



How to sell to the public sector

AUSTRALIA & NEW ZEALAND

www.publicsectornetwork.co

Introduction

Real success in selling to the public sector means being in the market for the long haul.

While it's possible to get quick wins in government sales, achieving strong and sustainable scale means committing to the market. Doing business with all tiers of government means you need to take a long-term view.

The public sector can be a complex market, but if you can establish a solid presence you will build a strong residual business with a much higher barrier to entry from potential competitors, compared to other industries. Companies selling to government that take the long view have grown multi-billion-dollar public sector sales operations that continue to create lasting impact.

The public sector is an enormous industry, the largest vertical market in Australia or New Zealand. It includes a vast range of departments and agencies – from defence and justice, to health and human services, to education and transport. The sector is in an almost constant state of flux, with complex organisational charts, procurement policies, and machinery of government changes keeping everyone on their toes.

This white paper explains the core 'how to' principles for any company looking to win and retain public sector business.



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Speak their language

Government is not a single entity. It is important to understand that you are effectively selling to a number of different organisations who all have their own executive, management, organisational, delivery, budget structures not to forget maturity and scale.

Government buyers expect you to know their unique challenges, speak their language and be relevant.

Government agencies are pitched products and services every day. Vendors too often use the same marketing techniques with government as they do with their private sector accounts. This can undermine your credibility and relevance. The chance of a successful sale increases significantly when your approach demonstrates a tailored understanding of the specific requirements and business needs of your government buyer.

To fully grasp a government agency's unique environment, look at the agency through three lenses: foundational elements, internal variables and external variables.

Foundational Elements

These are principles that are unlikely to change or which change very slowly, such as purchasing or procurement rules, budget cycles, and an agency's functional mission and organisational structure.

Understand how the Procurement Rules and Guidelines apply to your prospective department or agency and not just generally across government.

Internal Variables

These influences shape a government agency's strategic direction, and can include elected and executive leadership priorities, IT strategic plans and roadmaps, budgets, the existing technology base and departmental resolutions.

It's critical to understand executive leaders' priorities. If you are selling IT products and services, then the vision of the agency's CIO, in particular, will shape its strategic direction and impact its purchases. Other types of products will be influenced by the heads of other departments.

External Variables

These are outside influences on government, such as the state of the economy, industry macro trends, media coverage, industry best practices and other elements that change over time.

Every government agency you interact with is unique, so it is important to view each of them through these three lenses. It's also a good idea to use these lenses to test, validate and adapt your overall government go-to-market strategy. Spending time researching both the business and technology priorities of the jurisdictions or agencies you are targeting will pay dividends in building a successful public sector business.

This makes government a difficult yet lucrative sector. It offers suppliers an array of relatively recession proof customers – if they can stay the course and offer value.

