INSIDER REPORT 2017

2017 TRENDS IN GOVERNMENT PURCHASING
2017 Trends in Government Purchasing
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WELCOME


Our annual report explores the many facets of the government procurement cycle including attitudes on the importance of technology and where decisions makers expect to direct their dollars. It is based on a survey of government executives across civilian and defense agencies. We’ve asked them about their priorities, buying habits and culture.

Among the insights you’ll gain are the top criteria government buyers use when picking their vendors and contractors and the types of service providers they are likely to hire.

Our focus is on technology purchases, so we’ll be looking at a wide range of technology areas including big data, cloud computing, cyber, health IT, data centers, mobile, and hardware and software.

The result is a report that you can use as a roadmap to your customers’ priorities, purchasing plans and mission requirements for the coming year and beyond.

As always we welcome your feedback on how we can make this and future Insider Reports more valuable to you and your business. Email us at WTInsider@WashingtonTechnology.com.

Nick Wakeman, Editor-in-Chief
Overview

One thing is abundantly clear from our survey results: No one is expecting 2017 to experience an explosion of new spending.

When asked if they expected to spend more, less or the same on technology in the coming year, only 32 percent said they expected more. That’s on par with last year’s response of 30 percent. The breakdown on the other answers is nearly the same as well: 52 percent see spending staying the same. Last year, the figure was 50 percent. The remaining—16 percent—see it going down. Last year, that stood at 20 percent.

Overall, we see a slight improvement but there is no expectation of a booming year ahead.

What we do know is that technology plays an important role in government and this bodes well for the long-term health of the industry.

Our survey included a series of statements about technology and respondents were asked to either strongly agree, agree, disagree or strongly disagree. The results give us insights into both what government buyers value and also where industry might need to improve.

Respondents overwhelmingly felt that technology is mission critical with 87 percent picking that statement in our survey. Eighty-three percent said it is essential to virtually every program in their agency or organization. They also believe strongly that technology will drive the next wave of efficiencies in government with 76 percent picking that statement.

Two other responses—at opposite ends of the spectrum—also give valuable insights into what buyers want and what they are receiving from contractors and vendors.

Buyers want results with 89 percent agreeing that technology must deliver tangible business results. But 67 percent also said that technology helps us decrease costs.

The tangible business results choice was the top pick of respondents so that indicates an important value that buyers want delivered.

The cost savings response received the lowest number of responses and tells us that many don’t see technology as delivering this critical value. Respondents are saying that technology delivers many things but saving money isn’t always one of those things.

This could be an opportunity for differentiation for vendors who can prove they can save government buyers money.

Do you agree or strongly agree that at your agency technology...

<table>
<thead>
<tr>
<th>Statement</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Investments have to deliver tangible business results</td>
<td>89%</td>
</tr>
<tr>
<td>Is mission critical</td>
<td>87%</td>
</tr>
<tr>
<td>Initiatives have increased in scope and complexity</td>
<td>84%</td>
</tr>
<tr>
<td>Is essential to virtually every new program in our agency</td>
<td>83%</td>
</tr>
<tr>
<td>Will drive the next wave of efficiencies in government</td>
<td>76%</td>
</tr>
<tr>
<td>Helps us to decrease costs</td>
<td>67%</td>
</tr>
</tbody>
</table>
Favored Contracts

Government buyers have a wide range of contract vehicles at their disposal and a large percent of both civilian and defense buyers expect to use more than one contract in the coming year. Sixty-two percent of civilian buyers will use more than one contract and 57 percent of defense buyers will use more than one.

