

## Federal eCommerce: GSA Forges Ahead with Amazon Model Despite Industry Opposition

Despite industry opposition, the General Services Administration (GSA) is moving forward with a pilot program to create a federal eCommerce platform modeled largely after Amazon's (AMZN) consumer marketplace, according to updated implementation plans released earlier today.

According to [plans](#) released today, GSA intends to implement the pilot quickly, issuing a solicitation for the pilot program within the next two months for a launch date by the end of 2019.

GSA has been considering three different models for the future platform: An eCommerce model where the website operator sells its own products, such as Staples.com; a marketplace model where the website operator both operates the platform and sells its own products in competition with others, such as Amazon.com; and a neutral procurement platform, where the website operator does not sell its own products but integrates with other websites and marketplaces, such as an Expedia.com.

The plan to first launch a test pilot marketplace platform before rolling out the government wide platform was first proposed by GSA last December.

At an industry day last December to discuss the idea, GSA officials received considerable [negative feedback](#) from industry participants. Several procurement industry figures noted that typical commercial practices did not favor using Amazon-like marketplaces because the operator of the marketplace has the ability to preference its own products over those of competitors. Rather, neutral procurement platforms which search across multiple providers were the norm in commercial practice, industry participants said.

Marketplaces controlled by a vendor, industry figures argued, could lead to higher prices and less competition for government purchases given the fees charged by the operator to its competitors and the operator's control of the platform.

In a February program [update](#), GSA also seemed to be listening to industry feedback. According to the update, one of the key themes it found in conversations with industry was that "GSA should not limit the proof of concept to just the e-marketplace model and should ensure competition across the various models, with both portal providers and suppliers."

Today's announcement that the agency will only pursue the e-marketplace model for a pilot program seems to discount the feedback that GSA received. Asked about this by reporters today, Keil Todd, a Program Manager for the Commercial Platforms Initiative, stated that "that feedback

was certainly something that came from the supplier community, but when we spoke with portal operators, they encouraged us into thinking about keeping the whole process simple.”

A former GSA executive viewed GSA’s plans as an abdication of responsibility. “The problem with this attitude,” the former executive said, “is that keeping things simple in procurement is supposed to be the job of the GSA. They are just abdicating that responsibility to the operator, be it Amazon or someone else, and hoping for the best for the taxpayer.”

GSA maintains that it is still considering the other eCommerce options for future implementation, but there is worry in the industry that that any pilot program would give the initial contract holder a first-mover advantage in the federal government.

Asked about this first-mover advantage by reporters today, Jeff Koses, Senior Procurement Executive at GSA, stated that there could “conceivably be a very small advantage,” but noted that the legislation mandating the program called for multiple platforms provided by multiple companies.

“Adopting those other programs down the road is going to be unlikely. When someone starts something, it takes a lot for them to move that habit away. Once they set this up, they just lock the government in on this,” the former GSA executive said.

“They [GSA] are not allowing the rest of the eCommerce market to play, and they are forcing companies like Staples and a Grainger to sell on Amazon, and those companies they don’t want to work with Amazon,” the former executive added.

**GSA prioritizes contracting officer experience over savings.** In the updated plans, GSA compared and contrasted the three eCommerce models that it had been considering for the pilot program, finding that the other two, the traditional eCommerce offering and the neutral procurement model, would be more of a burden on the contracting officer than the ease of an Amazon-like offering.

When comparing the marketplace and the procurement model, GSA noted that “the e-procurement model’s robust workflows require upfront and complex configuration by the administering agency... while this work would likely yield program management savings in the future, implementation would be longer, more complex, and more expensive,” indicating that ease of use trumped long term savings for taxpayers.

GSA also noted that a negative for piloting a procurement platform was that “users are more likely to be unfamiliar with platform since it has no consumer equivalent,” despite having previously referred to the platform as similar to that of a common travel aggregator like Kayak.

Industry sources have previously told *The Capitol Forum* that GSA was likely confusing consumer and commercial practices when focusing on the experience of the contracting officer. According to Scott Zintze of Epic Business Essentials, a company also vying for the GSA contract, “we hear that they have procurement officers saying, ‘I order from Amazon at home, why can't we use that at work?’”

**GSA being led by other agencies to Amazon.** In the document released by GSA today, the agency outlined its decision making process for selecting a marketplace, noting that some others agencies had already begun using their own commercial eCommerce platforms. In particular, the Air Force and Department of Homeland Security have recently signed contracts to purchase commercial products through Amazon.

According to the documents released today, “with some agencies already moving out in this direction, GSA needs to begin the proof of concept quickly to develop a consolidated view of spend data and to enable a data-driven, whole-of-Government approach to work with commercial e-commerce platforms.”

GSA officials acknowledged to reporters that they had discussed their plans with Air Force and DHS acquisition officials as they developed their most recent implementation plan.

“This makes total sense,” said a federal eCommerce consultant, “GSA was going to be outflanked by the agencies using Amazon if they weren’t careful. That’s why they're doing, in order to stay in control. GSA is also responding to a law from Congress that only wanted them to use Amazon, and GSA may be doing to get Congress off its back.”