Become a trusted partner

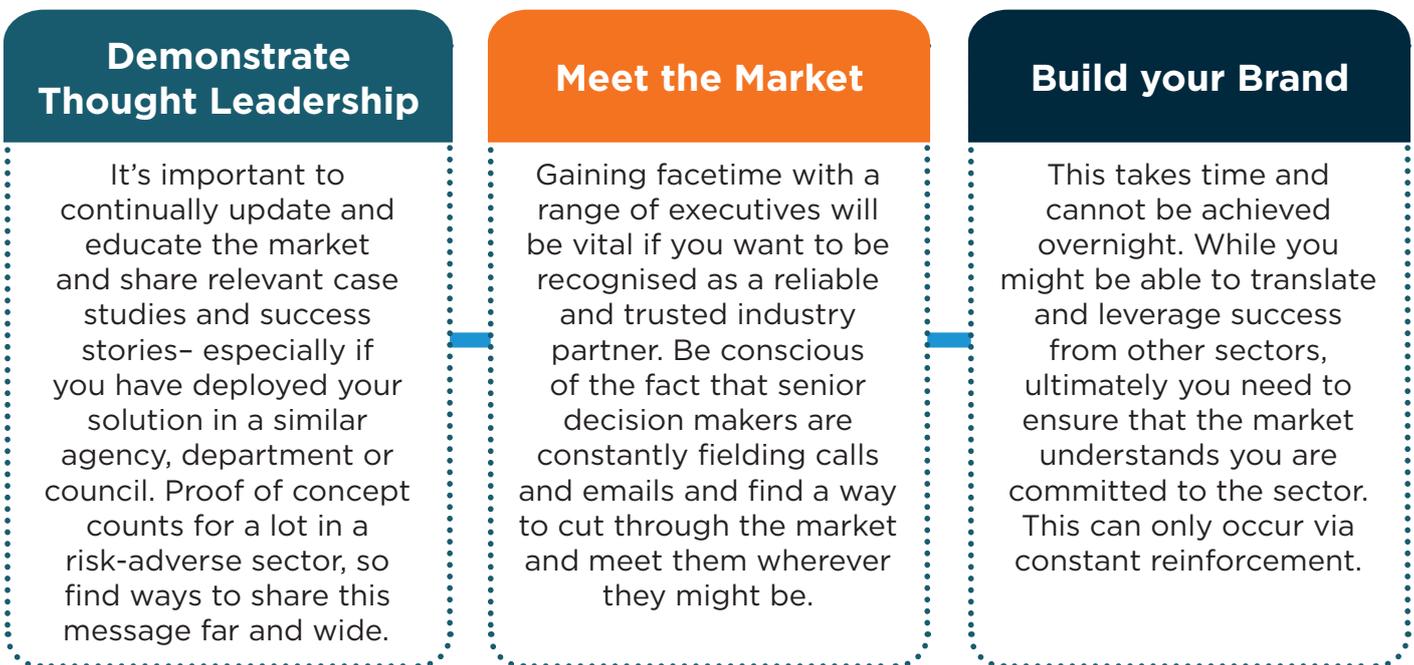
Given the shrinking public purse in most jurisdictions, governments and government agencies are under more pressure and scrutiny than any other industry to ensure that funds are well spent.

This makes it harder for them to truly take risks on bleeding edge technology or brand-new start-ups.

But this doesn't mean that they will only ever buy from the same top-tier companies. Governments around the world are actively trying to source solutions for small, local, and social enterprises. The onus is on these businesses to position themselves as a trusted long-term partner.

To do this, it's vital for companies to establish brand recognition and confidence with government buyers, something that can only be done with time and constant education. Trust is key to any business relationship. There is no shortage of books, blog posts or self-proclaimed thought leaders selling a formula for gaining trust. But establishing trust with government buyers has its own dynamics. Since government executives are responsible for taxpayer dollars, they are held to different standards than their private sector counterparts.

There are three key strategies to implement:



Ultimately there are very few quick wins in government. But success breeds success, and once you make an initial breakthrough you will be better placed to win further business.

You should aim to combine and reinforce these strategies as you create a holistic go-to-market plan, including events, social and content marketing.

Identify – and Engage – the Key Influencers

There are 4.7 decision makers involved in complex B2B purchases (according to consultancy CEB). This is likely to be higher in government, due to the more robust checks and balances. It's common for companies to identify a specific target buyer within government, such as the CIO or CTO, but it's important to remember there are many other people who influence the purchasing process.

They might be the functional business leaders (who are looking for a specific outcome), technical staff (who will have to implement and integrate), or the procurement team (who will ultimately sign off on the terms). It's important not to neglect any of these points of contact, as they each have a role to play and can ultimately delay – or halt – a decision.

Each role — including end users and purchasing officials — in a government agency plays a unique part in the buying process. It's best to understand the entire buyer landscape to shape your strategy for success. How do you do this?



Step 1

Identify the influencers involved in your selling and purchasing process.



Step 2

Develop a profile for each influencer. These profiles detail the role of the players who will touch your procurement.



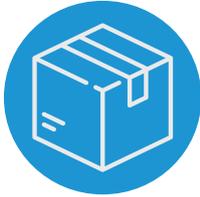
Step 3

Map the standard buyer's journey for your product or service.



The Network of Influencers

A complex network of influencers shapes decisions across government agencies. You need to know who they are:



Procurement

Procurement officials ensure contracting is fair and follows defined, agreed-upon procedures.