Most-Used Defense Contracts

Defense buyers said they plan to use the following contracts:

- **Army ITES-2S or ITES-2H**: 28%
- **GSA STARS**: 13%
- **GSA OASIS**: 12%
- **Army Strategic Services Sourcing**: 12%
- **GSA Alliant/Small Business**: 11%
- **NASA SEWP V**: 7%
- **GSA Schedule 70**: 4%

Most-Used Civilian Contracts

Civilian buyers said they plan to use the following contracts:

- **GSA Schedule 70**: 34%
- **NASA SEWP V**: 21%
- **GSA Alliant/Small Business**: 20%
- **GSA OASIS**: 15%
- **GSA STARS**: 13%
- **Army ITES 2S or ITES 2H**: 3%
What Your Customer Values

Government buyers weigh multiple factors when picking their contractors and vendors. In the charts below we break down those various factors. Security tops the list but product features and price aren’t far behind, sending a clear signal that contractors and vendors need to balance price and function to deliver value. It also is important to note that vendor quality scored as high.

Percentage who rate the criteria as important or extremely important when making technology buying decisions.

<table>
<thead>
<tr>
<th>Criteria</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Security features</td>
<td>88%</td>
</tr>
<tr>
<td>Product features</td>
<td>82%</td>
</tr>
<tr>
<td>Price</td>
<td>82%</td>
</tr>
<tr>
<td>Quality of vendor service/support</td>
<td>82%</td>
</tr>
<tr>
<td>Ease of use/deployment</td>
<td>81%</td>
</tr>
<tr>
<td>Proven technology</td>
<td>81%</td>
</tr>
<tr>
<td>Total cost of ownership/ROI</td>
<td>78%</td>
</tr>
<tr>
<td>Integration capabilities</td>
<td>76%</td>
</tr>
<tr>
<td>Positive reviews/evaluations</td>
<td>75%</td>
</tr>
<tr>
<td>On approved schedule/contract</td>
<td>69%</td>
</tr>
<tr>
<td>Vendor can deliver a complete solution</td>
<td>68%</td>
</tr>
<tr>
<td>Innovative technology</td>
<td>65%</td>
</tr>
<tr>
<td>Our contractor/integrator supports this product</td>
<td>60%</td>
</tr>
</tbody>
</table>
What Customers Value in Service Providers

When picking a services provider, government buyers are focused on flexibility and experience. As the chart below describes, multiple factors are important when buyers evaluate services providers.

Percentage who rate the criteria as important or extremely important when making technology buying decisions.
2017 Technology Purchasing Plans

Respondents said they plan to buy the following over the next 12 months:

- Cybersecurity: 66%
- Cloud computing: 65%
- Infrastructure/Data Center: 64%
- Mobile/Communications: 63%
- Big Data management and analytics: 59%
- Public Safety: 57%
- Virtualization: 54%
- Health IT: 38%

Big Data Management and Analytics

Respondents said they would be purchasing the following big data management and analytics technology in the next 12 months:

- Analytics: 59%
- Business intelligence: 21%
- Data warehousing: 21%
- High performance computing: 15%
- Other: 5%

Cloud Computing

Respondents said they would be purchasing the following cloud technologies in the next 12 months:

- Software-as-a-service: 35%
- Cloud security: 34%
- Infrastructure & Platform as a service: 28%
- Email, collaboration, etc.: 27%
- Other: 3%
2017 Technology Purchasing Plans (continued)

Cybersecurity solutions
Respondents said they would be buying the following cybersecurity solutions over the next 12 months:

- Network security: 36%
- Data security: 32%
- Endpoint security: 25%
- Application security: 24%
- Identity management/access management: 24%
- Continuous diagnostics & monitoring: 23%
- Other: 8%

Health IT
Respondents said they would be buying the following health IT solutions over the next 12 months:

- Data analytics: 16%
- E-health records: 9%
- E-prescribing: 6%
- Health information exchanges: 6%
- Patient tools: 6%
- Telehealth: 6%
- Clinical systems: 5%
- Medicaid management information systems: 5%
- Disease surveillance tools: 2%
- Other: 6%
2017 Technology Purchasing Plans (continued)

Infrastructure/Data Center Solutions
Respondents said they would be buying the following infrastructure and data center solutions over the next 12 months:

