Washington Technology

INSIDER REPORT 2014

2014 TRENDS IN GOVERNMENT PURCHASING

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RESEARCH CONDUCTED BY:

Lodestar

Research • Innovation • Information Management

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Welcome to our WT Insider Report on 2014 buying trends in the government market, where we explore the procurement habits and priorities of government customers across a broad spectrum of agencies.

The report is based on an extensive survey taken by government officials where we asked them about purchasing plans in areas such as cybersecurity, infrastructure and mobility as well as challenges ahead.

Inside the report, you'll find how customers view information technology and the role IT plays in their mission. Be warned, customer expectations are high.

We examine critical areas such as factors agencies weigh when picking technology products and expected purchases to be made in the coming year.

The report takes a deep dive into buying plans around systems and hardware, software, peripherals, storage and networking. So don't miss the appendix.

The report can help guide your strategies as you identify the needs and pain points of your customers.

And 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

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Overview

For this Washington Technology Insider Report, we talked to hundreds of government buyers about their priorities, trends and purchasing plans for the upcoming year.

Several trends quickly emerged, including how important IT is to agencies completing their mission. In the current budget environment the criticality of information technology is often what protects IT spending from deeper cuts.

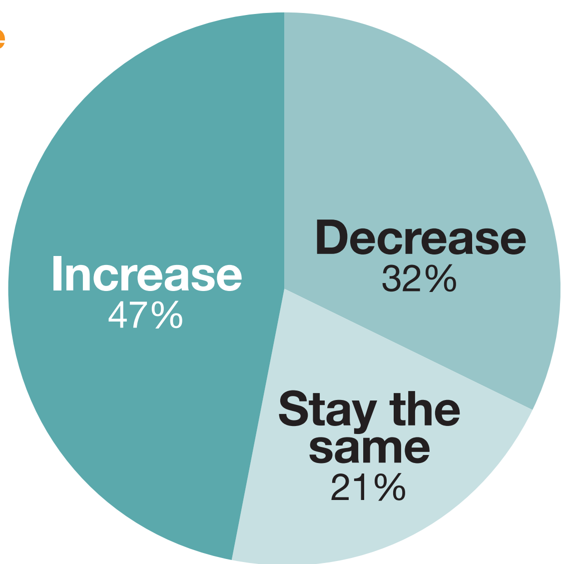
But while 90 percent say that IT is mission critical, this same group of government IT professionals also indicated that their expectations are high for what they want in return for their IT spending.

- **90 percent want investments to deliver tangible business results**
- **88 percent believe IT initiatives have increased in scope and complexity**
- **84 percent believe IT will drive the next wave of efficiencies in government**
- **83 percent said IT is essential to virtually every new program at their agency**
- **70 percent said IT helps them decrease costs**

Those high expectations are set against a back drop where only 47 percent of those surveyed believe that spending on IT will increase.

The good news is though that 21 percent believe it will stay the same. Thirty-two percent believe it will decrease.

Expected change in IT spending



These findings indicate that IT has found a relatively safe harbor during these stormy budget times.

