



★ YOUR TEAM FOR WINNING
FEDERAL CONTRACTS

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GSA SCHEDULE PRICE REDUCTION CLAUSE AND SMALL BUSINESS

One of the most sensitive issues regarding General Services Administration (GSA) Schedule compliance has always been the price reduction clause. This has been brought back into the spotlight by the recently publicized troubles facing Sun Microsystems. Allegedly, during a routine government audit, it was discovered that greater discounts had been offered to commercial customers than had been offered to the government. As a result Sun Microsystems nearly had their GSA Schedule Contract revoked. It is therefore imperative that every Small Business is not only aware of the clause, but understands it before entering into the GSA Schedule contract vehicle.

Clause C.28 - Price Reductions (GSAR 552.239-75), or the Price Reduction Clause, is included in all of the GSA Multiple Award Schedule (MAS) Schedules. It ensures GSA continues to receive the contractor's originally negotiated discount pricing in accordance with the relationship that served as the basis of negotiation for the contract. This means that any changes in a contractor's commercial pricing or discount practices that disrupts this relationship constitutes a price reduction in that contractor's GSA Schedule pricing and must be reported within 15 days. Put more simply, it essentially guarantees that GSA receives a contractor's most favored customer pricing upon award, and protects it from any lower pricing being offered to other categories of customers without extending the same courtesy to the federal government.

Adherence to the Price Reduction Clause may cause many small companies question whether or not the GSA Schedule is right for them. If your firm is one that sells a majority of

your products or services to commercial customers and your sales staff requires the ability to regularly price in non-standard ways, then perhaps the GSA Schedule might not be the right vehicle for you. In other words, if your company's commercial pricing flexibility is most important, you may wish to pursue other contract vehicles. But if the fact that GSA Schedules are used for about one out of every three purchases outsourced by the federal government appeals to you, and your company is able to maintain commercial pricing above that offered to the government for the life of the GSA contract, it will likely be an important contract tool to hold.

But please keep in mind recent organizational changes to the Federal Supply Service (FSS) and Federal Technology Services (FTS) as they execute their merger into the reorganized Federal Acquisition Service (FAS) have most federal and industry employees alike speculating that both pre-award and post-award audits for the GSA Schedule contracts will dramatically increase to keep GSA and its contractors in compliance with procurement regulations. Recently before a Senate Governmental Affairs subcommittee, The General Counsel for the GSA's Office of Inspector General testified that 84% of contractor audits uncovered defective pricing and called for reinstating routine post-award pricing audits, which had been cancelled in 1997. If these measures go into effect, obtaining a GSA Schedule may be easier before any of the regulations change, but understanding and complying with the price reduction clause and all other GSA clauses and certifications is of utmost importance for every Small Business.

GLOBAL SERVICES' AWARD WINNING BRANDING CAMPAIGN

[Jill Tanenbaum Graphic Design & Advertising Inc.](#) has won a design award for a branding campaign created for Global Services. The campaign included a logo and tagline design, new website, and PowerPoint template.

The first award is from Graphic Design USA.

Entering its 43rd year, this competition is among the most prestigious, as well as open and democratic, of all such events. It's also most selective as only 10% of entries were honored this year. There will be a 300 page Annual published in December with winning entries included.

FEATURED CLIENTS



GLOBAL SERVICES

1401 14th Street, NW
3rd Floor
Washington, DC 20005

PHONE:
202.234.8933

FAX:
202.234.8935

E-MAIL:
global@globalservicesinc.com

We're on the Web!
See us at:

www.globalservicesinc.com

JTGD&A is a full-service marketing and advertising firm providing a complete range of marketing strategy, graphic design, advertising, and public relations products and services to private sector, public sector, for-profit, and non-profit organizations. Clients include US Postal

Service, The US Department of Labor, The American Red Cross, The Smithsonian National Zoo, and Johns Hopkins University Engineering Programs for Professionals to name a few.

CLIENT CORNER: QUESTIONS FROM OUR CLIENTS

Our monthly feature that allows you to see examples of the kinds of questions we get from our clients and how we respond to their needs.

Q: *I am a small business owner who is looking to grow and expand my federal government contracts. In my experience working with the federal government, I have found that some defense agencies have not required that I hold the GSA Schedule to be awarded contracts and in fact often do not use it at all to purchase goods and services from contractors like myself. If I want to establish and maintain an effective government contracting business in the most cost-efficient way possible, do I really need the GSA Schedule at all?*

A: In a word, yes. You bring up a really good point, and many of our clients have noted this trend as well. In our near decade of experience working in the federal government procurement arena, we have indeed seen that there are many entities with the Department of Defense (DoD) that do not aggressively utilize the GSA Schedule. Government-wide acquisition contracts and other non-GSA vehicles are often the procurement method of choice within the DoD. However, across all of the civilian agencies - those agencies of the federal government not within the DoD - it can be very difficult to do business without the GSA Schedule.

As you know, most small business government contracts come from relationship development and personal referrals. Consider this scenario: if one of your DoD contacts recommends your services to a colleague at another agency who then contacts you, inviting your company to bid on a project, the fact that you do not hold the GSA Schedule may prevent that contracting officer from awarding you the business. They may award it instead to a competitor who already holds a Schedule. In light of the fact that acquiring the GSA Schedule is a four to six month process, even if you then moved forward to get on Schedule as quickly as possible, by the time it gets awarded your company will most likely have lost this business to a competitor. This is just one of the many ways that *not* holding the schedule closes off many opportunities for you to be awarded contracts.

We understand that you want to grow your government business. We also understand your various concerns as a small business owner - it is vital that you carefully watch your expenses both in terms of time and money, and acquiring a GSA Schedule requires both. However, the GSA Schedule is one of the biggest procurement vehicles in the federal government. Fully one-third of all government purchases are made through the GSA Schedule - almost \$32 billion dollars in fiscal year 2004 alone. As the GSA points out, "GSA is the federal government's business manager, buyer, real estate developer, telecommunications manager, and IT solutions provider. GSA offers businesses the opportunity to sell billions of dollars worth of products and services to federal agencies through contract vehicles." GSA Schedules offer the entire federal government proven value from approved vendors on over 10 million products and services sold by companies like yours. It is certainly not a "customer" that should ever be neglected by not being on their Schedule when selling to the federal government, and most companies who have had success in government sales have achieved this by recognizing the doors that the Schedule opens for them and taking advantage of the value of holding a GSA Schedule. If you want to make sure that you are taking advantage of all the best possible methods of increasing your government business, but at the same time need to make the best use of your marketing budget, the number speak for themselves: investing in the GSA Schedule is a solid business decision for you.

Here at Global Services we have obtained over 400 GSA Schedules with a 100% success rate, and can tell you which Schedule is best for your business.

[Elizabeth Murray](#) is available at 202.234.8933 to help your business acquire the GSA Schedule and to further discuss other ways Global Services can be of assistance growing your federal government business.