IT Organisation and CIO's Office

The CIO's office is typically responsible for creating the business case for the selection of IT goods and services. The CIO is also often a decision-maker for the specific IT solution that is implemented, and authorises and approves funding.



Heads of Departments and Agencies

Department and agency leaders define the business problem or need. They can also assist in creating the business case and may authorise funding.



Other Senior Managers

Depending on the nature of the agency and the product or service being requested, other senior managers sometimes make the decision or influential in the final outcome.



Technical Staff

Technical staff help prepare the business case and are typically tasked with conducting research to assess potential products and solutions to procure.

Need to understand that is extremely rare that government departments or agencies will suddenly spend large sums of public money without proceeding through a clear and transparent procurement process. Think "Tender". Be prepared to go through this process for every sale.

Cultivate Lasting Relationships

Unlike the private sector, the public sector staff and executives are mobile within the public sector. The executive you ignored today could be the decision maker tomorrow elsewhere.

Focus on the relationships you have with government even after your service or solution has been procured. By treating your relationship as a partnership, you build a foundation for successfully scaling.

Reference accounts are especially effective in public sector sales, and word travels fast in this market. Partnering with government begins before the sales process and continues long after a contract is signed.

Prior to any procurement, be part of the conversations defining both the problem and solution to government's challenges.

Before any formal procurement opportunity, many government agencies conduct research to gain a better understanding of products and providers in the market. To accelerate success, develop relationships beforehand to help educate your government prospects and be an expert they can rely on early in the process.

Relationships are an important element of establishing trust in government, but they also provide an opportunity for you to work with government to better define the problem that needs to be solved. Most corporate marketing and communication campaigns are focused on raising awareness of a solution in a generic way, not specific to the public sector.

Use your communication strategy and relationship-building opportunities with government leaders to best identify and frame the problem in their context — and start early. Attend conferences and networking events and participate on advisory boards to be an active voice in the government technology community. It will take time, but being at the table early is pivotal in growing market share.



Key Tactics for Building Partnerships

Here are some tactics you can use to optimise and expand your partnerships with government agencies before and after the sale:

Pre-Sales

- Understand the landscape. Examine the unique environment that each government agency has prior to engaging. Step Two provides more detail on where to start with this.
- Identify an internal champion in the agency who can help push through the internal processes and help you get buy-in.
- Activate the champion. Provide helpful resources and content such as example implementation strategy, guides for other roles, etc. that will help your champion grow professionally and serve their organisation.



Post-Sales

- Establish a regular dialogue. Set up a recurring meeting with your contacts to continue to grow and nurture your relationship post-sale.
- Be a resource: Share your feedback, perspectives and other curated pieces of information with your contact on a regular basis. This is a significant aspect of growing your profile as an expert.
- Promote successes. As you achieve milestones with the implementation of your product or use of your service, use these opportunities to jointly promote your client successes. Government agencies are often interested in and open to sharing the news of a successful implementation. There are many ways to work with your client to celebrate their achievements. This can include featuring your client as a speaker at industry events, articles in the trade press and more.



