

## Implications of CSIS Industry Analysis

CSIS – Identified Implication for Future	Government Services Insider Comments
DoD will remain biggest services consumer	Pressure to use DoD contract vehicles rather than GSA's will persist
Dual growth in contract actions and contractor numbers will increase strain on acquisition workforce	With this inexorable trend and no moves afoot for simplification and automation, the government will have to resort to contractor support, with the strictest conflict-of-interest provisions possible. New specialty firms will emerge
Market becoming more competitive—more firms and smaller size of contracts implies “need to run harder to stay in place”	Over time, pressures will build to dilute the concentration of business among the largest firms through—more set-asides; more fragmentation of today's large SI and LSI buys; and diluting the built-in advantages of the incumbent, e.g., tighter caps on dollar and time increase
Further competitive intensity will be driven by the future actions of the “minor” players—do they leave when spending sags or do they stay and try to deepen their penetration.	This is a priority area for research. One thing departing companies might do is sell off their federal businesses. For this and other reasons, we expect to see more sales of assets rather than outright acquisitions
There will be more pressure to consolidate since half the market is mods to existing players and there are fewer new contract vehicles	Yes. However, this will exacerbate the concentration that will draw more regulatory attention and concern
Mid-tier firms remain under significant pressure—from above and below; needs to be replenished	This won't happen swiftly if it depends solely on organic growth of successful small businesses. More of them will need to become acquirers and handle the strains of that process. In addition, the sometime-successful “roll-up” crowd may build the next crop of mid-tiers
Growing presence of DoD platform giants in services is driving integration of platform and services firms	Services firms' identities as such are already subject to association with KBR truckers in Iraq and makers of fighter planes. While much of the policy and regulation is common to most government contractors, the submergence of services' firms' clout will make it more difficult to address the issues most important to them. It will also further homogenize the industry's culture, making it harder to differentiate and innovate when necessary.