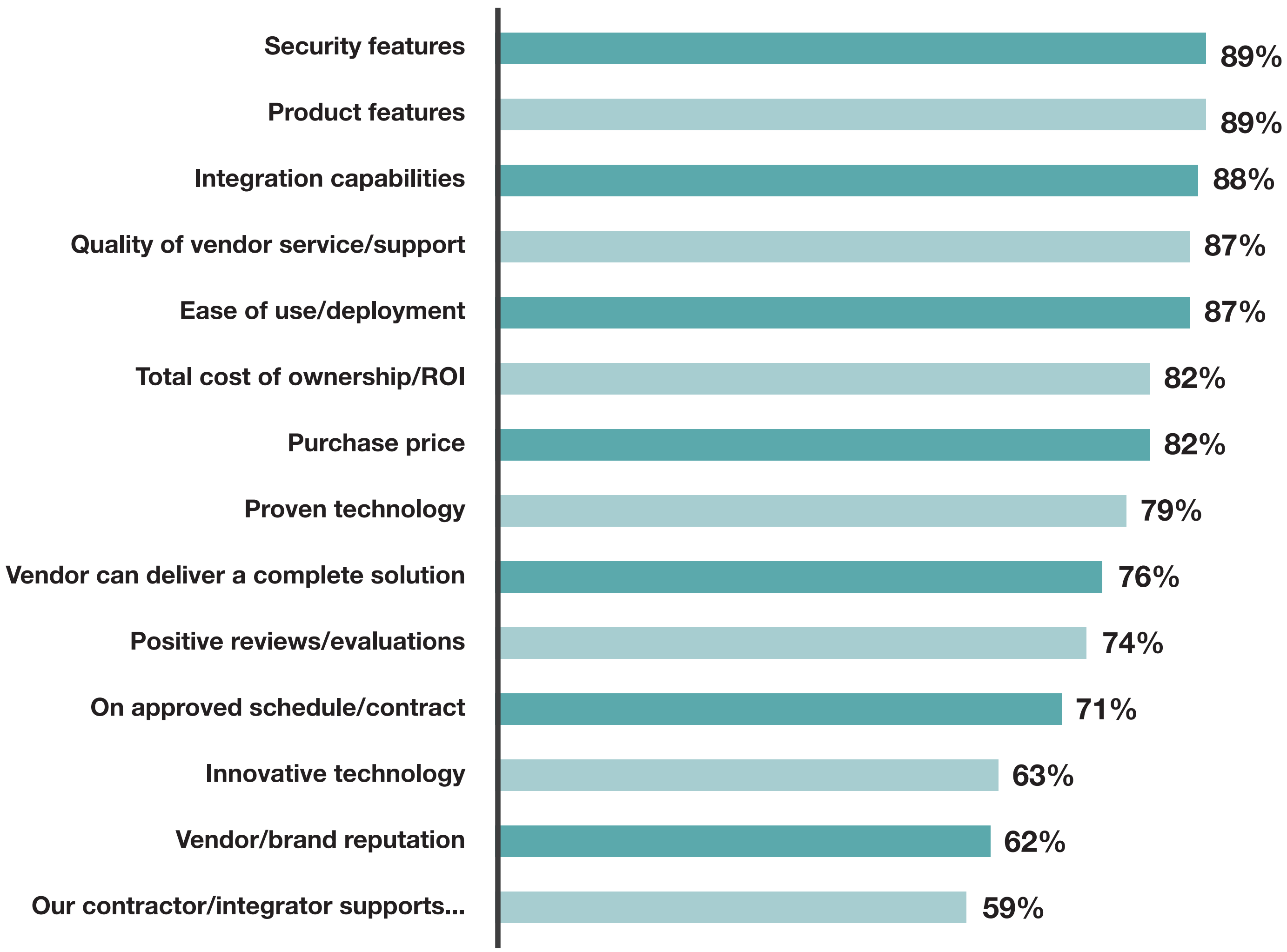
Most Valued Features & Capabilities

When purchasing IT products, we found that security topped the list of most important features buyers are looking for, with 89 percent saying this is an important feature. Again, this is an indication of how critical IT is to their agency's mission.

Other important features or capabilities include product features (89 percent), integration capabilities (88 percent) and quality of vendor service/support (87 percent).

The high value government buyers put on integration capabilities and vendor services as well as ease of use/deployment and return on investment are strong indicators that buyers want products that work the way literature says they will and that they have a company that will help them succeed with that technology.

What features or capabilities do you value the most when making a technology purchase?



