

Government 2.0: Market Trends - IT procurement transformation (Part 1)

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Over the years, the emergence of Gov 2.0 has been theorized by IT bureaucrats, vendors, and techies alike. While Web and mobile-based technology has impacted our everyday lives as consumers, it has been slow to take on our lives as constituents, taxpayers and citizens. Instead, government has been using private sector-focused apps and solutions such as Twitter and YouTube for public sector needs.

Even as larger vendors expand their scope of products and services to try and meet Gov 2.0 needs, government entities are hesitant to procure these big-dollar solutions. State and Local governments lack assurance due in large part to limited funds, governance, and market knowledge. So, while big vendors have been cutting back on state and local government business, smaller Gov 2.0 start-ups have been steadily luring in business by offering services and solutions for low or no upfront cost by using a modular plug-and-play format. These affordable and easy-to-implement Web applications are a stark change from enterprise solutions and services offered by the standard IT systems integrator. Now that Gov 2.0 is growing in popularity, the next question centers on how it will change the state and local IT market and procurement process.

Soon after civic-minded programmers formed Gov 2.0 start-ups, it was clear that their business model was adversely fit for the traditional IT procurement process. The Gov 2.0 market has rapidly become a grassroots movement disproportionately occupied by tech savvy community advocates, who have bucked the rules of procurement by offering their products and services at a fraction of what conventional government contracts would cost to implement.

The fact is that government IT spending is on the rise. On a whole, an estimated \$140 billion a year is spent on IT needs, and that amount is expected to increase to \$174 billion by 2014. State and local governments, which are running out of creative ways to cut their budget, are all too willing to look at low-cost alternatives to replace antiquated systems and satisfy their growing IT needs.

Two prominent examples of Gov 2.0 firms include Granicus, Inc., which provides cloud-based transparency solutions, and SeeClickFix, which uses mobile and Web-based technology as a management tool for government 311 systems. Both firms start their pricing for services at a mere \$300 a month. Lesser known Gov 2.0 firms are willing to circumvent the procurement process altogether by offering their products or services at no cost, with the hopes of building a relationship for a potential sale down the road. Still, there are some philanthropic programmers who give away their apps in exchange for bragging rights.

Though many Gov 2.0 apps are based on citizen interaction, apps are not limited to 311-type services. Many innovative programmers have created standalone records management, content management, human resource management, and even data integration apps using open data specifically for internal government use. As this subset of government IT continues to evolve, these Gov 2.0 firms will gain technical growth and market knowledge, and those standalone apps could easily integrate into more robust mainstream applications before Gov 3.0 rolls around.

Analyst's Take

The main take away is that the presence of these grassroots-minded IT firms is growing. They are being led by skillful, agile, humanitarian-minded innovators who are looking to improve government by sharing pioneering solutions. They lure IT decision-makers by offering beta or free versions upfront, which creates a warm environment to foster a full procurement later on.

If this emerging procurement format proves to be advantageous for state and local governments, it could become the new standard. So, how does a traditional IT firm compete with free IT solutions from these emerging Gov 2.0 firms? The answer is simple: adapt. By blending Gov 2.0's creative purchasing options such as free trials offers, tiered service subscriptions, and modular solutions, alongside years of experience and quality services and products, a traditional IT firm is easily given the advantage.

Part 2 of this blog series will take a look at how state and local governments have adopted Gov 2.0 by bypassing their own IT procurement processes. In the meantime, be sure to follow Deltek's General Government Team on Twitter

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Lastly, check out this article in Deltek [State and Local Analyst Perspective](#).