

Information Technology: Selling to the U.S. Federal Government

by American content rules. To receive contracts reserved for American small businesses, the U.S. prime contractor must meet certain American content obligations. A Canadian subcontractor can make it hard for U.S. small business primes to meet American content rules. Therefore, it is important that Canadian firms strategically structure their partnerships with U.S. small businesses so that American content rules are observed. For more information on American content rules, contact the *Canadian Embassy*.

Pros

- This channel provides 10-15% market coverage.
- Potential returns are high.

Cons

- Strong competition among small businesses makes locating the best teaming partners and winning contracts more difficult in this channel than in the 8(a) channel.
- Firms must ensure that the products and services they supply to the government obey American content rules.

Resellers

Resellers help contractors sell their products to the government by acting as a sort of *middle man* between the two parties. They provide a number of different services depending on the situation. Generally, all resellers work to market and sell the products they carry. Firms often use resellers to sell their products off a GSA schedule contract. Some resellers, called value-added resellers (VARs), bundle products by combining them with other products and services in a way that increases their utility. Using the services of a reseller can be an excellent way to increase your firm's government sales, especially if you cannot commit a large sales force of your own to market and sell your company's products.

Many firms often mistake resellers as a substitute for their own advertising, their own marketing and sales team, and their own business development. This is not the case! Your firm's advertising, marketing, sales, and business development efforts are needed to compliment the marketing and sales efforts of the reseller. Your firm and the reseller must work together, not only to build a complimentary business relationship, but to design and continually refine a marketing strategy that works.

There are a couple of possible arrangements that a contractor can have with a reseller. A firm can offer one reseller rights to its products in favour of exclusivity (some resellers may even demand exclusivity) or it can offer many resellers rights to its products in favour of increased distribution. There are a couple of issues to keep in mind here. The first issue is your relationship with the reseller or resellers. As noted above, you must build a strong relationship with each reseller by complimenting its efforts with your own advertising, marketing, sales, and business development. Obviously, it would take a wealth of resources to develop strong relationships with more than one reseller. The second issue is *mind-share*. Mind-share refers to a reseller's commitment to marketing and selling your products over the other product-lines it carries. Having more than one reseller is not an advantage unless you have the resources necessary to ensure that they will devote enough mind-share in marketing and selling your products. In some cases, it may make more sense to offer exclusive rights to one capable reseller and work in partnership to develop a marketing strategy that works.