BUYING ONLINE

The Smartest Buyer of All

Not only can you find it and buy IT online, but you can find out ABOUT IT.

We would not suggest that information technology is easy for anyone, and certainly least of all for the amalgamation of interests and organizations that comprise major government agencies.

We would, however, suggest that certain aspects of otherwise complex IT can be easier than some would have you believe. One of those aspects is the actual buying of IT systems and services.

Yes, we are talking about procurement and acquisition, and yes we are saying it can be completed far more easily through new online buying processes than ever before. It can be completed faster and cheaper. It can be turned into one of government's most efficient business processes, and can return significant administrative cost savings in percentages that even the most dubious of taxpayers would marvel at.

...If only it were fully exploited.

Public Sector Urgency

Several years ago, when the federal government's Electronic Commerce Resource Center first advanced the broad agenda of E Commerce it provided a set of business reasons that took into account both galaxies of the buying and selling universe.

ECRC said EC would result in: increased sales for sellers; reduced costs for buyers; fewer clerical errors all around; better buyer-seller relations; better document processing; reduced order cycles and manufacturing times; and less need for physical inventories.

The elements of government that have advanced the cause of EC are many and varied and range from "big centralized shops" like the Defense Logistics Agency, NASA and the General Services Administration, and out to local "visionaries" in county services offices.

The White House and Office of Management and Budget have advanced the cause of EC and can only be expected to issue further mandates and regulations in the coming years.

Private Sector Cashes In

By and large, ECRC's vision of an electronic marketplace was overwhelmingly adopted in the American private sector. In fact, today's global private sector is essentially measured by the growth line of business-to-business e commerce. By comparison, the notion of buying online has met a lukewarm reception in the federal sector.
Many of you are still filling out lots of forms. Many of you are still spending hours on the phone searching for products or catching up with overdue orders. You are issuing lengthy RFPs even when the requirement can be met with 100 percent COTS solutions. Some of you are taking costly trips to faraway places to "chase" a technology whose specifications are available in a few mouse-clicks.

Just those among you who are not using the government charge card when you could be are losing as much as 50 percent of the cost-savings others are getting. You might be paying as much as $70 per transaction more than necessary, and on transactions of less than $2,500, GSA officials have determined.

A Risky Explanation

We understand that ennui explains some of the reluctance to buy online. Arcane regulations that linger within the federal business process also explain your reluctance. Then, there's the subculture convinced that online transactions are subject to massive security risks of a nefarious, if not Godzilla-like dimension.

But where exactly is the real risk?

Here, perhaps. Here inside the historically valid assumption that the combined value of all the losses incurred as a result of fraudulent breaches of online buying systems will not amount, next year, to one percent of the value of the excesses and losses GAO auditors will find in various manually-executed agency acquisition processes.

We think there's a big risk, all right. And we think this is it: a government that does not begin to better leverage the online buying systems that 50 million American consumers routinely use will have some explaining to do.

While Others “Designed”

Well, the flip side of the federal equation is that many of you are buying online and have been for years now. Indeed, many of you first bought IT online at a time when large procurements were knotted up in tortured acquisition procedures. You watched as your specific requirement was rolled up into a larger "grand design" and then was lost in the seemingly endless shuffle.

"The hell with this," you said, and turned to what was then a fledgling resource still known to some as "the old Arpanet system."

Maybe you could not entirely "buy" what you needed on the infant Internet, but you certainly could shop for it. Because the first companies to get their vital business information loaded on the web were, for the most part, IT companies.

And so it is hardly ironic that some of the sites most useful to government IT buyers
today include Unisys Corp., Hewlett-Packard or GTSI--longtime participants in the federal IT market who have experience working with you that pre-dates the Internet.

Nor is it surprising that a leading online IT seller of the contemporary period, Dell Computer, also provides a web buying resource rich in value-added features; or that newer federal online specialists such as Fedbid.com and eFederal.com are offering you a more efficient way of approaching the marketplace.

**Getting Smart**

Today, of course, what you can find online you can buy online. And in the IT world, that encompasses everything from a specific card for your PC to a multi-year seat management contract for your entire agency.

But not only can you find it and buy it, you can also find out ABOUT it online. That is to say, the websites of the IT industry serving government provide detailed background information including white papers, technical specifications, benchmarks, comparison studies, etc.

And all the major players in the federal arena offer federal-specific information related to contracts and technology advances.

The mere act of "shopping" online has quickly evolved into a worthwhile learning experience for the average agency Internet user ready to check out the marketplace for specific solutions as well as broader IT trends.

This, we think, might be the real hidden gem within the rich vault of value-adds buying online offers. As the Internet evolves, the online shopping experience for complex IT services and products pushes new knowledge resources out to buyers they simply never had before.

