

Billion-Dollar IT Work Flows From Resellers Back to Tech Firms

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- The Army expanded a Salesforce subsidiary's contract to \$5.6 billion and doubled its potential performance period to 10 years, signaling that federal agencies are moving to consolidate contracting around original manufacturers.
- The contract represents a significant realignment of Salesforce's market approach, as agencies have mainly bought Salesforce products from the company's network of distributors, resellers, and integrators until now.
- The new buying model unites IT manufacturing and professional services, bypassing traditional manufacturer-integrator relationships, and may lead to significantly fewer opportunities for companies in Salesforce's network of resellers and integrators to bid on work in the federal market.

When the Army expanded a Salesforce subsidiary's contract last month, it sent a dramatic signal to IT services suppliers that federal agencies are moving ahead to consolidate contracting around original manufacturers.

The Army **announced** Jan. 26 that it justified a sole-source procurement from Computable Insights to expand a **contract** to \$5.6 billion, from \$99.7 million, and double its potential performance period to 10 years with an end date now set for 2035.

That will likely lead to significantly fewer opportunities for the dozens of companies, including Carahsoft, in Salesforce's network of resellers and integrators to bid on work in the federal market.

















Agencies have bought **\$4 billion** of Salesforce-related products and services from nearly 300 firms since fiscal 2021, according to Bloomberg Government analysis of contracts data. But Salesforce directly accounted for just \$260 million, or 6.5% of that total.

The newly reconfigured Computable Insights contract represents a significant realignment of Salesforce's market approach. Until now, agencies have mainly bought Salesforce products from the company's network of distributors, resellers, and integrators.

Salesforce framed the Army's decision as part of a broader transition in federal buying behavior, including in a **news release** a comment from IDC Government Insights Vice President Alan Webber that it's "a shift from buying software to orchestrating outcomes at scale."

The Pentagon purchased Salesforce-related products and services from more than 70 vendors in fiscal 2025 and spent **\$143 million**, according to Bloomberg Government analysis. The rest of the company's \$934 million in federal sales were made to civilian agencies.

Salesforce Vendor Network Set to Shrink With New Army Award Move brings \$5.6 billion, 10-year DOD software contract in house

Top Vendors	FY24 Total	FY25 Total	Share of FY25 Total
Carahsoft	 \$39.9	 \$57.3	40.4%
Sterling Computers	 21.7	 23.8	16.8
Computable Insights (Salesforce subsidiary)	—	 16.6	11.7
Regency Consulting	—	 9.3	6.6
New Tech Solutions	 4.1	 6.0	4.2
Software Information Resource	 1.8	 3.1	2.2
Govsmart	 3.3	 2.8	2.0
Logc2	—	 2.7	1.9
ADS Tactical	—	 2.5	1.8
4 Star Technologies	 1.6	 2.3	1.6

Source: Bloomberg Government
Note: Data includes Defense Department unclassified prime contracts referencing Salesforce products and subsidiaries.

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The January justification document reports the company confirmed its capability to support direct sales to the entire Defense Department.

The contract is designated by the Army as a "decentralized" indefinite delivery, indefinite quantity vehicle. It can be used to acquire software licenses, maintenance, advisory, and "outcome-based" professional services.

Salesforce didn't respond to a request for comment.

OEMs

The Salesforce award follows months of Trump administration orders to cut **consulting contracts**, **consolidate procurement**, and maximize the use of **commercial solutions** for agencies across the federal government.

It also aligns with Pentagon acquisition changes ordered by Defense Secretary Pete Hegseth in his December **acquisition transformation strategy**, which includes “expanded use of direct-to-supplier relationships” for development, production, and sustainment of subsystems, parts, and components.

OneGov — the new roadmap for agencies to acquire IT software and hardware directly from original equipment manufacturers and work with them to customize and maintain their products — includes individually negotiated contracts between the General Services Administration and original equipment manufacturers.

GSA reports that it awarded **19 OneGov contracts** from the the start of its **OneGov** initiative in April through the end of 2025, with an award to Salesforce in May for the company’s **Slack Enterprise Grid**. GSA’s OneGov site currently profiles **20 agreements**.

The new buying model unites IT manufacturing and professional services, bypassing traditional manufacturer-integrator relationships.

IT value added resellers, integrators, training, and other technology vendors will have to consider secondary teaming and subcontracting roles if agencies pursue more acquisitions directly with individual manufacturers.

But increased use of direct acquisition from OEMs shows a misunderstanding by the government of the role of ITVARs, PilieroMazza partner Cy Alba told Bloomberg Government.

“Instead of having competition where many ITVARs take the cost and pricing risks to win competitive contracts,” he said, “these OEMs will act as a monopoly to raise prices for the government.”

Markup RFI

GSA on Jan. 22 posted a **request for information** from VARs about markups on IT hardware not purchased directly from OEMs. The focus is on verifying whether changes from original pricing is justified and reasonable.

The RFI discusses the possibility of establishing “additional controls” to ensure the government receives price reasonableness when markups exceed a certain percentage threshold, without going into detail.

VARs in the federal IT ecosystem “can negotiate volume discounts, guarantee minimum purchases, offer a variety of technologies and solutions, and assume other market risks,” Professional Services Council CEO Jim Carroll said in an email to Bloomberg Government.

“Moving away from this VAR model carries with it the potential to increase costs to the government, as OEMs would seek to offset such market risks,” he observed.

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