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There's Safety in Military Contracts

By KATE MURPHY

Like so many small businesses in this weak economy, Kaos Worldwide, a sports apparel company just outside Houston, has been struggling. But it has managed to survive while its competitors have folded because it won a five-year, \$1.5 million contract last year to supply sports bras to the United States military.

"Without the military contract, we might not still be here," said Bert Emanuel, who founded the business with his wife, Terri, after a knee injury in 2001 forced him to retire from an 11-year career as a professional football player. Their company sells temperature-regulating and moisture-wicking base layers like T-shirts, shorts, leggings and bras.

While it may seem that only large corporations like Halliburton and Lockheed Martin would have a shot at lucrative military contracts, the Defense Department actually awards more than half, or \$55 billion, to small businesses. And the Obama administration's \$787 billion stimulus plan promises to make even more money available.

"Small businesses play an important role in the economy and the military," said Joseph E. Misanin, deputy director of small-business programs at the Defense Department. "They have an agility and flexibility that gives them an advantage over bigger companies."

Although the regulatory hurdles to becoming a military vendor can be daunting and frustrating, small-business owners who persevere say it is tremendously profitable and even essential to their survival. With the United States currently in the midst of two wars and tending to a multitude of other security concerns, they say the military is a recession-proof customer that has insulated them from the current economic downturn.

Beth Harshfield, the owner of Exhibit Arts, an advertising and marketing company in Wichita, Kan., said she started bidding on military contracts six years ago because "I got tired of the local economy kicking the legs out from under us." Now 80 percent of her

business is with the military. Her company creates trade-show booths for Army recruiters and acts as a staffing agency for military bases.

“Once you’re established and you perform well, there is unlimited potential,” Ms. Harshfield said. “But getting set up to work for the government is a confusing and lengthy process.”

First, small businesses have to be certified to work for the government, which can be cumbersome. It means getting listed on the Central Contractor Registration database. This is required of all current and potential military contractors. Applications can be made online and require a company’s tax identification number.

Once in the database, small businesses get a Commercial and Government Entity code; a Marketing Partner Identification Number and Trading Partner Identification Number. These are all essential for finding, bidding on and getting paid for military contracts.

Helping small businesses make sense of the credentialing process are regional procurement technical assistance centers. There are 93 of these federally financed offices nationwide, run by former military procurement officers.

“The first meeting takes a few hours when we learn about the business to see if it even has a product that’s possible to sell to the military,” said Debbie Smith, procurement specialist at the assistance center in New London, Conn.

If the answer is yes, then the center guides the small-business owner through the registration process and enters him or her into a central database that patrols the federal system for bid solicitations that fit their profile. Small businesses can also look through the listings on www.fedbizopps.gov for opportunities.

But getting that first contract is difficult, said Ms. Harshfield of Exhibit Arts. “They want you to have experience working with the military,” she said. “They aren’t as interested in your commercial experience. So it’s really hard to break in.” It took two years, she said, for her company to get the military to accept a bid.

Mr. Emanuel said he was lucky that, through personal connections, a general in Iraq had learned of his product. The general ordered 10,000 bras for his female soldiers by credit card in 2005. So when Mr. Emanuel bid on the five-year contract that he eventually won last year, he was able to point to that experience.

Rather than bidding on contracts, some small businesses try to get their products listed on

the General Services Administration schedule, which is essentially a giant e-mall where military procurement officers can buy items online with a standard credit card. If the company's product is consumer-oriented, it is eligible for listing on the Army and Air Force Exchange Service, an online, tax-free store for active-duty military and their families.

Kathline Springer, director of business development at Rust Bullet in Reno, Nev., said it took two years of paperwork and lobbying various officials to get her company's rust-retardant coating listed in 2005 on the General Services Administration schedule. Still, she said, "it was worth it" because the military is now Rust Bullet's biggest customer. "I don't have to worry if they are going to pay their bills."

Another option is to get a so-called National Stock Number, which gets a product in the Defense Department's database of items approved for military use. Mark Ewald, owner of Groove Tech in Waterbury, Vt., got a stock number in 2000 for his company's industrial-strength bungee cord.

"I get most of my orders through word of mouth," he said. "One military unit will get my product and tell another unit who wants to get it." The unit's procurement officer then uses the stock number to place an order. The military now accounts for more than half of Groove Tech's business, he said.

To expand his sales, Mr. Ewald said he had begun making marketing calls to military bases and National Guard units. "Most of the work is finding out who the supply sergeant is and how to reach him," he said. Adding to his frustration, he said, is that military personnel are mobile, so contacts change frequently.

Rick Horn, who is with the assistance center in Las Vegas, said: "It's certainly more complicated than dealing with a commercial entity. But the way the economy is these days, the government still has money and the private sector doesn't."

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