Information technology is complex, yes. But when the experience of shopping for it becomes a learning experience, two major government missions are met at once and in far less time at far less cost. This is why we believe that, ultimately, the online buyer is the smartest buyer of all.

**Getting Smart**

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These resources constitute value-add for government online buyers, making the basic shopping experience as much an educational experience as a transaction process. We think the availability of such resources will eventually make the online shopper the smartest shopper of all.

**Web Buying Is Value-Added Buying**

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Here is a sample of what you might find while seeking out information pursuant to the acquisition of IT products and services.

eFederal Helps You Dot Your i’s and Cross Your t’s

The new eFederal Government Solutions Portal provides agencies with a rich source of vendor information, a forum in which to interact with vendors, and the capability to negotiate the most advantageous terms of sale. eFederal is a real marketplace for 100,000 different computer products.

While federal acquisition is often a complex matter in which price and value are measured as relative factors (each sometimes compared to exacting requirements), there are moments when it is important to keep the very basics of buying in mind.

The eFederal portal helps buyers by offering basic procurement tips. The site reminds you that the terms “fair and reasonable” carry weight when you make a micropurchase (below $2,500).

Also: if the amount of your purchase is over $25,000 you must have three quotes for comparison purposes. The eFederal site will soon integrate a comparison tool automatically allowing for that comparison.

The eFederal site features other procurement tools such as online directories, market research, pricing, cost-analysis, government forms and templates, as well as news, information links and quick reference guides to the Federal Acquisition Regulations.

The site houses thousands of vital links to federal resources that span a gamut of interest areas, from Office of Federal Procurement Policy guidance and tutorials to agency-specific systems. In fact, it was through the eFederal Government Solutions Portal that we found a fascinating 28-slide update on the under-construction FirstGov.gov project, to give citizens access to 100 million agency web pages.

The eFederal site also delivers explicit help for overseas federal IT buyers and an entire section of the “store” for those of you needing to make emergency buys. To get there go to www.efederal.com. The entire site is for the federal government buyer, so no matter which direction you click in from the home page, it will be worth your while.

Unisys Sharpens Your Shopping Eye

The Unisys Federal Online resource links federal buyers to a treasure-chest of smart shopping options.

The site provides complete details of prominent federal IT contracts including: GSA
Schedules for IT and IT Services, NIH ECS II, NASA SEWP II, the Air Force’s IT2 BPA, the Pentagon’s DFAS and DEIS II contracts, and many others in DOD, NIH, Energy, Transportation, Agriculture, etc.

The Unisys federal site also provides a wealth of relevant white papers on subjects such as: transaction documents and EC; Internet-based document management; a thorough look at IT security technologies; and, emerging subjects such as PowerClient web agent systems.

We particularly found the Unisys Select IT open market site illustrative of how smart online shopping can work. Taking our cue from the day’s “hot products,” with a single click we were plugged into a data sheet for the Cisco 4000 range router for regional office LANs. Having learned that the 4000 handles ATM and other bandwidth gotta-have’s, we decided to make sure we knew where the top of the line sat in relationship to the 4000.

Well. The Cisco 4700-M turns out to be a 133MHz brute with specs that gave us visions of grandeur. So, deciding to be an HQ operation, we clicked back once and picked out the Unisys ES7000 mainframe-class UNIX/RISC server to accompany our new deployment. The ES7000 does Cellular MultiProcessing and we needed that, for sure.

The question then arose, “But can we put all our new stuff together?” Probably not, so we back-clicked twice and forward once into the Unisys GSA IT Professional Services contract site, where we quickly obtained the exact hourly labor rates for PMs, tech specialists, network and software engineers, you name it.

In less than a half-hour we had the lowdown on the contracts we could use, the top-line stuff currently available, the prices we could get it at and even the people costs. Our shopping cart was heavy with new IT and our brain was invigorated. For a breather, we went and read about PowerClient web agents.

You can make use of the many resources available from longtime federal contractor Unisys by visiting www.unisys.com and clicking right onto the federal government link.

Personalize Your IT with Dell

Finding and customizing products with Dell Computer Online is a simple task with many useful features along the way.

We browsed Dell’s web site in the guise of a potential notebook buyer, exploring the options offered. The shopping and buying process was easy and educational. Not only does Dell provide photographs of the desired product, but also a customized feature that lists user options in a clear and concise fashion.

Immediately, we customized the essential capabilities of our notebook. “Do we want a 500MHz Celeron, or a 750 MHz Pentium III with Intel SpeedStep Technology?” We
then progressed to the all-important aesthetic qualities.

“Would Tahoe blue match the office wallpaper? How about Sierra maroon?” Well, remembering that a notebook would spend as much time “on the road” as in the office, we ended up deciding maroon worked better with our family Ferrari’s rich Corinthian leather interior.

