

## **FAQs on Advertising Agency Considerations for Government Contracting Opportunities**

Q&A with Mike Kapetanovic, Founder and Lead Strategist of [GrowthLab](#)

**Q1:**

**My agency has never had a government contract. How do we get started?**

**A1:**

I've seen a lot of agencies ask that question, especially with lingering COVID pressures and general private sector volatility. A lot of agencies want more public sector certainty.

I recommend agencies start in their own backyards. Candidly, a lot of agencies look to federal contracting, but I think agencies need to think more locally. I've seen success, and probably more success, for newer entrants getting into their local and state level of governments. Agencies can start by signing up as a certified vendor at the State level, where they'll start getting access to the slow drip of RFIs and RFPs; this is the first step in getting a state contract. On the Federal level, agencies follow a similar process by first registering with [sam.gov](#).

I think the good news is that both the Federal and State governments are spending a lot of money with agencies, about \$2.5 billion at the Federal level, and approximately another \$2 billion at the State level. So there's a lot of money being awarded out there.

It's important for agencies to take a good inventory of where their core capabilities are prior to starting the process. Agencies need to ask themselves, how do our core capabilities dovetail with public sector priorities?

For example, at the State level, most large contract awards are typically for lottery advertising contracts, economic development (i.e. tourism), public health contracts, and transportation and infrastructure. Agencies that have expertise in these areas will likely be particularly well-positioned to go after large state contracts.

And while the Federal government obviously has a broader scope of spend, a lot of Federal spend is in the areas of Defense (DOD), Veterans Affairs (VA), Homeland Security (DHS), and Health and Human Services (HHS).

**Q2:**

**What kind of timeline are we talking about in federal and state contracting?**

**A2:**

I think the answer is likely mixed. I think one answer (that I don't know that I would suggest!), but one answer that many agencies pursue is to see an RFP release at the Federal or State level and to go after it. Typically, there's a 30 to 60 day RFP timeline, after which an agency might win a Federal contract. But if your agency is new to the government, that probably isn't going to happen. If there's no existing relationship with the Federal government or specifically that specific agency, then an agency has a lower chance of success in winning the contract.

The Federal government runs on a fiscal year, from October 1 through September 30. October 1 starts the federal government's efforts to get the contractors that they would have just awarded in the previous fiscal year up and running. The Federal government is spending all their time working with their new agencies, new firms, etc., and then starting in November and December, things quiet down for the holidays.

January through February, RFIs start coming out, and those are largely focused on market research from the government, saying, essentially:

*I'm the government buyer for all of the federal agencies. Tell me about your advertising agency's capabilities. The federal government is thinking of spending X amount of money with a project with X scope. Can your advertising agency help with this project?*

This RFI process typically takes place in January and February but sometimes in March and April. And once the RFI process wraps-up, it will transition (if the project still has funding) into the RFP phase, which will take place in May, June, July and August, with the grand finale starting in September. Come September, the various federal agencies are looking to spend down their budgets and make obligations before the end of their fiscal year on September 30. All this to say, part of the answer to the question is it depends on when you “enter” the market.

States all have varying fiscal years and processes, so an advertising agency would want to check on the unique process for whatever state in which they’re seeking to do business.

**Q3:**

**Do Federal And State contracts typically have preference points for women or minority-owned businesses? Do you find that advertising agencies that are new to Federal or State contracting typically go it alone, or do they try to start-out by partnering with larger partners?**

**A3:**

The good news is that there's a lot of preference for small businesses. There's also a lot of preference given for women and minority owned agencies. Over the last couple of years, the Federal government has more than doubled their preference for minority owned businesses. Many States have similar preference systems.

On the partnering front, I'm a big believer that you win public sector work with and through partners. Those could be large businesses. Those could also be small businesses. Whatever they might be, you want to partner based on the other firm's capabilities - you should be looking to partner with someone who complements or enhances whatever your advertising agency has to offer and/or, with someone that might have relationships or current/past contracts in that particular office/Agency.

Fortunately, there's a lot of opportunity for small agencies here. Small agencies, at the Federal level, are making up about half of the \$2.5 billion dollar marketing communications

spend. So even though the holding companies have about half of it, small agencies have the other half. There's still a lot of money flowing through smaller agencies.

At the Federal level, we continue to see the Small Business Administration (SBA) raise the limit on what constitutes a small business. The limit rose at the end of last year, based on inflation and a few other reasons. The contract sizes awarded to small businesses continue to increase. At one point in time the Federal government wouldn't have ever thought of doing a 100 million dollars contract as a small business set aside - now they're doing 300 million dollar contracts, and I've heard that they're contemplating a 600 million dollar contract as a small business set aside.

I think we're seeing something similar in the States - larger contracts being awarded to small businesses, as well as expanding definitions of what constitutes a small business.

**Q4:**

**Where do you personally see the opportunities for agencies in the next few years? In the past few years, we've seen a lot of opportunity in healthcare due to COVID spending. But do you expect to see the same levels of opportunity in healthcare, or is it more of a mix going forward? What are your thoughts on that?**

**A4:**

It's an interesting question. At one point in time, I did a study on this, looking at where funding goes Administration to Administration. I think the good news is that overall the budgets have all remained consistent at the macro level, regardless of year to year, floating around the \$2.5 billion dollar market at the Federal level.

But I would also say that most of those dollars are still within those four areas that I mentioned earlier, defense (DOD), health (HHS), homeland security (DHS) and Veterans Affairs (VA). Those are consistently your big four, year over year, and Administration to Administration. Within each Department though, there might be variation. For example, HHS has remained pretty consistent with funding; however, specific sub-agencies within it have increased/decreased over the years as priorities shift.

You've also got federal agencies like the Department of Energy (DOE) and the Environmental Protection Agency (EPA) that have varying opportunities, which tend to be more dependent on the Administration in charge.

Also, with the passage of the Inflation Reduction Act (IRA) and the recent infrastructure bill, the Department of Transportation (DOT) has an almost unprecedented amount of money to spend for the immediate future.

While government spending might be reduced from the astronomical levels we've seen in the past few years due to COVID, public health spending will continue to be huge at both the Federal and State level.