Expected Technology Purchases

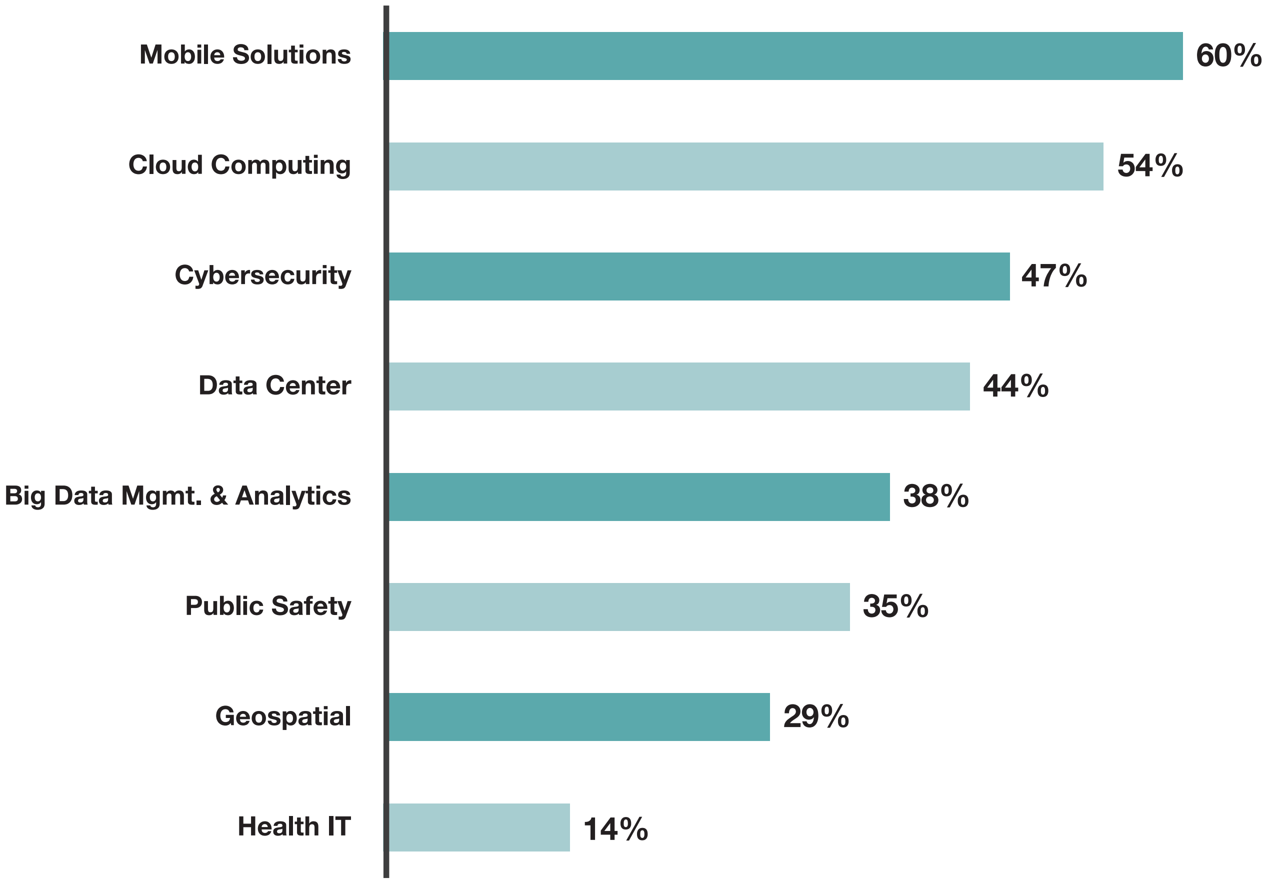
When it comes to the specifics of what government officials plan to buy in the next 12 months, mobile, cloud, cybersecurity, and data centers top the list.

These along with other priority technologies such as data analytics and geospatial are the kinds of technologies often touted for their ability to transform government and increase efficiencies of operations.

When we look at these spending plans it is clear that agencies are buying into the extended enterprise. They want the core IT infrastructure to reach out to employees and give them the access to information and services they need to work from wherever they are located.

That's why we see mobile and cloud topping the list of government IT priorities. Cybersecurity isn't far behind because without it, mobile and cloud would be empty promises.

What technology solutions do you expect to purchase over the next 12 months?



Expected Infrastructure Purchases

In our appendix, we offer a series of deeper dives into specific spending plans under each of these priorities.

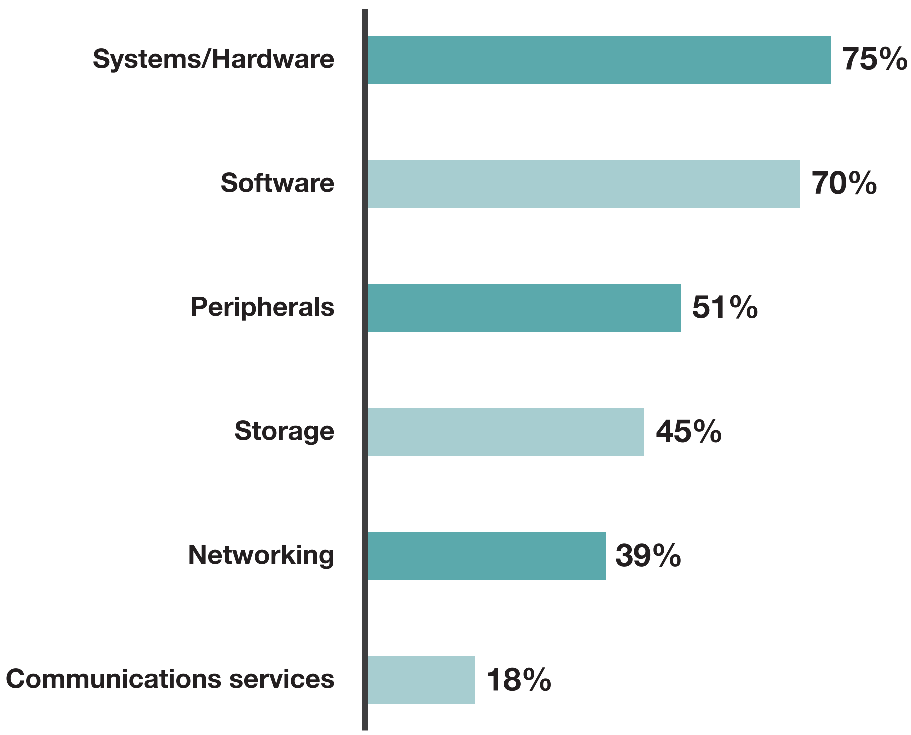
As agency buyers move forward and embrace newer technologies they aren't abandoning the traditional IT infrastructure needs. Systems, hardware, software, peripherals, storage and networking continue to be priorities.