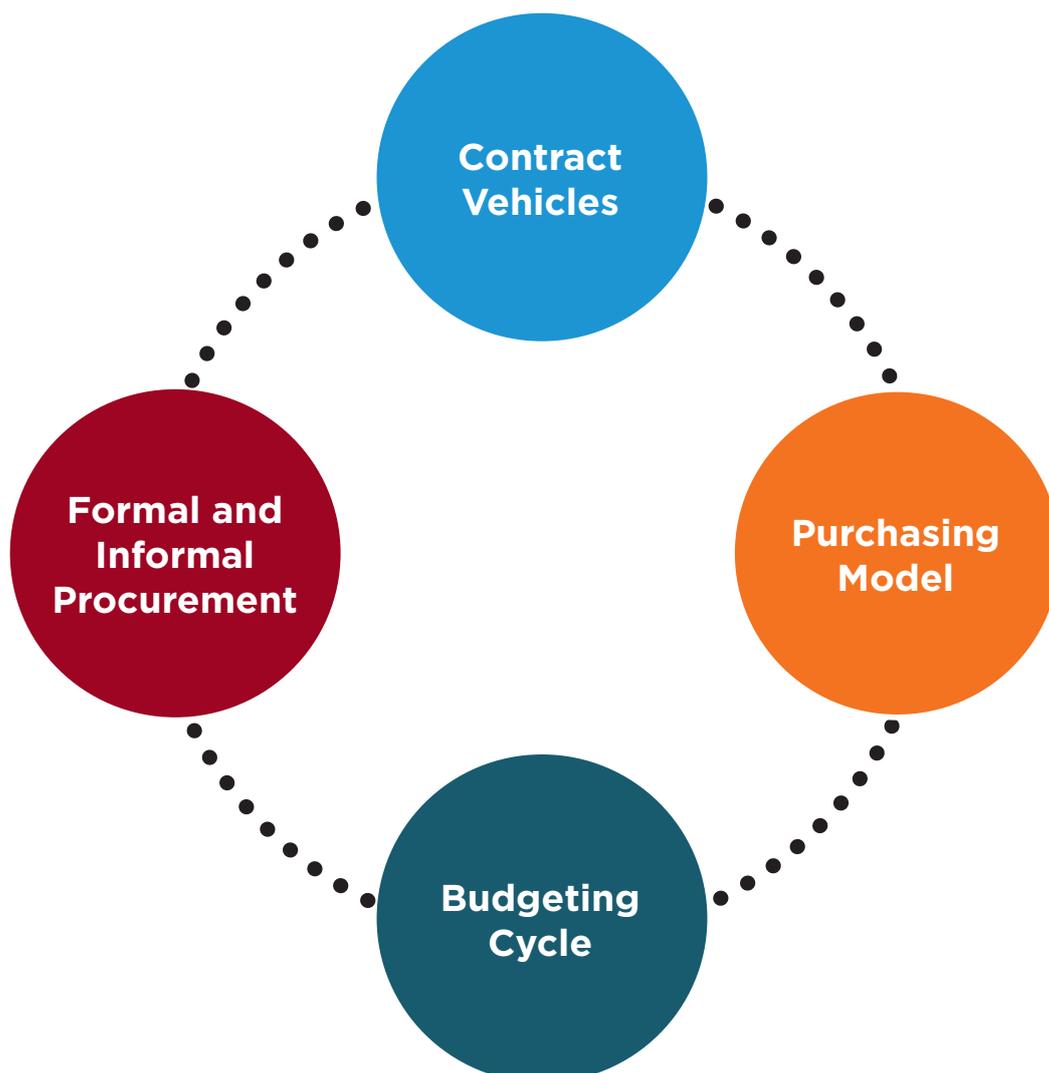
Understand the Process

Government purchasing is controlled by specific rules and regulations, which vary by jurisdiction and product. You need to ensure your contracting avenues are in place before you attempt to close a deal.

All too often a company will get a government buyer interested in its products or services without thinking through the procurement or contracting channel, resulting in either a delayed or lost deal.

You need to understand the government landscape prior to procurement and partner as necessary to remove friction from the buying process. Government procurement can be difficult. Having the right strategy and being prepared early are the difference between success and failure.

There are multiple purchasing contract methods or 'contract vehicles' available to government agencies. Identify the right combination of contract vehicles for your solution and for the agencies you are targeting.



Understand which panels and contracts are mandated and which are optional. Which are AoG and which are department/agency specific.

Contract Vehicles

Panel Contracts

A panel is a list of suppliers who agree to supply goods or services for a set period of time and usually for a set price. It is sometimes also called a standing offer arrangement). Panel contracts allow all departments and agencies within the jurisdiction to purchase through them. They usually have a quantity or dollar threshold. These types of contracts also permit agencies to obtain cheaper pricing through buying items in bulk.

A limited offer process (also known as a limited procurement method, limited tender or direct sourcing)

A procurement method where the agency invites a suppliers of its choice to submit an offer in response to an approach to market.

Multi-use list (also known as a pre-qualified panel)

A list of pre-qualified suppliers who wish to supply goods or services and who have met the necessary conditions to be included. Inclusion does not guarantee a supplier that they will be included in any future process. An agency may use a multi-use list for determining which suppliers are included as part of a selective offer process.

