

Common Contract Types & Alternative Procurement Vehicles

How buyers structure contracts, and what it means for your business

Not all contracts are awarded the same way. Understanding contract types and procurement vehicles helps businesses price correctly, manage risk, and make smarter bid/no-bid decisions across government, corporate, and commercial markets.

This guide explains the most commonly used contract structures plus alternative and often overlooked procurement vehicles that can unlock opportunities without traditional RFP competition.

What This is Not

This guide provides awareness and readiness context only and does not replace solicitation terms or contract review.

SECTION I — Common Contract Types

These are the most frequently used contract structures in government and corporate procurement. Each type carries different levels of risk, cash-flow impact, and compliance responsibility.

Firm-Fixed-Price (FFP)

What It Is

A contract with a single fixed price for a clearly defined scope of work.

Commonly Used By

Federal agencies, state and local governments, and corporate buyers.

Risk Level: Medium to High

Best For

Readiness Tiers III–V

Key Considerations

- Contractor assumes risk for cost overruns
- Accurate pricing and scope definition are critical
- Well-suited for repeatable or clearly defined work

Time & Materials (T&M)

What It Is

Payment based on approved labor rates plus materials, often with a ceiling price.

Commonly Used By

Professional services, IT, emergency response, and consulting engagements.

Risk Level: Medium

Best For
Readiness Tiers II–IV

Key Considerations

- Labor categories and rate caps matter
- Strong timekeeping and documentation required
- Less pricing risk than FFP, but more oversight

Cost-Reimbursement

What It Is

The buyer reimburses allowable costs plus a negotiated fee.

Commonly Used By

Federal agencies for R&D, research, or complex projects.

Risk Level: High (compliance-intensive)

Best For

Readiness Tiers IV–V

Key Considerations

- Strict accounting and documentation requirements
- Higher audit and reporting burden
- Not suitable for early-stage businesses

Indefinite Delivery/Indefinite Quantity (IDIQ)

What It Is

A contract vehicle that establishes a pool of vendors for future task orders.

Commonly Used By

Federal agencies, utilities, and large enterprises.

Risk Level: Medium

Best For

Readiness Tiers III–V

Key Considerations

- No guaranteed work
- Competitions occur at the task-order level

- Excellent long-term pipeline vehicle

Task Orders & Delivery Orders

What It Is

Specific assignments issued under an IDIQ or master contract.

Commonly Used By

Federal agencies and enterprise buyers.

Risk Level: Varies by scope

Best For

Readiness Tiers III–V

Key Considerations

- Faster procurement cycles
- Often limited to pre-qualified vendors
- Strong past performance matters

Purchase Orders (POs)

What It Is

A one-time procurement for goods or services.

Commonly Used By

Corporate buyers, municipalities, and small agencies.

Risk Level: Low

Best For

Readiness Tiers I–III

Key Considerations

- Often short timelines
 - Limited administrative burden
 - Can lead to repeat business
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While contract types define how work is paid for, procurement vehicles determine how buyers access vendors.

SECTION II — Alternative & Atypical Procurement Vehicles

(Frequently Overlooked — High Strategic Value)

Many businesses miss opportunities because they only look for traditional RFPs. These vehicles often allow buyers to procure without issuing new solicitations.

Cooperative Purchasing (Co-Ops)

What It Is

Pre-competitively awarded contracts that allow multiple government entities to “piggyback.”

Commonly Used By

State and local governments, schools, municipalities, and authorities.

Why It Matters

- Reduces procurement timelines
- Eliminates need for new RFPs
- Can open doors to multiple buyers at once

Best For

Readiness Tiers III–V

GSA Schedule Contracts

What It Is

A federal contract vehicle with pre-negotiated pricing and terms.

Commonly Used By

Federal agencies and, in some cases, state and local governments.

Why It Matters

- Simplifies federal purchasing
- Enables recurring task orders
- Requires strong pricing and compliance discipline

Best For

Readiness Tiers IV–V

Master Service Agreements (MSAs)

What It Is

A framework agreement governing future work under defined terms.

Commonly Used By

Corporate buyers, utilities, and municipalities.

Why It Matters

- Supports long-term relationships
- Enables faster work authorization
- Often paired with POs or task orders

Best For

Readiness Tiers II–V

Blanket Purchase Agreements (BPAs)

What It Is

An agreement that allows repeated purchases from approved vendors.

Commonly Used By

Federal agencies and large organizations.

Why It Matters

- Streamlines recurring purchases
- Often awarded competitively once, then used repeatedly

Best For

Readiness Tiers III–V

Sole-Source & Direct Awards

What It Is

Non-competitive awards allowed under specific regulatory authority.

Commonly Used By

Federal agencies and corporate buyers.

Why It Matters

- Requires eligibility and justification
- Often driven by urgency, capability, or certification

Best For

Readiness Tiers IV–V