



# INTERNAL VS EXTERNAL GSA CONTRACTING

## WHAT YOU NEED TO KNOW

### Introduction

The GSA schedule is the largest most widely used government wide acquisition contract (GWAC). The contract consists of negotiated prices, terms and conditions for procuring commercial products and services and is between the contractor and the federal government. To ensure they are getting the best price under the appropriate terms and conditions and in order to shorten and simplify procurement life cycles, the Government awards GSA contracts to a variety of companies. In general terms, a GSA contract can be awarded to a product manufacturer or a product reseller. This paper identifies the differences, considerations and costs associated with internal and external GSA contracts.

#### Internal GSA Contract:

- GSA Contract is negotiated and awarded to the Manufacturer
- Contract is between the Government and the Manufacturer
- GSA pricing is based on Manufacturer's commercial sales practices

#### External GSA Contract:

- Manufacturer's products/services are added to Reseller's GSA Contract
- Contract is between the Government and the Reseller
- GSA pricing is based on Reseller's cost-plus markup

### Considerations

A GSA contract does not guarantee sales but it does remove critical barriers. It is considered a sales vehicle and a necessity for any company selling into the government sector but it is a commitment some companies should not take on. Obtaining the GSA contract involves a well-executed submission with detailed past performance examples to back up established internal pricing policies. Submissions are more times rejected than accepted and months can turn to years before a contract is awarded. Once awarded the contractor is responsible for following strict rules and regulations, modifying the contract when necessary and are subject to periodic audits that can result in heavy penalties even contract termination. With a well-trained staff, an expert GSA consultant and a couple of big sales an Internal GSA contract may be well worth the effort. However, an External GSA contract may be more beneficial for companies not willing to take their focus away normal business practices and when commercial discount practices result in a high negotiated GSA discount. Below are several factors to consider when comparing an Internal and External GSA contract.





#### Elapsed Time to Market:

- Internal – 4-9 months from submission to contract award
- External – 30-45 days from submission to contract modification

#### Government Regulations and Audits:

- Internal – Manufacturer takes full responsibility for Government regulations and audits performed by GSA. Manufacturer pays any penalties.
- External – The responsibility for regulations and audits is 100% on the Reseller, 0% on Manufacturer. Reseller pays any penalties.

#### Discounted Pricing:

- Internal – Manufacturer is required to have an existing Standard Discounting Policy and less than 20% of commercial revenue fall outside of that policy.
- External – Manufacturer and Reseller agree on a cost-plus markup to establish a GSA price.

#### Staffing and Training:

- Internal – A GSA broker is usually required for a successful submission and for processing modifications to the contract. Transactions and records must be handled by one or more employees trained in the rules and regulations of the contract.
- External – Paperwork for adding, removing and modifying line items is simple and does not require additional staffing or training of manufacturer's employees.

#### The Costs:

##### Indirect Costs:

- Internal – Loss of opportunity due to extended time to market, balancing commercial pricing policies with GSA pricing policies, proper RFQ creation, processing transactions and periodical audits.
- External – Little to no internal resources associated with an external GSA contract.

##### Direct Costs:

- Internal – Outsourced GSA Consultant and/or internal staffing needed for submission and maintaining contract. Management and processing orders internally requires staff training.
- External – Commissions similar to or less than traditional resellers for orders processed through contract.





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#### About GMP:

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