Open tender (also known as an open offer process or open procurement)

A procurement method where all interested suppliers may submit an offer in response to an approach to market.



Master Contracts

These contractual documents involve a contractor and agency that reach an agreement about a set of terms and conditions for use between the two entities.

Multi-Source Contracts or Multiple Award Schedules

These contracts are a series of documents used to procure goods and services from several contractors. Agencies can then choose a supplier without having to put out a bid. It is critical that suppliers get on these lists if they hope to do any business with these jurisdictions.

Professional Service Contracts



These contracts are usually publicly advertised. The contracts for these services are awarded based on demonstrated capability and qualifications at a fair and reasonable price, with the ultimate selection based on the best interest of the government jurisdiction and maximum value received.

Sole Source Contracts

These contracts are issued for a single company and often do not require an agency to go through the formal bid process. Sole source contracts are written when the commodity or service cannot be purchased from multiple vendors.

Term Contracts

Term contracts are similar to panel contracts in that many agencies are permitted to buy from them. The contracts are issued for a specific time period and do not typically come with a guaranteed order quantity.

Time and Materials Contracts



All work under these contracts shall be performed by a specialty contractor of established reputation who is regularly engaged in the performance of the specified work and who maintains and makes available for this purpose a regular force of skilled workers.

Benefits-Based Contracts

Also called performance-based and shared-risk contracting, these contracts are established with compensation to the vendor for services and technologies implemented based solely or in part on the ability of the system implemented to achieve administrative process savings or increase revenue. A percentage of the increased revenue or saved budget dollars achieved through use of the new system is used to reimburse the vendor for its installation costs.

Cooperative Purchasing Agreements

These agreements are made between central purchasing agencies and political subdivisions. Cooperative purchasing agreements allow interagency buying from master contracts or statewide contracts.

Purchase Models

Shared Services

In a shared services model, traditionally one agency will procure a technology for multiple agencies and pass proportional cost to other agencies through a shared services agreement. This arrangement is normally regionally based, but there are also jurisdictions that have used it to create an online contract vehicle.

Partners and Resellers

Partners and resellers can be used to extend or scale your reach within government through existing contracts and relationships.

Bids

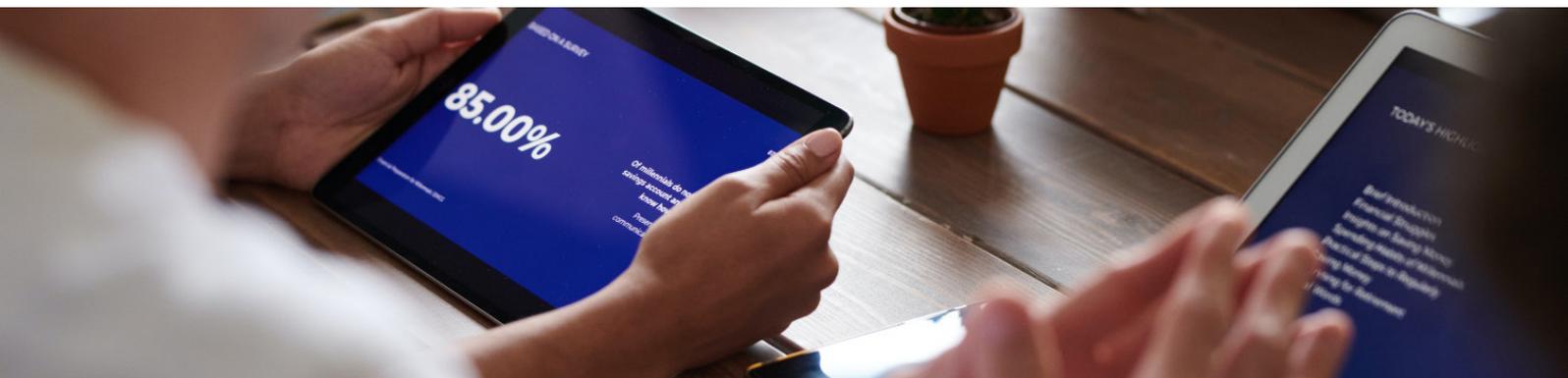
The bidding process is where government agencies will issue a formal request for information (RFI) or request for proposals (RFP) to which companies can respond.