Dell’s Customizing Page not only enables easy online buying but significantly enhances online shopping as well. It was fascinating to “mix and match” the features of our notebook. The organized manner in which we configured our system gave us confidence that specifying 1,000 notebook computers to meet a variety of agency user requirements would not be much more difficult than buying the one that matched our bucket seats.

Dell also has a Specifications page, in which product specs are listed conveniently for the buyer. When posted on our computer screen, system specifications were easy to digest. Plus, we were able to really scope them out since there were none of the time constraints the retail buying process inevitably imposes.

Dell Computer does about $45 million of online IT business PER DAY, making it a world leader in e-commerce. On a yearly basis, Dell is nearing $1 billion of business in the public sector, and is a perennial GSA IT Schedule market leader. If you wonder why the company does so well in today’s electronic/federal marketplace, visit www.dell4me.com and let your mouse “imagine” a new system.

As Fedbid “Aggregates,” Buyers Gain Leverage

What you are bound to like about Fedbid.com is the way it accounts for the combination of factors that characterize federal IT open market buying as distinct from any other form of buying.

The Fedbid site was constructed for the 500,000+ federal purchase card holders who buy at thresholds under $25,000 and often under $2,500. Your great advantage as an open market buyer is complete flexibility and independence when bidding. Until now, your trade-off has been to sacrifice the economies of scale associated with large-volume buying.

But Fedbid is busting that paradigm apart.

So how does Fedbid make you a smarter buyer? Well, it allows you to exactly specify your particular IT requirements down to the nut and bolt, then aggregates (or, pools) that requirement with like-minded buyers in other agencies or elsewhere in yours. Fedbid is able to present your requirement as part of a larger whole and leverage a better price and better terms.

How smart is Fedbid? Well, it can do what you are not allowed to do. When agencies attempt to aggregate requirements, they can lose all standing under procurement
thresholds. Indeed, the goal of leveraging the open market can be defeated. At Fedbid, you retain your standing as a small, independent buyer no matter how large the aggregate gets.

Not only does Fedbid provide lots of links and online research options to password-protected users, it is a great way for buyers to get a grasp on what their colleagues in other sectors of the government are doing.

Fedbid essentially operates as your application service provider (ASP) for open market IT buying. It is an “extranet” that offers GSA SmartPay purchase card holders complete accounts in which their procurements are logged and tracked, and important information can be recovered at a moment’s notice.

For a better understanding of how online buying through specialized government-only extranets is evolving, visit fedbid.com and apply for an account.

"B to B" Leads to "G"

The perception that online buying is a short-term fad of some kind that will vanish in a "rush to retrenchment" is defied by all who have studied what is arguably the most significant business trend of the last 30 years, business-to-business e commerce.

This year, $336 billion of so-called B2B e commerce is being transacted electronically on the Internet. This number translates into the gross national product of a reasonably sized developing nation. Yet, it represents a mere three percent of all B2B commerce.

There is no mystery as to why e commerce is being employed in the private sector. The cost savings attributed to B2B e commerce is put at between 35- and 70 percent. Internet-related overhead reduction and efficiency gains span the gamut of business issues such as manpower, inventory, delivery and payment cycles, even employee morale.

Corporate America faces three major challenges over the next five years, experts have noted. They are: Enterprise Resource Planning; Customer Relationship Management; and, Supply Chain Management. There is only one solution to these challenges ever mentioned. B2B e commerce, and lots of it.

Thus, analysts have predicted that by 2002, B2B e commerce will soar from 3 percent to 12 percent of all such business, and by 2005 the corporate world will transact 42 percent of its commercial business entirely online. (That’s about $6 trillion, give or take a few hundred million.)

In fact, these are the low-end estimates. One formal analysis suggests that by 2004 B2B electronic commerce will account for 64 percent of all B2B commerce. If this is true, then we do not even know what the tip of the iceberg looks like yet.
Greenspan Sayeth

There is already evidence that the Internet and e-commerce specifically is so dramatic a cultural shift that a new business vernacular is required.

For instance, both the Labor Department and the Federal Reserve Board have recently identified unprecedented U.S. worker productivity gains directly drawn from automation, the Internet and new applications like B2B systems. These gains are larger than any ever measured, government officials have noted.

Federal Reserve Board Chairman Alan Greenspan has suggested in recent public speeches that new metrics might be needed to even measure the economy much less set policy. His reasoning: technology has shattered basic paradigms.

Many federal, state and local agencies are beginning to cash in on B2B type systems in their relationships with vendors, citizens, other agencies, communities of interest such as academic institutions, even other nations. In many of these new e-relationships, extranets for direct business relationships have either been built or are planned.

Those who would scoff at the power of the B2B e-commerce juggernaut do so at great risk. It's one thing to get crushed by an iceberg. Getting bowled over by its mere tip is inexcusable.