Interestingly, desktops and laptops continue to be the dominant hardware solution government buyers are purchasing, with 55 percent saying they plan to procure these items in the next year.

Tablets only were picked by 34 percent and smart phones by 20 percent.

Again, our appendix offers a deeper dive into each of the priority infrastructure needs identified in our survey.

What infrastructure products do you expect to buy over the next 12 months?



Challenges Ahead

Ironically, while government buyers are trying to take advantage of promising technologies such as cloud and mobile solutions, they face more limitations on how they interact with industry.

A high percent of federal civilian and Defense Department respondents said they face limits on speaking opportunities, attendance at conferences and tradeshows and, industry and charity events.

The restrictions are a result of heightened concerns about potential conflicts of interest and the perception of wasting government funds to attend.

Traditionally, these kinds of events are where government buyers learn about emerging trends and can kick the tires of new products.

But now they find themselves in a tight spot of wanting to take advantage of the latest technologies but at the same time their exposure to the emerging trends is being limited.

Government officials face limitations on how they interact with industry:

Restrictions on…	Federal/ Civilian	DOD
speaking opportunities	50%	62%
attendance at educational conferences and tradeshows	52%	49%
attendance at industry and charity events	51%	47%
accepting meetings with technology vendors/contractors	33%	28%
participation in professional organizations and associations	21%	16%

Conclusions

The big takeaway from this report is simple and straightforward: Government buyers have high expectations of the return they receive from their IT investments.

This report points the way to specific buying trends in areas such as mobility, cloud computing, hardware, software, storage and networking. What you sell and deliver to the government are the choices you have to make. But it doesn't really matter what you are selling or what the government is buying, your government customers want results and they want efficiency.

As you look at the expected buying plans described in this report, keep those two factors in mind and make sure your marketing and business development plans address those expectations.

And then, of course, make sure you deliver against those expectations.

It's also important to keep in mind the limitations that your customers face. In today's budget environment, it has probably never been more critical for industry and government to have a dialogue about finding the best solutions for the government's challenges.

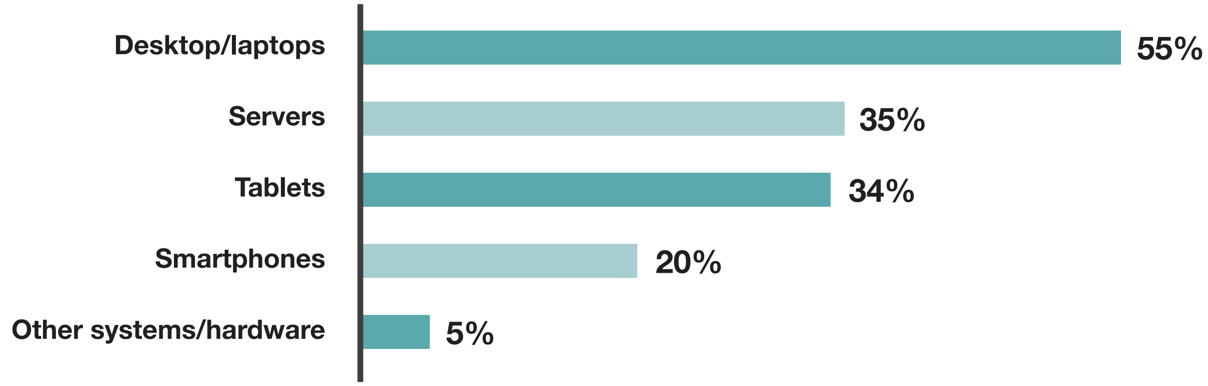
But many government buyers feel the dialogue with industry is restricted because of fears of conflicts of interest or perceptions of waste.

