

Coalition for Common Sense in Government Procurement Attachment on GSA RFI

The General Services Administration's (GSA) assumptions in the Request for Information (RFI) regarding the offerings of Value-Added Resellers (VARs) do not reflect how the commercial information technology (IT) industry operates. The IT industry operates through several commercial channels including, but not limited to, Original Equipment Manufacturers (OEMs), VARs and resellers. Comparing these channels would be akin to comparing apples and oranges.

In the commercial marketplace, the OEM's supply chain establishes pricing levels for resellers and VARs. These channels are widely leveraged by commercial VARs and by commercial companies, to include Fortune 500 and Global Cloud and Service Providers participating in highly price-sensitive and competitive markets.

Commercial OEM channel programs provide benefits such as tiered discounted prices, rebates and other incentives that are based on the VAR's investment in the OEM's technology and the VAR's proven ability to accurately position and support the products. These channel programs, which vary by OEM, typically require VARs to invest in extensive training and certifications in the OEM's product portfolio to ensure that their products are accurately represented to the customer. In addition to discounted pricing, these channel programs ensure the VAR is prepared to meet the stringent compliance and security standards required by federal regulations and provide OEMs control over their supply chain by ensuring that only their authorized resellers will have access to pricing.

The government realizes the benefits of this VAR/OEM strategic partnership, including the competitive pricing when the VAR model is applied to government procurement. This layered model benefits government customers by giving them a single, responsive point of contact (the VAR) that can bundle multiple OEM products tailored to federal contract vehicle requirements, ensure compliance with trade agreements and security requirements, and provide documented pricing transparency. It also helps OEMs maintain product integrity and warranty control, because only trained, certified VARs may sell, deploy, and support their solutions. For the customer, this translates into faster acquisition cycles, reduced risk of non-compliance, access to specialized expertise without the overhead of managing multiple manufacturers directly, and operational efficiencies for the end user.

To effectively meet the objectives outlined in the RFI, GSA must recognize the factors driving the VAR pricing model. Contrary to the notion of an added benefit for an added markup, VAR offerings can lead to more competitive pricing compared to a pure-reseller model. This competitive pricing, combined with product expertise and service capabilities, is largely driven by the strength of the VAR/OEM partnership born in the commercial marketplace. If the government were to structure its procurement system in a manner that eliminates the commercial VAR model, the result would be less competition and increased costs for the taxpayer. In other words, if the VAR price for the solution was higher than what the OEM could deliver, the OEM would be doing it.

Therefore, it is imperative for GSA to develop a comprehensive understanding of the VAR business model, including the role of OEM channel programs and the resultant benefits that VARs bring to the government marketplace. Additionally, GSA should continue its market research into the complexities of OEM pricing, which are not easily translated into the processes of the government's regulated business model.

- **Question: If a widely accepted commercial definition for reseller and value-added reseller exists, please provide:**

Comment:

Resellers are typically provided a standard price from an OEM based on their participation in the OEM channel program which they “markup” and pass through to the government. Resellers typically focus on high volume products and perform administrative functions (e.g., ordering, invoicing, shipping). They may or may not play a role in addressing technology issues regarding the products being procured or have the resources to support that product post sale. Each reseller may or may not have the same price from the OEM based on their unique relationship with the OEM and their participation in the OEM’s channel program.

While the term “VAR” is widely used in the commercial IT industry, there is no universal definition that encompasses the diverse operational scale, experience, and capabilities of companies identifying as VARs. The definition is also influenced by the complexities of the OEM marketplace, the fast pace of technological advancement, and a VAR’s ability to adapt accordingly. As a result, individual VARs fulfill distinct roles within the commercial and government sector.

In practice, the most meaningful distinction is not semantic but structural: VARs operate within OEM-authorized channel programs that govern pricing access, certification, security requirements, warranty eligibility, and supply-chain integrity. OEMs have intentionally built these channel ecosystems because they provide a more operationally efficient and scalable go-to-market model than OEM-direct delivery. These programs are central to how OEMs manage risk, quality, compliance, and customer support across both commercial and government markets without materially increasing internal sales, engineering, and support cost structures.

In contrast to resellers, VAR’s will provide pricing based on their ability to position and support a product as reflected by their participation with the OEM’s defined channel program. VARs will typically compete for a procurement with other resellers and VARs who may or may not have the same pricing from the OEM for the product.

Characteristics of VARs include the ability to deliver comprehensive solutions, integrate products from multiple OEMs and deliver related services, including technical support, configuration, and lifecycle management. VARs develop established business partnerships with a broad spectrum of OEMs, enabling access to the most advanced technology solutions. These relationships are grounded in the OEMs’ channel programs.

- **Question: What is the typical range of markups you apply to IT hardware products in the commercial market?**
- **Question: What key factors (e.g., product category, volume, customer requirements, support levels, business size, distributor sourcing versus OEM-direct sourcing) drive these variations?**
- **Question: How do backend incentives and rebates passed from OEMs to resellers impact pricing?**

Comment: The premise of a “typical markup” is inconsistent with how commercial VAR pricing is constructed and evaluated. Commercial customers do not assess value based on markup

percentages, but on total delivered solution cost, performance, and risk allocation relative to the requirement. There is no “typical” markup because, under a VAR model as described in the general comment above, it is inaccurate to think of “value add” pricing as a markup. Contracting with a VAR results in a *discount* rather than a markup, as a direct result of the strength of the OEM channel relationship(s) relevant to the government requirement. VARs receive this discounted pricing from OEMs based on their authorized partner status and volume commitments, which allows them to pass savings on to government customers. Additionally, the value-added services—such as integration, support, and compliance management—are bundled efficiently, often at a lower cost than if the government were to procure these services separately. The final price to the government considers the requirements of each solicitation, which may have unique technical, logistical, compliance or administrative requirements impacting pricing strategies. Thus, in practice, the “value add” is not an arbitrary markup, but a combination of discounted product pricing and competitively priced services, resulting in overall cost savings and greater value for government agencies. In many cases, the use of an authorized VAR results in comparable or lower total acquisition and lifecycle cost than OEM-direct sourcing once integration, compliance, logistics, and post-award support are considered.