Where Consumers Go, Feds Will Follow

In June, when deputy Commerce secretary Robert L. Mallett urged small businesses to take greater advantage of e-commerce, he noted the "extraordinary impact" IT and the Internet are having on the U.S. economy.

In fact, others have said the e-commerce revolution defies all forms of metrics by which economic growth and expansion is measured. Just as computers allow individuals to do more and do it quicker, so too has the growth of the Internet economy been all about quantity and speed.

In one year, 1998 to 1999, U.S. online consumer buying doubled. Indeed the $5+ billion of retail commerce done in the last quarter of 1999 by itself approximated all of 1997 online buying. But just seven years ago only 1.2 million computers were connected to the Internet. Today, that number is more than 50 million.

And, as you might have guessed, a lot of these computers were bought online. Individual consumer online PC buying represents a linchpin of the new economy's growth sector. The 1.2 million consumer PCs bought in 1999 will climb to 9.3 million by 2004.

The reasons given for this forecasted surge might strike a chord with those who advocate more online IT buying by federal agencies--convenience; targeted marketing efforts; growing comfort with e-commerce; and three other factors: price price price.
As the new decade began, computers represented the second largest growth area in consumer online spending with sales jumping 30 percent from fourth quarter 1999 to first quarter 2000. This certainly indicates a new level of comfort in the population about buying IT online.

I'm Comfortable, You’re Comfortable

In fact, there is a new level of comfort in the consumer sector about buying ANYTHING online. And we really do mean ANYthing.

The multi-story department store of America's yesterday is beefed up today with a "sales staff" that takes the form of the keyword search engine and OLTP functionality. "Can I help you find something," asks the friendly browser.

"Yes, I'm looking for a former Soviet Mig pilot's headgear and oxygen mask. Got one of them?"

"Yes indeed. And here's a Beware of Lizard sign for your pet iguana. Or, maybe you need a solar inverter? I just know you'll want one of these Thunder Bay Flyers hockey pucks."

Well, the fact that the Web is an anything/anytime buying and selling platform might be expected to convert all but few to its transactional nature. (Even people who believe otherwise will probably have to break down and use the Web to buy a replacement for their 8-track tape player.)

In the consumer sector, buying online is simply an overwhelming business trend. Individual U.S. Internet buyers will number 63.4 million by the end of this year. And, by then, 53 percent of all online teenagers will have bought something on line. (Probably the solar inverter.) The $37 billion to be spent on the 'Net this year will be $104 billion by 2003, when there will be 106 million Web shoppers in the United States.

Industry forecasters say that by 2004 or thereabout, 40 percent of all consumer PC spending will be done entirely online. We will herewith suggest an economic metric that might be of value to future agency officials. Beat 40 percent by 2004 or prepare to explain to 106 million people who buy online why you don't.

**SmartPay Is The Smart Way Online**

With the exception of your PC or notebook, the GSA SmartPay purchase card is the linchpin asset for online buying. Its value to federal IT buyers is growing by orders of magnitude. SmartPay is the tool that leverages all the online IT markets, including the open market.
The last time we checked, there were about 515,000 SmartPay cards in federal use. This year, overall SmartPay buying will total $10 billion. IT spending will account for about $1 billion of that amount, up from $800 million last year and $371 million in 1998.

The surge in SmartPay use and the increase in related online buying is attributable to several factors:

1. SmartPay exerts an average purchase transaction cost reduction of $54 or so per buy, though savings can range up to $70 or more for IT purchases.

2. SmartPay is the fastest and easiest way to complete IT acquisitions on the GSA Schedule, especially on the GSA Advantage system.

3. SmartPay opens up the new world of specialized open marketplace government “extranets,” such as Fedbid.com and eFederal.com. These are private sector application service providers formed to exactly meet the unique procurement requirements of government.

4. Independent of purchase card savings, buying online can exert as much as a 70 percent reduction in acquisition-related overhead and contribute to productivity growth as new technology gets to agencies faster and in better order.

It’s All Online

Each agency exercises specific rules and regulations regarding SmartPay access and use. Contact your Organization/Agency Program Coordinator for the SmartPay program to obtain a card or more information.

Though managed at agency level, SmartPay has broad governmentwide impact. SmartPay is built on a set of master contracts with five prominent financial institutions: Citibank; Bank One; Mellon Bank; Bank of America; U.S. Bank. Agencies are able to hammer out specific deals with these contractors and can even form “tribes” of common-interest activities that might cross agency lines and gain economy of scale-based leverage with the card providers.

Because the contractors are in a competitive arena, they offer everything from basis points cost reductions to full-service electronic account management. Your SmartPay card is as easily managed online as IT is bought online. (And we don’t have to tell you it is managed more efficiently and at less cost to you online, too, do we?)

For more information about SmartPay visit www.fss.gsa/services/gsa-smartpay.