- **Storage**: 30%
- **Networking**: 28%
- **Servers**: 25%
- **Wireless infrastructure**: 25%
- **Disaster recover/COOP**: 23%
- **Voice-over-IP**: 11%
- **Energy efficiency**: 10%
- **Hyperconverged infrastructure**: 6%
- **Other**: 6%

Mobile/Communications Solutions
Respondents said they would be buying the following mobile and communications solutions over the next 12 months:

- **iOS**: 29%
- **Windows**: 24%
- **Android**: 22%
- **Mobile security**: 21%
- **Mobile device management**: 19%
- **Wireless broadband services**: 15%
- **Blackberry**: 12%
- **Chrome**: 11%
- **Other**: 7%
2017 Technology Purchasing Plans (continued)

Public Safety
Respondents said they would be buying the following public safety technology over the next 12 months:

<table>
<thead>
<tr>
<th>Category</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Information sharing</td>
<td>28%</td>
</tr>
<tr>
<td>Data analytics</td>
<td>20%</td>
</tr>
<tr>
<td>Emergency/event management</td>
<td>13%</td>
</tr>
<tr>
<td>Emergency communications</td>
<td>12%</td>
</tr>
<tr>
<td>Emergency response/communication</td>
<td>12%</td>
</tr>
<tr>
<td>Law enforcement</td>
<td>12%</td>
</tr>
<tr>
<td>Rugged IT</td>
<td>11%</td>
</tr>
<tr>
<td>Simulation</td>
<td>9%</td>
</tr>
<tr>
<td>Forensics</td>
<td>8%</td>
</tr>
<tr>
<td>Other</td>
<td>9%</td>
</tr>
</tbody>
</table>

Virtualization
Respondents said they would be buying the following virtualization technologies over the next 12 months:

<table>
<thead>
<tr>
<th>Category</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Server virtualization</td>
<td>30%</td>
</tr>
<tr>
<td>Desktop virtualization</td>
<td>28%</td>
</tr>
<tr>
<td>Storage virtualization</td>
<td>24%</td>
</tr>
<tr>
<td>I/O virtualization</td>
<td>8%</td>
</tr>
<tr>
<td>Other</td>
<td>3%</td>
</tr>
</tbody>
</table>
2017 Technology Purchasing Plans (continued)

Infrastructure products
Respondents said they expected to buy the following infrastructure products over the next 12 months:

- Software: 80%
- Systems/Hardware: 79%
- Peripherals: 65%
- Storage: 64%
- Networking: 52%
- Communications services: 47%

Networking solutions
Respondents said they planned to buy the following networking solutions over the next 12 months:

- Network management tools: 27%
- Routers/bridges/Hubs/switches: 24%
- Bandwidth management: 18%
- Software-defined networking: 14%
- Other: 5%
2017 Technology Purchasing Plans (continued)

Software solutions
Respondents said they planned to buy the following networking solutions over the next 12 months:

- Desktop/productivity software: 37%
- Database: 26%
- Collaboration/groupware: 24%
- Content/document/records management: 24%
- Data visualization: 17%
- Geospatial/mapping/imagery: 17%
- Enterprise resources planning: 13%
- Financial management: 13%
- DevOps/ALM/Agile: 10%
- Other: 13%
Our survey found that government buyers in the civilian and defense markets are seeing some improvement in how they interact with industry. Our numbers improved from last year, particular for Defense Department respondents, who said it has been easier to attend industry events, take on speaking engagements and accept meetings with vendors. On the civilian side, however, respondents indicated there has been no improvement in how they interact with industry.

Limits on access and interaction

Respondents reported restrictions on:

- **Attendance at industry and charity events**
  - DOD: 36%
  - Civilian: 37%

- **Speaking opportunities**
  - DOD: 32%
  - Civilian: 41%

- **Accepting meetings with vendors/contractors**
  - DOD: 9%
  - Civilian: 33%

- **Participation in professional organizations/associations**
  - DOD: 17%
  - Civilian: 22%
Conclusions

Our survey results show that government buyers are focused on many things when buying technology. But technology is a critical part of how they get their jobs done and they have plans to buy a wide range of products in the coming year.

