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Five Things Government Contractors Should Know When Considering Product Commercialization

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In approaching a methodology for commercializing a product, a certain scenario frequently presents itself to government contractors. In this scenario, a mid-sized contractor has built an interesting product while providing services to a government agency over a five year period. The customer loves the product and depends on it. The contractor wants to diversify beyond the Federal market and wonders if this product could be the one to take them into new commercial markets. If it's so important to the government agency, they surmise, it could be just as important to companies in the *Fortune 500*.

It sounds simple enough. Since the agency has become dependent upon the product and has helped fund its development, there's a lot of perceived value that could be leveraged.

Well, if it were only that simple. Is there really a market beyond this one government agency? In order for the financials involved with bringing a product to market to make sense, there needs to be a sufficient enough market opportunity to support the offering. There are many factors that must be considered when bringing a product to market, including staffing for research and development, sales, sales support, marketing and promotion. There are also legal, patent, and engineering considerations as well. In determining market viability, all these factors must be considered.

Here are five things a government contractor should consider when evaluating the commercial viability of a given product.

First is a very basic competitive analysis. Since the government customarily contracts with companies that singularly focus on government customers, an agency might ask a contractor to develop a product that is *already being marketed* to commercial markets by other companies that do not do government business. As a company develops the product for the government agency, other companies may have received funding to build out their technologies to support other markets. There might even be an industry already in place with many companies who are well funded and offer more complete and fully functioning products. Three years into your project with one government agency, the industry may be flush with a few well-staffed, talent-rich companies whose offerings might be three generations ahead of what you're building for the government. If this is the case, you are probably out of luck.

Another consideration is your company's own ability to develop and support products in the commercial markets. The R&D and engineering required to bring a product to market are radically different than effectively winning and managing a Federal project. Functions such as product development, product management and product marketing are cornerstones of successful product companies. The flexibility and creativity necessary to understand market requirements and fluidly bring a product to market requires an appreciation for the customer, the sales process, and marketing. These elements are not always resident within government contractors. Time to market is critical. In some cases, missing the market by a few months means the difference between opportunity and being out of business.

Another factor that will determine your ability to be successful bringing a product to market is **how well balanced your company is from a sales support perspective.** Winning at Federal contracting often depends on partnering, past performance, and market specific factors such as company size and status. This is distinct from the commercial world, where success often comes down to sales ability. Successful companies in this regard need to appreciate the sales process and support it with great marketing, field engineering and timely response. Sometimes customers need an answer today and sales needs the internal support to get the

engineering, and timely responses. Sometimes customers need an answer today and sales needs the internal support to get the questions answered by more knowledgeable people in the company. A lack of commitment to the sales process will inhibit any chance for success. Companies also need to appreciate how long the sales process might take. Just because you hired a guy who said he's sold enterprise software to a Fortune 500 company before does not mean the customer is waiting around for his next offering with their checkbooks out.

You need to understand who is also in the market and who is tracking it . If Microsoft has a similar product offering, say good night. Going to market against one of the top 20 software or hardware product companies is nearly impossible for a new company entering the space. You also need to know which industry analysts are tracking the product category as well as some of the financial analysts. The industry analysts, such as Gartner, Forrester, and Frost & Sullivan, speak to dozens of customers on a weekly basis and often have their finger on the pulse of what end-user companies are expecting from a technology offering. Companies in the commercial sector, particularly those over \$500 million, often subscribe to analyst services and get their recommendations from them before they buy. The industry analysts are often interested in new technology and will make broad assumptions of a new company's ability to serve their clients. If you're a new, single technology company, that's often more attractive than being a large, successful company that has built solutions for the government.

A complete assessment of the market needs to be done in order to understand where the product might fit, if anywhere. This may require interviews with venture capitalists, former market participants, complementary technology vendors, and customers. Most likely, a whole ecosystem might have been created that is many years ahead of you. You quickly need to understand the nuance and relationships in the market.

An honest assessment of your team and company's ability to perform must be considered. Do we have the discipline and patience to bring a solid product to market? Can our corporate culture support the product sales process, which is radically different than the government business development process? Are we prepared to support commercial customers?

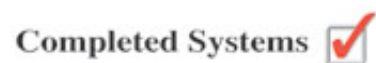
Few things in business are more satisfying than bringing successful, valuable products to market. However, really successful products are few and far between.

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[DIAMOND Marketing](#), in addition to other things, helps companies more effectively market and sell products to public sector and other markets. Fred Diamond is the leading marketing consultant to growing high-tech and professional services firms in the mid-Atlantic region. DIAMOND Marketing is based in Vienna, VA. Contact them at marketing@freddiamond.com.

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