

Developing a Channel Strategy

There are five elements in a channel strategy. To develop a successful channel strategy you must balance the needs and the limitations of each element:

- resources;
- products/services;
- opportunities;
- pricing/margins; and
- the customer.

Resources

The amount of staff, money, and time you can invest into developing your business in the federal marketplace will greatly affect the shape of your channel strategy. The more limited your resources are, the fewer government channels you will be able to utilize effectively. Obviously, it makes more sense to use your limited resources to make two or three government sales channels pay off than it does to spread your resources out, rendering your federal business strategy ineffective. The more resources you can invest into your channel strategy, the more sales channels you will be able to take advantage of and the more significant will be your government business.

Products/Services

It is important to match your company's products or services to the appropriate government sales channels. Generally, if your product or service is sold as is, if it does not need value-added or is not usually integrated into an IT system, then the GSA schedule, reseller, and prime contract channels are most appropriate. However, if your product or service is usually integrated with other products and services into a larger IT system, then the subcontracting channel (to large systems integrators) is the most appropriate and most profitable channel. The effectiveness of your channel strategy depends on your ability to match your company's products or services to the most appropriate government sales channels.

Opportunities

In addition to matching your products or services to government sales channels, you must also match contracting opportunities to the appropriate channels. For example, regardless of your product or service, if you locate an upcoming federal contracting opportunity with requirements that your firm can fulfill and win on its own without a partnership with another company, then you should pursue the prime contract channel. If your company can meet some, but not all of the contract requirements on a particular opportunity (i.e. a large systems integration contract), then you should pursue the subcontracting channel. If you identify a government requirement for products or services that could be purchased off your GSA schedule contract, then you should market to the government end-users to influence them to buy the needed products or services off your contract rather than another company's. If you find federal contracting opportunities that you are ineligible for because they are set-aside for 8(a) firms or U.S. small businesses, then you should initiate a teaming arrangement with an 8(a) firm, in the first case, or an American small business, in the second case.

Pricing/Margins

Regardless of the government sales channels you use, government end-users and potential teaming partners demand competitive pricing. Even if your product or service is superior to your competitors', you cannot win contracts in the government marketplace without competitive pricing. Notwithstanding competitive pricing, do not sell yourself out. Be sure to price your company's products and services so that you receive some return on your investment.