They want good products. They want good prices. They want vendors and contractors they can trust.

Government buyers interact with industry through a wide array of contract vehicles, including the largest in the market but also a wide range of smaller, unnamed vehicles. They’ll be buying cybersecurity, networking, communications, cloud, infrastructure, and a variety of other technologies.

For vendors and government contractors, this survey makes clear that the government isn’t a monolithic buyer. To be successful, you’ll need a wide range of vehicles and expertise in the right technologies.

Buyers want knowledgeable vendors who can deliver high quality products and services. To be a successful contractor, you need to understand what your customer values. You have to map that value back to what and how you deliver.

Price is important but it doesn’t have to be the deciding factor. You need to show that you understand the customer and what is important to them.

If you can do that in today’s market, you’ll make your path to success smoother. It sill won’t be easy but you’ll increases your chances more than you otherwise would.
APPENDICES
Appendix A: The aging government worker

As part of our survey we collect various demographic information and the most interesting one to track has been the ages and retirement plans of federal workers who take our survey. It is important to note that this survey was taken before the presidential election. The aftermath of an election and the transition to a new administration often influence individual decisions on retirement.

But no matter who occupies the White House, there is no escaping that the population of government workers is aging.

Respondents by age group

<table>
<thead>
<tr>
<th>Age Group</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>65 and older</td>
<td>3%</td>
</tr>
<tr>
<td>55-64</td>
<td>42%</td>
</tr>
<tr>
<td>45-54</td>
<td>25%</td>
</tr>
<tr>
<td>35-44</td>
<td>11%</td>
</tr>
<tr>
<td>Under 35</td>
<td>15%</td>
</tr>
<tr>
<td>Didn’t answer</td>
<td>5%</td>
</tr>
</tbody>
</table>

Respondents who plan to retire in next 5 years

<table>
<thead>
<tr>
<th>Option</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Yes</td>
<td>31%</td>
</tr>
<tr>
<td>No</td>
<td>46%</td>
</tr>
<tr>
<td>Unsure</td>
<td>22%</td>
</tr>
<tr>
<td>Didn’t answer</td>
<td>2%</td>
</tr>
</tbody>
</table>
Appendix B: Methodology

Harvey Research, Inc. managed questionnaire development, analysis methodology, fielding and data reporting. Fielding was done by internet-based questionnaire, with respondent being able to direct a donation to their choice of five charities.

Sample selection of 203,637 Public Sector Media Group's print, online and newsletter subscribers from the FCW, GCN, Defense Systems and Washington Technology brands. Responses were matched against the original master file and weighted based on both their branch of government and their job function to properly represent the total population. Weighted data file caused 707 usable cases. The margin of error for percentages based on 707 responses is +/- 3.7% at the 95% confidence level.
Appendix C: About Harvey Research

In the early 1950’s, a Rochester, N.Y. advertising agency, Rumrill-Hoyt, had an internal research department that specialized in researching the performance of print ads that were created by the agency. At some point the agency’s management decided that there could be a perception of conflict of interest among their clients like Kodak, DuPont and Corning by researching their own ads. In 1953 the research department was spun off from the agency and given to its research director, Jean Harvey. Thus Harvey Research was established as an independent research company specializing in print ad and publication content research.

Since 1953 the company has become very well-regarded for providing independent, objective and highly professional research for thousands of advertisers and content publishers throughout North America, Europe and Asia. As the publishing world has evolved, Harvey Research has evolved with it. Today we specialize in helping content publishers document their total audience and understand how their advertising and content is received across all channels including print, websites, mobile apps, e-newsletters, events, etc. We continue to work with publishers and advertisers to document advertising effectiveness.

To learn more about Harvey Research visit:
www.harveyresearch.com