Subscription

The subscription model has entered government procurement processes through the rise of Software-as-a-Service (SaaS) business models. Subscription contracts are normally annual or monthly recurring revenue models that automatically renew.

Pilots

Companies can use pilots and discretionary spending to break into government by allowing agencies to test a solution before conducting a formal procurement process. Every purchasing vehicle you can leverage is one layer of friction removed from the buying process — so it makes strategic sense to identify multiple channels that you can use to scale your reach within government.



Budgeting Cycles

Know the budgeting cycles and funding dynamics of the governments with which you plan to do business.

In addition to understanding the procurement process, it is vital to know an agency's budgeting environment — including when expenditures are made and purchasing limits or thresholds.

Knowing the budget cycle and sources of funding — including capital expenditure plans, approved budgets, federal or state grants, etc. — all play an important role in guaranteeing how quickly you build and scale. Government budgeting and procurement follow predictable patterns.

Almost all government agencies in Australia and New Zealand end their fiscal year on 30 June. Most companies build demand for their solutions in the first quarter (July – September) and nurture their relationship as the year progresses.

Local government budgeting cycles may vary. They depend on a variety of factors, including the region in which the government is located. When working with a prospective agency customer, you can identify its budget cycle through the budget page on its website.

The government procurement process is usually well-defined, with both informal and formal approaches for the acquisition of IT goods and services. While well-defined, the exact criteria and approach varies by jurisdiction. Most procurement departments publish their process and thresholds (dollar amounts) that dictate the process on their websites.

Formal and Informal Procurement

Informal Procurement

Departments and agencies can purchase goods or services without ever issuing a competitive procurement if the item falls under a certain threshold. This type of procurement is typically reserved for lower cost, less complex or one-time purchases. These informal procurements often result in a government soliciting three quotes via telephone or email, or by simply using a purchasing card and not necessarily advertising the opportunity.

Formal Procurement

This method of procurement is typically used for higher value or more complex or custom projects. Again, this process will be well-defined by threshold and require the government agency to follow specific requirements for the solicitation, selection and award. This type of purchasing typically results in the use of RFPs, an invitation to bid (ITB) or an RFI.



Understand that Government is a Big Market with Distinct Submarkets

Prioritise your high-probability jurisdictions and opportunities and use successes to scale into new government submarkets.

Don't try to be everything to everybody in government, because each submarket of government may play by different rules and regulations. It's important to build a track record of successes within submarkets and use them, along with a specific go-to-market strategy, as a basis of expansion into new areas.

Keep in mind that each government organisation, at every tier, is composed of specialties focused on specific functions, such as public safety, finance, transportation, and health and human services.

Success in one government vertical does not instantly translate to success in another. As you plan your product's or service's growth within the state and local government market, examine many agencies that have shared problems that need to be addressed. There is a multitude of intergovernmental agencies that share this information.



Australia

Commonwealth Govt Agencies	107
State and Territory Agencies	538
Local Government Authorities	547