How you overcome these concerns will vary from customer to customer, but to not understand how those restrictions play out at a specific customer would be a grave mistake.

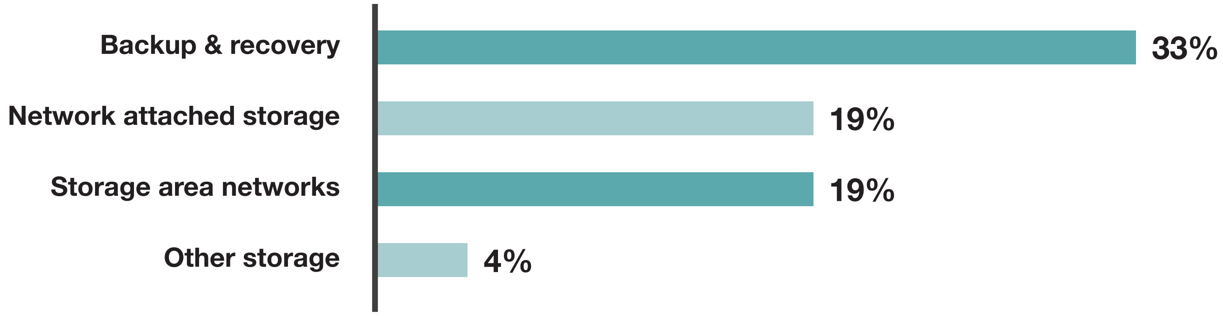
Success in today's market is predicated on understanding not only what your customers plan to buy, but also how those purchases address their underlying needs and mission requirements.

Appendix A: Detailed Infrastructure Purchasing Plans

What systems and hardware solutions do you expect to purchase in the next 12 months:

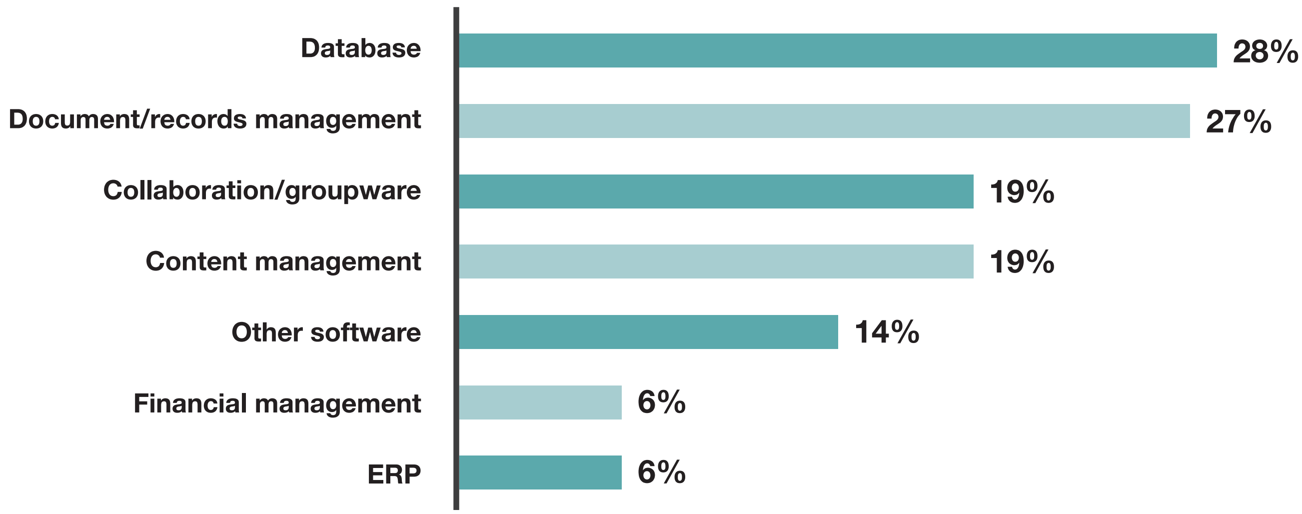


What storage solutions do you expect to purchase over the next 12 months:

