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Conn. reseller opens Va. office for fed sales

10/14/2002 8:00:00 AM

By [Michael Hardy](#)

An out-of-state company has joined the increasingly competitive Potomac landscape hoping to sell computer hardware, peripherals and services to the federal agencies. Micro Warehouse Inc., a Norwalk, Conn., technology reseller, has opened an independent subsidiary in Ashburn, Va., specifically to target government and education business.

Opening this week, Micro Warehouse Gov/Ed Inc. plans to ramp up rapidly.

"This office will hold up to 60 people. We expect to have 50 of those people aboard by the end of this quarter," said Bill Shafley, the new company's president. He and other executives were hired from CDW-G, an Illinois-based technology provider with extensive government business.

Micro Warehouse already does about \$450 million in annual business with the government, almost a quarter of its \$1.9 billion annual revenue. That business will now come under Micro Warehouse Gov/Ed, making the subsidiary immediately profitable, he said.

Micro Warehouse Gov/Ed joins GTSI, a dominant player in the sector, based in Washington, D.C., and other firms scattered throughout the region.

Shafley said Micro Warehouse created the new company specifically to establish a local presence because about 40 percent of the federal budget allocated for purchases is spent within a 50-mile radius of the capital.

Companies that try to market to the government from a more remote location won't win much business, he said. "They'll see opportunities come their way, but they won't win them. They'll always be around the edge of it," he added. "Even though the federal marketplace is huge, it's a very small community," and agencies tend to do business with companies they know well.

Many resellers operate on thin profit margins, said Larry Davis,


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president of Aronson Capital Partners, an investment banking firm and consultancy in Rockville, Md. However, the new attention to homeland security, the prospect of war with Iraq and the government's ongoing push to modernize all bode well for companies selling to federal agencies.

"You've got a very strong federal market that's projected to get better," he said. "If you go back historically, government spending grew 5 to 6 percent a year. For the next few years, it's projected to grow in the double digits."

The market for government information technology will increase about 11.3 percent a year over the next five years, from \$37.1 billion in 2002 to \$63.6 billion in 2007, according to projections Davis provided.

However, companies like Micro Warehouse will have to fight hard for those dollars, he warned. Hardware and software sales is almost a commodity business, so resellers have to find ways to set themselves apart from the pack.

"There are some pretty established resellers in the government market," he said. "Typically their value-add is in their fulfillment process, their ability to take orders and turn orders around."

Shafley said Micro Warehouse has an established reputation for fast customer service, with phone calls returned within an hour.

That, he believes, will give the new company an edge, along with fast order fulfillment, on-site consulting services and the critical element, the new location.

"There's so many people trying to get into the marketplace that [customers] want to see that you're making a real investment into the market before they take a chance on a newcomer," he said. "They need to see that you're going to be in it for the long term. You can't be in the federal marketplace without at least a three- to five-year commitment. If you think you're going to be in it for 12 months and make a huge profit, you need to be somewhere else."

Prior to forming the subsidiary, Micro Warehouse spent the past six months adding its line of products to the General Services Administration schedule, a procurement system that lets agencies make purchases from approved vendors without undertaking a competitive bid process.

"Without having [items like computer] notebooks or servers on the GSA schedule, for people making large purchases we didn't have the price points for them to buy those things from us," he said. "We had only nine vendors on the GSA schedule before. Now, the only product lines we really don't carry are Dell and Gateway."

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