

# Understanding small manufacturers in the federal marketplace



*Identifying potential opportunities for U.S. Small Business Administration programs and outreach to support small manufacturers*

## Summary

The goal of this evaluation was to help the U.S. Small Business Administration (SBA) identify opportunities to support small manufacturing businesses and increase their participation in federal procurement. We estimated that 40% of federal manufacturing awards go to small manufacturers, that small manufacturers are relatively under-registered in SAM.gov, and that the prevalence of manufacturing opportunities and awards vary across examined industries. We also found that a significant percent of small manufacturing businesses are likely eligible for, but not participating in, SBA certification programs that support small businesses.

## Agency priority

The SBA's [Made in America Manufacturing Initiative](#) under the current Administration seeks to support small American manufacturing businesses with a variety of services and regulatory changes. Through this initiative, the SBA aims to be responsive to the realities and opportunities in the sector. To better serve this population, the agency needs detailed descriptive information about the number and industries of small manufacturing businesses, their participation in the federal marketplace, and how many are currently connected to their resources. Understanding which industries may be under-represented in federal procurement and which SBA programs may be underutilized by small manufacturers can help the SBA target and implement new initiatives.

## What we evaluated

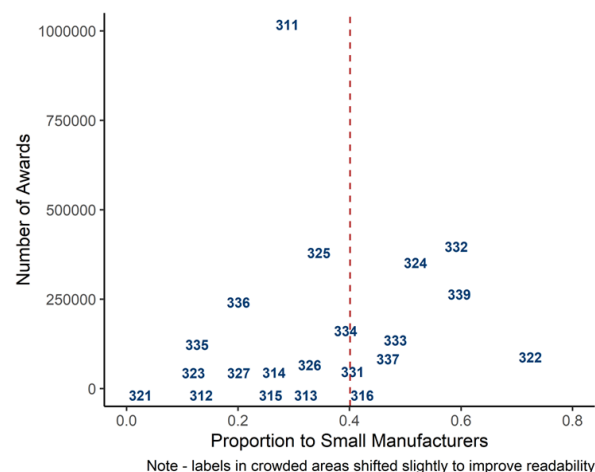
We partnered with the SBA on a descriptive evaluation of the current state of small manufacturing business in America. We used data from the [U.S. Census Bureau](#) and [SAM.gov](#), the U.S. government system for contracting, to answer priority questions about the number of small manufacturing firms operating in each industry (NAICS code), the number receiving federal

contracts, and the number registered for available SBA programs. We identified firms as “small” if they qualify as small within their primary industry, according to SBA standards. We focused on quantities such as the number of small manufacturers in each sector (the first 3 digits of the NAICS code) registered with the federal government on SAM.gov, the proportion of federal contracts awarded to small manufacturers in each sector, and the rate of firm participation in existing SBA programs.

## What we learned

We found that 9.4% of all small manufacturing firms were registered to do business in SAM.gov. NAICS code 334 (Computer & Electronic Product Manufacturing) has the highest rate of small manufacturing firm participation (54%) followed by 335 (Electrical Equipment, Appliance, and Component Manufacturing) at 25%. Industries with the lowest participation include NAICS codes 321 (Wood Product Manufacturing), 312 (Beverage & Tobacco Product Manufacturing), 311 (Food Manufacturing), and 316 (Leather & Allied Product Manufacturing), all at 2-3%.

**Figure 1.** The number of available awards and the proportion going to small manufacturing businesses by NAICS code (point labels)



Although 40% of all manufacturing awards go to small manufacturers, the proportion varies considerably by industry (Figure 1); ranging from

6% in NAICS code 321 (Wood Product Manufacturing) to 75% in NAICS code 322 (Paper Manufacturing). NAICS code 311 (Food Manufacturing) includes a large number of awards, with 26% going to small manufacturers.

We also found that 16% of all small manufacturing businesses participate in at least one SBA program, while 77% of those not participating are likely eligible for at least one. VOSB/SDVOSB (8%) and WOSB/SDWOSB (20%) have the smallest shares of small manufacturers who are likely eligible but not participating in at least one SBA program, while HUBZone (53%) and 8(a) (42%) have the highest shares.<sup>1</sup> Currently, only 4% of small manufacturing businesses participate in each.

Finally, we identified three industries that offer targeting opportunities for the SBA. NAICS codes 311 (Food Manufacturing) and 339 (Miscellaneous Manufacturing) are industries in which small manufacturers are relatively successful at competing for a large number of awards (over 20% of more than 100,000 available awards) but are relatively under-registered on SAM.gov (less than 10%). In NAICS code 336 (Transportation Equipment Manufacturing), there are a large number of opportunities (over 100,000), but relatively few (under 20%) were awarded to small manufacturers.<sup>2</sup>

## Applying the findings

This evaluation highlights substantial variation across manufacturing sectors in how frequently small manufacturing businesses register to compete for federal contracts, win federal awards, and participate in SBA programs. By identifying industries in which small manufacturers may be under participating, this evaluation suggests areas

for SBA to target for future initiatives and interventions. However, this evaluation is descriptive, thus there may be unobservable reasons that some industries have lower participation rates that the SBA may not be able to address.

In addition to further analysis to address data limitations, actions the SBA could take include designing and evaluating:

1. Outreach to businesses encouraging them to register and explore opportunities on SAM.gov, or take advantage of the SBA's capital access programs, with the goal of increasing competition and strengthening the U.S. supply chain.
2. Interventions designed to help small businesses meet federal procurement requirements, mitigate barriers or bottlenecks they face in the bidding process, and scale into more competitive mid-size suppliers.
3. Interventions targeting federal buyers who are active in areas of the manufacturing sector in which there is underutilization of small manufacturers but a high volume of federal awards.
4. Interventions to encourage small manufacturers, who are potentially eligible for SBA programs but have not utilized them in the past, to participate in SBA programs, and analysis to understand the impact of these programs on awards.

Comparing the relative efficacy or cost-effectiveness of the interventions above could help the SBA determine which provide the greatest return on investment in terms of helping small businesses win more contracts and grow their capacity.

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<sup>1</sup> These SBA programs support small businesses as follows: HUBZone supports those in historically underutilized business zones; 8(a) supports those who are socially and economically disadvantaged; Veteran-Owned Small Business (VOSB); Service-Disabled Veteran-Owned Small Business (SDVOSB); Women-Owned Small Business (WOSB); and Socially-Disadvantaged Woman-Owned Small Business (SDWOSB).

<sup>2</sup> Estimated counts and proportions should be interpreted with caution given data availability limits discussed in our [analysis plan](#). However, this summary makes the best use of readily available data to help guide SBA decision-makers.