.9% - up from last year's average forecast of 3.5%

## HIGHER OVERALL AGENCY BUDGETS

More companies expect a positive impact due to higher overall government spending in the coming year (39% up to 53%)

## TECH COMPANIES TO GROW FASTER

Broad growth expectation across industries but tech firms are somewhat stronger (7% forecasted growth versus 4.5% for other industries)

## NOT EVERY AGENCY BUDGET WILL GROW

9% more companies expecting growth at the department level versus 14% more expecting growth for overall agency budgets (greater optimism at the agency level than for individual line items)

## MORE VENDORS THINK ECONOMY WILL BE POSITIVE

Those expecting a positive impact from the economy rose from just 33% last year to 60% (it was at 51% in the 2015 survey)

## MOST ARE CONCERNED ABOUT POSSIBLE MARKET RISKS

85% were concerned about at least one of several possible market risks or events such as another recession or a cut in federal budgets affecting contracts

## COMPANIES ARE INVESTING IN THIS MARKET

Verbatim comments point to a strong willingness on the part of companies to invest in the government market, including hiring staff and investing in marketing

## IMPROVED EXPECTATIONS FOR SALES

More companies expect to increase sales and fewer expect a decrease

## MANY LOOK FORWARD TO SIMULUS AND TAX REFORM

Among potential pro-business policy changes, infrastructure stimulus and corporate tax reform were ranked highest - selected by 24-30% each



# APPENDIX: DEFINITIONS OF INDUSTRY GROUPS

## INFRASTRUCTURE

We used a broad definition of related industry sectors:

- Construction
- Architecture & engineering
- Water & energy
- Transportation
- Environmental services
- Landscaping

## TECHNOLOGY

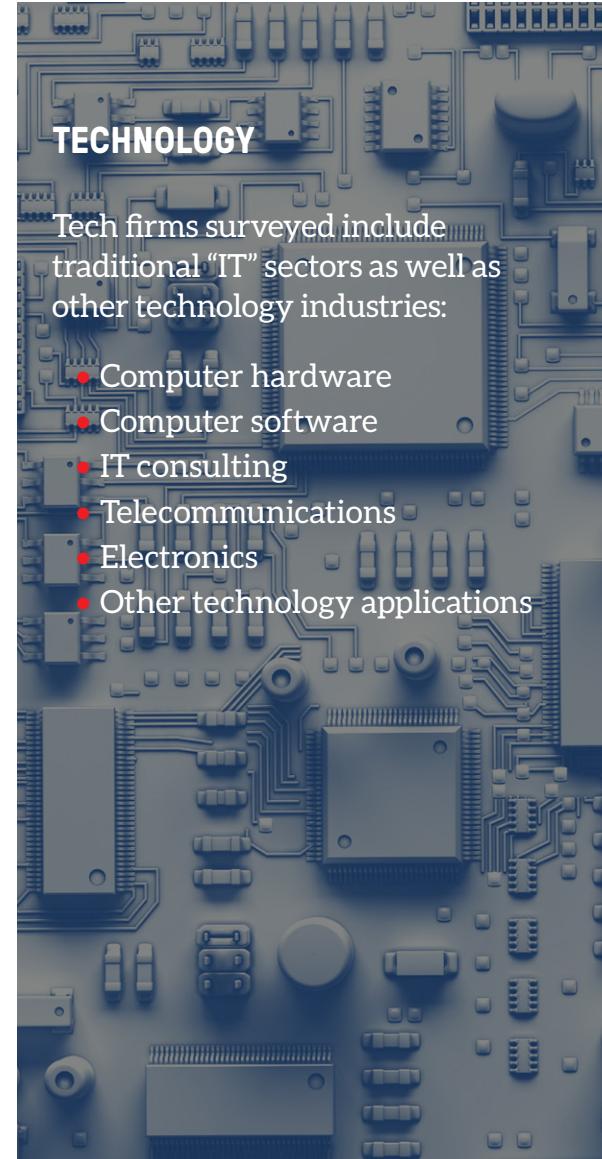
Tech firms surveyed include traditional "IT" sectors as well as other technology industries:

- Computer hardware
- Computer software
- IT consulting
- Telecommunications
- Electronics
- Other technology applications

## OTHER SERVICES AND INDUSTRIES

We used a broad definition of related industry sectors:

- Professional business services
- Operations & maintenance
- Public safety & national defense
- Healthcare
- Financial & insurance
- Educational services



## INTERESTED IN MORE INFORMATION?

Onvia connects private and public sectors in a more efficient B2G marketplace, assisting their expanded exchange of commercial opportunity. Learn more about how Onvia creates value for both business and government:

### FOR BUSINESSES

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Onvia 7

### FOR GOVERNMENT

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Onvia Exchange



Onvia is the leading provider of sales intelligence and acceleration at the core of the business-to-government (B2G) marketplace. Visit [www.onvia.com](http://www.onvia.com) or click below to learn more about how Onvia can help equip your organization for success in the B2G marketplace.

Doing business in  
3 states or less?



[SEE EXAMPLE PROJECTS](#)

Selling in more  
than 3 states?



[REQUEST A LIVE DEMONSTRATION](#)

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