tussell°

SME Guide to doing business with the public sector

Are you a small business that wants to earn more from the public sector?

If the answer to the above question is yes, you've probably had somebody, at some point, tell you there's a really simple way of doing it.

- 01.

Find tenders relevant to your business

02.-

Submit a bid

03.

Win and deliver those contracts, then get paid

Easy, right?

Unfortunately, it's not always that simple. While the UK government is taking steps to make contracts more accessible to SMEs, there are often some practical barriers that might stop you in your tracks. For example:

- You don't have sufficient experience in the public sector
- · Your industry is dominated by big companies that lock you out
- Your business is largely unknown to public sector buyers
- · You can't reach the right people
- There are some practical criterion in a tender that stop you being considered

In this guide we talk you through some of the biggest secrets of doing business with the government and provide you with practical advice that will help you overcome many of these challenges.



Complete the interactive checklist at the bottom of this PDF to ensure you're properly prepared for success in the public sector.



Start with a specific sub-sector



Not all of the public sector works in the same way. There are significant practical differences in the way people approach procurement in central government organisations, at local government level, or within education, healthcare, justice or defence, for example. This is due to differences in culture, budgets, resources, desired outcomes and so on.

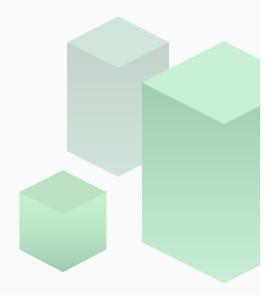
Casting your net too wide and trying to offer products or services to all of these types of organisations is going to make life extremely difficult. In fact, our latest Strategic Suppliers report shows that even the largest suppliers are having success working with fewer public sector authorities.

By focusing on one area - let's use Tech in Higher Education as an example (<u>where our data shows SMEs thrive</u>) - you'll be able to build up an intimate knowledge of who the buyers are, how they buy and who the key decision makers are as part of the buying process.

In addition, you'll also be able to focus on attending events, webinars and other comms sessions where you can learn even more about your chosen sub-sector, as well as networking effectively with the people who matter.

If you discover, for example, that winning over the Facilities Manager at a university, *and* the Head of IT, is vital to sell your services within Higher Education, it's easier to replicate this for multiple universities and network with these people as a group than it is to try and discover the people you need to influence to sell effectively into justice, defence or the NHS, where an entirely different set of buying behaviour is likely to be encountered.

Furthermore, learning about the specific challenges universities face with regards to things like budgets, overseas students, or student accommodation, will mean you can leverage your new knowledge across lots of different prospects in the area.





Focus your efforts where it matters

When it comes to winning work in the public sector, not all deals are created equal – and this is particularly true when it comes to framework agreements.

When you do decide to bid on a contract or framework agreement in the public sector, always think about the return you're likely to get on your investment. Not only from the contract or framework win directly, but also in terms of potential secondary benefits.

For example, you might want to consider:



These organisations create agreements that can be used by multiple public sector authorities - as well as having a number of frameworks offering similar services. Doing a great job on one bid and delivering an excellent service, not only improves your chances of working with numerous buyers, but also provides the consortium buyer with the confidence you can deliver on other, similar deals.



Researching the true value of framework agreements.

Tussell now allows you to see how many contracts have been <u>awarded via each framework agreement</u>. That means you can focus on bidding on frameworks that have heavy usage and avoid those with little activity.



Work with partners to get essential experience

Having tangible public sector experience that you can use as a reference point or a case study is gold dust when working with the public sector.

Public sector buyers place great emphasis on having worked with a government authority in the past. So much so, that it's a standard question you'll be asked as part of almost every procurement exercise.

So how do you get this experience?

The easiest way is to work through partners. Particularly in industries like Tech, FM and Consulting, large companies rarely deliver any major contract single handedly. They use partners, 'subcontractors' or 'resellers'. In other words, other organisations that support them to get things done.

By working for the government indirectly, you'll get the experience you need - both in terms of delivering the contract and understanding how the public sector works - while avoiding the barriers to entry associated with larger contracts.

As you deliver more and more work, your experience will grow, as will your chances of working directly with your target public sector organisations in the future.



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Start small to find suitable tenders

Perhaps this seems obvious, but a small business winning a contract worth more than a million pounds straight off the bat, is rare. In fact, our data shows that from more than 47,000 contracts awarded in 2020, only 5% were £1m+ contracts awarded to SMEs - many of which have worked with the public sector for years, building up their experience along the way.

