



Does Size Matter IN THE Supplies Game?

by Paul A. Miller

In the office supply industry there are really two ways federal government agencies buy office supplies: either from the big box channel or from small businesses.

One group is made up of a handful of companies with a nationwide presence and \$2 billion or more in annual revenues, while the other consists of literally thousands of companies with deep roots in their local communities and revenues that range from \$1 million to as high as \$75 million.



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In my opinion, even a dealership at the top end of that range—\$75 million a year—should be considered small in comparison to its national competitors. But what does the government think?

The Small Business Administration is preparing to launch an effort aimed at answering that question as part of a comprehensive review of size standards for all small businesses.

This effort will begin as early as June and will last for roughly 24 months. SBA plans to review industries by NAICS Codes and based on the comments they receive from these industries, they will make a determination whether the current size standards meet the requirements of today's business environment.

Some in the small business community will be shooting for smaller size standards— between 50 and 100 employees. They will say any company with a larger payroll should not be considered a small business.

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For the office products industry, this approach simply makes no sense. A one-size-fits-all strategy cannot and will not work. This is why I appreciate the efforts SBA is making to reach out to specific industries to better understand them and who they represent.

Independent dealers already face too many hurdles when it comes to competing for government business with the big boxes. The rules are already stacked against them and imposing a smaller size standard on the industry will make it almost impossible for independents to grow their presence in the federal market.

This is why the industry has been working to educate the SBA on the industry and the need to push for a new size standard for your NAICS Code that is based on the number of employees in a company versus the current dollar limit of \$6.5 million in annual revenues.

A \$6.5 million threshold does not allow growing and thriving independents an opportunity to gain access to much needed capital from the SBA. Exceed that threshold and you become ineligible. That's why SBA should change the rules and standards to say that as long as you employ 500 or fewer employees you are considered a small business.

Changing our industry's size standard would help the government take one more step to leveling the playing field. It certainly won't cure all the problems, but it will bring us closer to a solution that finally ensures small businesses in the office products industry get a fair shot.

Some will argue that since independents are already competing against the big boxes and winning business in the government marketplace, there's no real need to change the size standard. Wrong. Just because there are some success stories for independents out there, that doesn't mean the government

should do all it can to make it harder for small businesses in any industry to compete and succeed.

We should not forget that the small business community plays an important role in our economy. Politicians constantly tell us that small businesses are the backbone of America and the engine that really drives our economy. If this is the case, then they should be afforded the same opportunities to compete as the big boxes. It's that simple.

Let's not allow a one-size-fits-all approach to decrease the small business size standard for independent office products dealers. It would put us on a path that ultimately would end up doing far more harm than good to this industry and others.

Independent office products dealers are growing in the government market today. Let's not cut them off at the knees in favor of a misguided and ill-informed size standard that would force them to be considered "other than small" by the SBA and put them on the same level as the billion-dollar companies they compete against.

Make no mistake. A lot more is at issue here than just some vague semantic question for government bureaucrats. How the SBA ends up defining what makes a small business for the office products channel will play a critical role in shaping independents' future prospects in a market that has been kept at arm's length from them for far too long.

When the SBA effort gets underway in earnest, they will be asking industry members to submit comments as to why or why not a change should be made. When that request for comment goes out, we will need a concerted effort to make the case for change as a way to combat the small business prejudice that has hindered and hurt independents in the marketplace for far too long.