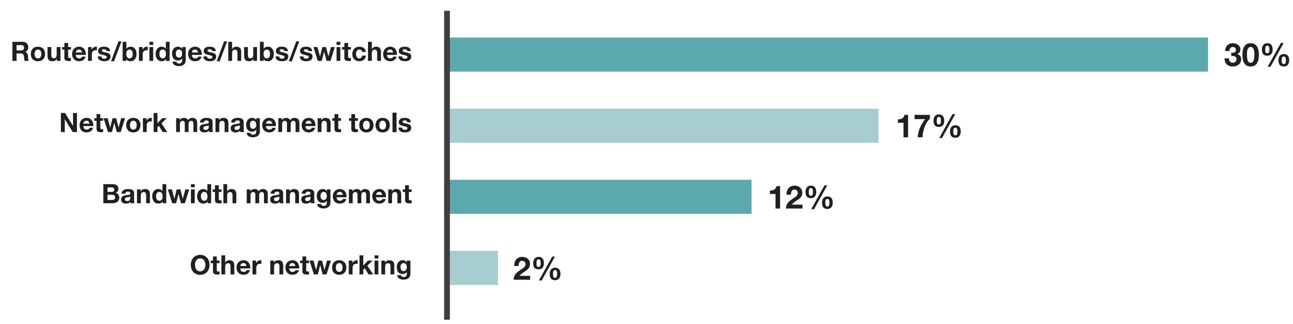


Appendix A: Detailed Infrastructure Purchasing Plans

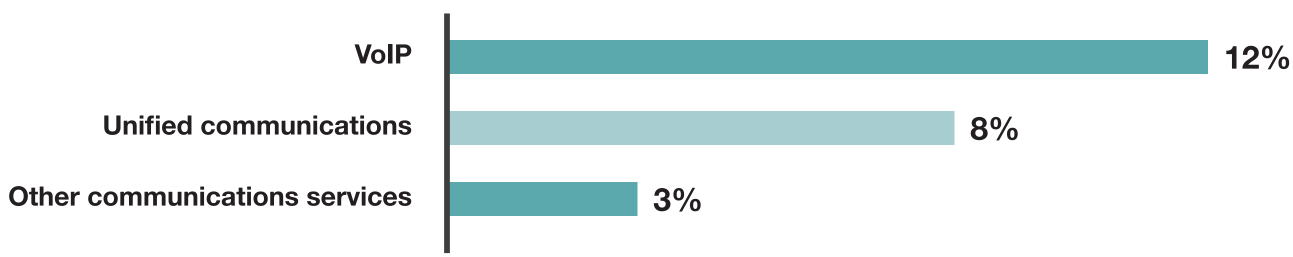
What software solutions do you expect to purchase in the next 12 months:



What networking solutions do you expect to purchase in the next 12 months:



What communications services do you expect to purchase over the next 12 months:



Appendix B: Methodology and Respondent Demographics

The research, fielded in July and August of 2013, was conducted across 129,327 print, online and newsletter subscribers to FCW, GCN, Defense Systems and Washington Technology, who received two email notices inviting them to participate in an online survey. As an incentive, respondents could direct $5 to their choice of eight charities.

The 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. The final weighted data file contained 638 usable cases, which provides a =/- 3.87 margin of error at a 95% confidence level. Lodestar Research Corp. managed questionnaire development, analysis methodology, fielding and data reporting.

The study draws on the insights of respondents across different types of government agencies: 31% from Defense Department agencies, 21% from federal civilian agencies, 16% from state and local agencies and 26% from government contractors. The survey tapped respondents who serve key job functions in the decision-making process, with 17% in executive management, 44% in information technology, 14% in program management and 25% in related business functions.

Appendix C: About Lodestar

Washington Technology is proud to partner with Lodestar for our survey-based Insider Reports. Lodestar is a B2B consulting firm headquartered in Princeton, New Jersey. They offer a collaborative approach resulting in evidence-based recommendations that help our customers tell their story, develop new products and growth strategies, measure the impact of their investments and maximize their use of information resources.

Founded in 1998 by Dr. Tom Nelson, the firm has grown to now serve over 150 clients across a variety of industry verticals, including media and publishing, financial services, technology, and healthcare. Dedicated to three major practice areas — Marketing Sciences, Innovation and Information Management — the firm has also developed a rich portfolio of intellectual property, and expanded its domestic and international footprint.

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Lodestar consists of 45+ associates with advanced competencies in research, strategy, innovation, technology, and information management – and a worldwide network of thought leaders, content specialists, futurists, and alliance partner agencies. Notably, our workforce is a highly diverse one, with associates bringing a variety of personal backgrounds, academic records, and professional histories to their work. We believe this is one of our core strengths, enabling an un-matched multidisciplinary perspective and approach in collaborating with our clients to solve real-world challenges.

To learn more about Lodestar visit: http://www.lodestarlink.com/