This is where understanding a little bit about procurement laws and regulations can really help - and in particular, financial thresholds.

The figures below are intentionally not precise and the guidance does not apply in all cases; however, the principles provide a simple foundation for thinking about the size of deals and the different approaches you can take.

- For contracts under £10k the buyer doesn't need to publish a tender or run a full procurement process
- For contracts between £10k and £100k the buyer needs to publish a tender,
 but doesn't need to run a full
 procurement process
- For contracts over £100k the buyer needs to publish a tender AND run a full procurement process

With this in mind, there are a few simple tactics you can use to increase your chances of winning business with a public sector authority, offering an opportunity to gain valuable experience at the same time.

- Offer the buyer something small under £10k as a way of testing your service without them having to publish a tender. Think of it as a trial, or break down your offer into a bitesized service to ensure it stays under this figure, while minimising the risk for the buyer.
- Aim for contracts under £100k. Generally, these contracts are less appealing to larger companies, often attract less competition, and will allow you to build experience in delivery.
- 3. For larger tenders, instead of going for the opportunity directly, try working with your newly discovered partners.

Our data shows that **SMEs won almost 60%** of all contracts under £100k in 2020.

Did you know?

With Tussell you can define tender alerts depending on their value to ensure you only receive notifications about the deals you're more likely to win.



05. Use insight to find niche opportunities

For larger businesses, winning big contracts typically means following a well documented procurement process - and in many cases, buyers go out of their way to ensure that big businesses / the 'main suppliers' in the relevant industry do not miss the opportunity.

Retaining contracts is also quite a defined process, as the incumbent suppliers are expecting the contract to expire and plan accordingly to try and keep the deal.

As a small business, it can often pay to think a little differently.

Rather than simply focusing on winning a tender or trying to displace your competitor on an existing contract, it makes sense to try and find niche gaps for your business to fill.



Here's a few ways you can do it:

- Find large contracts (too big for your business to deliver at present), then review the contract descriptions and any attached documents to understand how the contract is structured. If the service is split into distinct service lines, this can be an opportunity for you to partner or subcontract with a larger company. Also, if you feel a particular aspect of the service is missing, that can also be an indicator that the buyer has a need that isn't being met.
- Look for buyers who have not bought a product or service that you provide and proactively offer it to them. Waiting for a procurement process means waiting for the competition. Instead of thinking about buyers who have bought from your competitors as a missed opportunity, focus on those who haven't bought and use the existing contracts as examples of action other authorities have taken.
- Review what's happening across the entire public sector market in terms of products or services being purchased, and try and develop a new offering (ideally on a smaller scale) that helps solve some of the known challenges. Doing this at local level or within a niche area of the public sector will improve your chances of success.



See PINs as opportunities to engage not as a chance to win contracts

Prior Information Notices (PINs) are used by the public sector as a way of giving suppliers advanced notice of their intent to buy something at some point in the future.

If you're new to the public sector, or the contracts that the PIN relates to are going to be extremely large or complex, the chances of you winning a contract at the end of the process are slim, but that doesn't mean PINs can't be useful.

To start with, don't think of PINs as a signal that the buyer wants to buy something from you, but instead that they're simply opening their office doors for a short period of time. They are actively saying to the market "I need help from suppliers about a problem I'm trying to solve". Even if you're not the answer to that problem, this is one of the very few opportunities you have to build real world relationships with buyers when they are completely open to being approached.

Take it!

Sometimes PINs also include references to a 'meet the buyer' event or some sort of pre-market engagement activity, which could include some in person events or webinars. If you see something like this, take the opportunity to engage. Be present. Speak with buyers and decision makers and get your company name out there.

Even if you're not a good fit for the specific PIN, you'll be firmly on the buyer's radar for any future opportunities.



Here is an example of a PIN, which includes a specific market engagement event.



Use social value as a key differentiator

For 2021 and beyond, understanding social value is going to be absolutely critical to selling into the public sector.

The great news for SMEs is that smaller businesses can often be more agile and adaptive in terms of implementing policies and procedures that are aligned to social value outcomes, as well as more easily evidencing the outcomes of these approaches.

Larger businesses on the other hand may take many months or years to agree on such initiatives, and even longer to gather the necessary data to prove the changes have made any impact. As a small business, ensuring your business contributes to positive social value outcomes will make bidding on, and winning, public sector contracts much simpler.