New Zealand

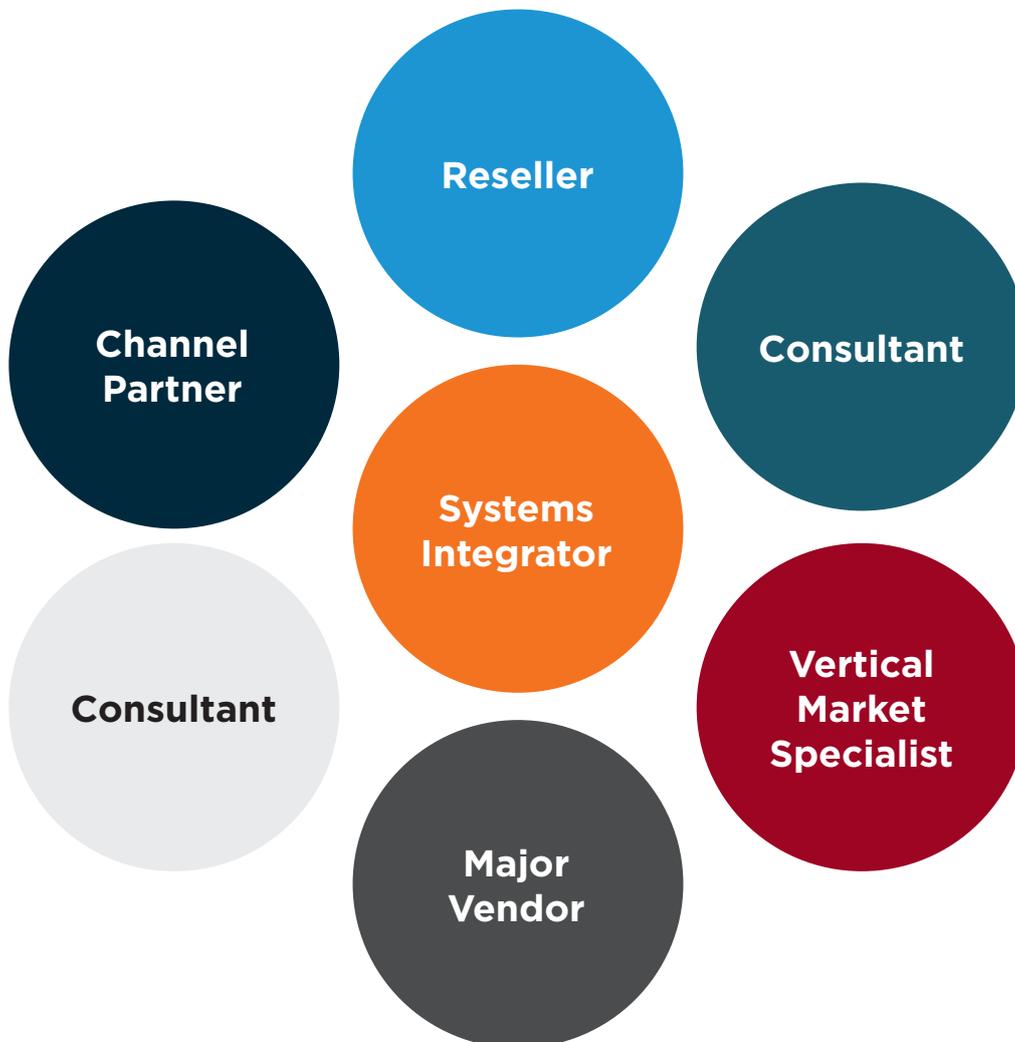
National Govt Agencies and SOEs	70
Local and Regional Councils	78

Building a Partner Strategy

It is important to build channels and find the right industry partners to cover all the market.

Governments most often purchase through national or regional channel partners, integrators and solution providers. There are many reasons for this. Building a smart channel and partner strategy will accelerate your company's success. Scaling your business in government requires the right combination of partners. You should develop a channel strategy that ties to the best acquisition model for your technology or service.

Many companies use a combination of a national or regional channel partner, reseller, service integrator or other intermediary as part of their go-to-market strategy.



Conclusion

There you have it. Six steps to improving your company's go-to-market strategy for government. It's not that easy of course – you have to work at it. But there are no secrets to it.

Building a good client base in the public sector can be one of the most rewarding strategies you are likely to adopt. They are likely to more be more loyal than other customers, and more consistent. It is well worth the effort put together a coherent and well constructed go-to-market strategy for the public sector.

Public-Sector Network is involved in bringing buyers and sellers together in this important marketplace. It is our job to give you the insights and the information you need to work with government for your mutual advantage. We hold seminars and roundtables, we conduct research and analysis, and we publish information like this document to help buyers and sellers understand each other's needs.

Public Sector Network was initially designed to help government executives to network, benchmark and establish best practice. As the brand and the community grew, it also became a credible route to market for suppliers looking to engage and educate key stakeholders across the globe.

PSN now helps suppliers understand and navigate the market, with in depth analysis and research helping shape sales and marketing strategies.

For more information, visit our website at www.publicsectornetwork.co





CONNECTING GOVERNMENT

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