- **What specific value-added services or capabilities are included in your offerings that drive higher markups in your experience? Please avoid general language and lists and thoroughly explain the considerations that drive higher markups that your company offers.**

Comment: In general, the VAR model works by providing a series of benefits to VAR customers, as a direct result of the strength of the OEM channel relationship(s) relevant to the government requirement. These include:

- **Product Expertise:** VARs invest in certifications, engineering talent, and integration labs. VARs maintain up-to-date knowledge of product lifecycles, end-of-life (EOL) and end-of-support (EOS) timelines, and emerging technologies.
- **Integration and Lifecycle Support:** VARs provide integration services to ensure new products are compatible with existing government environments, minimizing risk and expediting deployment. VARs offer engineering support, training, and documentation post-award, which OEMs typically do not provide directly to end customers.
- **Security and Compliance:** VARs possess expertise in federal acquisition regulations, security requirements, and contract compliance. They manage flow-down requirements and ensure all components meet government standards, and regulatory compliance, particularly in sensitive areas like Artificial Intelligence (AI) and cybersecurity.
- **Logistics and Global Support:** VARs provide secure, comprehensive logistics services, including delivery outside the continental United States (OCONUS), government site access, and support for staging at overseas bases. VARs have processes for handling returns, address changes, and prompt issue resolution.
- **Procurement and Billing Flexibility:** VARs are proficient in both OEM and government procurement systems, allowing them to adapt billing, product acceptance, and payment processes to meet agency requirements.
- **Support for Emerging Technologies:** VARs continuously provide agencies with insights on technology trends, best practices, and innovations relevant to missions in AI, cybersecurity, and network resilience.

These capabilities are not priced or delivered as discrete add-ons in the commercial VAR model, but are embedded within the overall solution price and delivery approach. Attempting to isolate or unbundle them would misrepresent both their cost and their value.

- **How do your value-added services and associated cost requirements (e.g., for compliance, security, specialized certifications) differ when serving government versus commercial customers?**

Generally, the more government requirements differ from the commercial market, the higher the cost, e.g., Trade Agreements Act, Buy American Act, Cybersecurity Maturity Model Certification.

Under the VAR model, many of these incremental regulatory and compliance costs are absorbed and managed upstream by the contractor rather than surfaced as separate charges to the government, enabling fixed-price commercial contracting to function effectively.

- **Please explain how you quantify/price and communicate/document the value of these services to your commercial customers.**

The mix of products, services, and capabilities is outlined in the offer and response to the solicitation and is reflected in the fixed price provided to the commercial customer, which the customer takes into account when it makes a best value selection. Commercial customers evaluate these offers based on outcomes, performance confidence, and total solution value, not the internal allocation of product versus service costs.

- **Question: Is the aggregate value you as a reseller provide exclusively included in the product mark-up, or would a separate line-item pricing mechanism for value-added services be a more effective and transparent approach for contracting?**

Comment: A separate line-item mechanism is inconsistent with the commercial model. The “value-add” is not a markup to the product price from the outset. Instead, under a true commercial VAR model, it should be thought of as a value integrated into a discounted product/solution price. Each solution set is dependent on the underlying government requirement. A government requirement that the contractor separately identify and price each element or deliverable making up a solution increases complexity and would conflict with the Administration’s objective to increase commercial contracting, and would ultimately reduce competition and increase costs, resulting in the taxpayer paying a higher price overall. Such an approach would disproportionately disadvantage small businesses and non-traditional contractors, reduce competition, and ultimately increase costs for the government.

- **How would increased pricing transparency with GSA, including the disclosure of markup percentages, affect your competitive positioning in the market and your business relationships with OEMs and customers?**

Mandatory disclosure of markup percentages would not materially improve determinations of fair and reasonable pricing, because markup is not a reliable indicator of value, performance, or total solution cost in bundled commercial offerings. Protection of proprietary pricing information is one

of the pillars of maintaining a competitive environment in both the public and private marketplaces. Furthermore, given the complexity and variations in implementation of each OEM's pricing and discount structures, and the integrated and bundled nature of the discounts into the overall product pricing, GSA could not easily or effectively apply contractor provided data to specific contracts requirements.

- **What specific information or documentation should GSA request from the industry to most accurately and efficiently determine that proposed pricing is fair and reasonable and commensurate with the specific value added by VARs?**

GSA should follow the commercial model by maximizing competition with sound requirements. In the commercial market, if the customer determines that it did not achieve the expected value/outcome based on the competition and award, the customer reviews the transaction to determine the reason, e.g., flawed solicitation, flawed evaluation, flawed source selection decision. Fair and reasonable pricing is best determined through sound, outcome-based requirements that enable mission execution, effective competition, and post-award performance outcomes, rather than attempts to deconstruct commercial pricing models into non-commercial cost elements.