Some examples of ways your organisation could demonstrate social value are:

- Reducing the authority's environmental impact
- Helping to employ more local or disadvantaged people
- High engagement with voluntary and social enterprise organisations







Start with a specific sub-sector

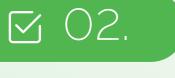
Questions to consider		Recommended activities	
1.	Which sub-sector offers a natural fit for your product?		Brainstorm the fit between your product/service and the sub-sectors of government to consider the best fit
2.	How does procurement happen in this sub-sector?		Attend events and webinars to understand buying behaviour and who is involved in the decision making process
3.	What is the size of the market?		Look at contract awards, or better, spend invoices with suppliers to validate the size of your chosen sub-sector

Get started with these resources:



Explainer video on market sizing





Focus your efforts where it matters

Questions to consider	Recommended activities	
1. Which buyers serve multiple public sector organisations?	 Research consortium buyers in you chosen sub-sector, or find group buyers purchasing your services 	ır
2. Are frameworks used in your industry?	 Analyse contract awards in your sub-sector to see if frameworks are regularly used 	
3. What are your target deals?	Pick specific contracts or framework that you know are well used and build a step-by-step plan to get on these key deals, rather than bidding on everything	ito

Get started with these resources:



Find the frameworks that matter



See examples of the major buyers using frameworks





Working with partners to get essential experience

Qı	Questions to consider		Recommended activities	
1.	What types of services are regularly being subcontracted?		Find relevant contracts and use contract descriptions and contract docs to help understand subcontract opportunities	
2.	Which companies are already working with the public sector?		Use a categorisation like company SIC code to find suppliers with significant public sector earnings in your industry	
3.	Which suppliers are working with your prospect buyers or in your areas of interest?		Once you've find your sub-sector within government, shortlist potential partners who are servicing these prospects	





Start small to find suitable tenders

Qı	Questions to consider		Recommended activities	
1.	What can you offer as a low-risk, low-cost option to a buyer?		Workshop with your product / operations teams to develop a bite-sized version of your product or services	
2.	What tenders exist that are suitable for your business?		Keep a constant eye out on Contracts Finder and local portals to see the types of contracts available or set up email alerts in Tussell	
3.	Why were we <i>not</i> successful?		Run a comprehensive feedback session on your losing bid after any tender process - this is critical learning for future opportunities	

Get started with these resources:



See how small tech businesses are thriving in the UK higher education market





Use insight to find niche opportunities

Questions to consider	Recommended activities	
 How are the largest deals structured? 	 Research the biggest public sector deals in your industry – focus on the contract descriptions and attached contracts 	
2. Who has not (yet) bought?	☐ Find a number of smaller contracts delivered by a competitor to identity who has NOT purchased services like yours before	
3. How can you pitch your services in a niche area?	☐ Build a theoretical case study, using other buyers' purchasing as an example, to explain the value of your services to those who haven't purchased before	





Find opportunities to engage

Qı	Questions to consider		Recommended activities	
1.	Which organisations are most open to being approached?		Find live PINs using Contracts Finder and other portals, or an all-in- one service like Tussell, and reach out to buyers	
2.	How can you make a human connection with a buyer / decision maker?		Use live tenders and PINs to identify in-person or virtual events where you can meet decision makers and get your name better known	
3.	Which contracts are coming to an end soon?		Search for contracts expiring in around 6-12 months, this is the time buyers will be seriously considering the next iteration of the contract	

REMEMBER: Timing is everything in sales and understanding when buyers are truly open to discussion is critical.

Get started with these resources:



What are Prior Information Notices (PINs) and why should you care?





Use social value as a key differentiator

Questions to consider	Recommended activities	
1. What is social value?	☐ Do some research to ensure you properly understand social value and how it will impact future procurement in the UK	
2. What is my company already doing?	☐ Workshop with colleagues around the business to consider what you're already doing in areas like diversity, environment and local employment	
3. How can we quantify our results?	☐ Try to put numbers to each of your current success and aspiration areas, as well as creating case studies - then save this documentation ready to incorporate into your next bid	

Get started with these resources:



An explanation of social value by The Social Value Portal



Read about the importance of social value in relation to potential upcoming public sector procurement changes





To learn more or book a demo visit <u>tussell.com</u>