Selling G-Cloud services to Local Authorities – the next big opportunity

July 2015

(G-Cloud Market data used – May 2015)
Introduction

The G-Cloud is a ~£600m pa framework that enables Public Sector organisations in the UK to buy ICT ‘on demand’ services via an Amazon style portal called the Digital Marketplace.

The Digital Marketplace hosts a vibrant community of almost 2,000 suppliers providing almost 20,000 different services (or permutations thereof). These services are split into four distinct Lots as shown below.

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<th>Defined by the U. S Department of Commerce, National Institute of Standards and Technology (“NIST”)</th>
<th>Defined by Crown Commercial Service</th>
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<tr>
<td>IaaS</td>
<td>PaaS</td>
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Figure 1 The G-Cloud Lot structure

Rapid Growth of G-Cloud

Launched only 3 years ago, it had a shaky start but is now growing at an exponential rate and a number of industry insiders believe that the value of the services brought through it may exceed £3billion per annum by 2018.

However there have been a number of disparaging articles in the trade press over the last two years reporting the slow uptake of G-Cloud services by the Local Authority market.

This has steadily reinforced the impression is that with the exception of a few G-Cloud Pioneers such as Bristol\(^1\), Windsor\(^2\) and Newham, UK Local Authorities are not interested in buying G-Cloud services.

We work with almost 50 different ICT providers in the UK, 4 of our SME clients are in the Top 30 revenue earners on G-cloud, and our feedback and experience from the coalface does not really chime with the media reports we are seeing.

The high level problem is clearly visible in the chart below.

\(^1\) https://digitalmarketplace.blog.gov.uk/2015/07/10/the-digital-marketplace-in-local-government/
As you can see from the figures above, Local Authority sales tend to get overshadowed by the larger Central Government sector of the Digital Marketplace. But, the fact of the matter is that the Local Authority market is a large and diverse market for suppliers of all types of services. This assertion is backed up by the data contained in this report.

This paper has been written to help G-Cloud suppliers to understand the shape of the Local Authority market and how best to win more business. It also contains sales tips and hints that are relevant when selling G-Cloud services into the wider Public Sector. It should be read in conjunction with the Local Authority sales data spreadsheet that is available from our website here.
Taking a second look at Local Authorities and the G-Cloud.

Before looking at how to maximize sales, it’s helpful to first expose a couple of myths surrounding the G-Cloud:

**Local Authorities do not buy G-Cloud services.**

When the G-Cloud was launched back in 2012 it was clearly a Central Government initiative. Its adoption in Central Government benefited from the Cabinet Office ‘Cloud First’ strategy. Introduced in May 2013, it mandated that when Central Government IT departments were considering procuring new or existing services they should consider and fully evaluate potential G-Cloud solutions first – before they consider any other option.

There was no mandate placed on Local authorities to buy G-Cloud, and this slowed the take up of the initiative within the sector (although the use of the Digital Marketplace could be mandated across the public sector in the future as we pointed out in this blog posting recently).

The commentary still purveyed by many is that Local Government still don’t buy from G-Cloud. Our investigation of the facts shows a different and more complicated story.

**The revenue view – do Local Authorities buy G-Cloud services?**

By Jan 2014, 18 months after G-Cloud was launched, Local Authorities had only purchased £8m of services (cumulative).

By Jan 2015, G-Cloud sales had risen to £29.6m – an increase of over 250%. And in the three months between January 2015 and April 2015 alone, this had risen to £36m (cumulative) – further growth of 24% in just three months!

The LGA estimates that Local Authorities spend £2.5bn each year on ICT, with £1bn (40%) of this spent on software applications and related services. True G-Cloud has therefore only managed to capture a 3% market share – but its growing and £29m of new sales are being made every year.

**Myth two - It’s a only tiny group of Local Authorities who buy from G-Cloud**

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At the end of 2013, a report was published stating that only 10% of UK local Authorities had purchased any G-cloud services. However, by May this year, 149 different local Authorities had purchased some services from the G-Cloud.

This means that over 30% of all Local Authorities, large and small, rural and metropolitan, have purchased services from the G-Cloud and most of these are new customers that have been gained in just the last 18 months.

4 http://www.computing.co.uk/ctg/news/2320224/nine-in-ten-local-councils-have-made-no-g-cloud-procurements
Winning business from the G-Cloud

DeNové is a Business Development Agency. We specialise in helping technology and BPO companies to find and win business.

Our approach breaks down into three areas: Plan, Find and Win, each of which is made up of a portfolio of services.

Plan
Planning is vital to optimising sales and marketing performance. Our specialists work with clients to analyse their markets, understand the dynamics of their customer requirements and map their competitive landscapes. Most important of all, we help define winning strategies based on proven strengths and capabilities.

Find
Filling the sales pipeline involves identification and analysis of relevant business opportunities together with the stakeholder decision makers and influencers involved. Agreed qualification criteria are then applied to guide client decisions about whether to pursue specific opportunities.

Win
This is the science of bidding and winning the business.

It’s an exceptionally successful framework and one that has served our customers well in the nine years that we have been in business.

We mention it here because so many of the companies that have not sold any services via the G-Cloud seem to have tried to jump straight to the Win stage, ignoring the Plan and the Find in the process.

Key Lesson 1 – Planning is essential
It’s not enough to simply list a service on the G-Cloud and then hope for the best. Any listing needs to be backed up by a clear Service Strategy and Sales and Marketing Plan.

Services need to be optimised for the Local Authority Market and need to clearly address a market need.\(^5\)

The competitive landscape needs to be examined carefully – if you are listing a service that is virtually identical to 100 others available on the Digital Market Place then you need to find some point of differentiation and a means of articulating that differentiation. So research the Digital Marketplace and its sales data carefully to find the correct product positioning.

New suppliers to the public sector (and even some existing suppliers) also often neglect to account for the fact that the Local Authority is heterogeneous – this is a fatal mistake and must be avoided through careful market analysis and segmentation.

**Key Lesson two – in such a fast moving market annual planning cycles are a thing of the past.**

G-Cloud sales data is released monthly and should be used every month to further enhance and refine your sales and marketing plans.

Furthermore, the Digital Marketplace is ‘opened’ every six months to enable existing listing to be changed and new services to be uploaded. Therefore, your portfolio and service strategy needs to be aligned to the Digital Marketplace timetable so that your services are improved, refreshed and adapted to the market demand every six months.

**Key Lesson three – you need to get your message across**

Just taking a listing (even if it is a good one that has been optimised for the target market) is not enough. You need to get your message across, be it via presenting at conference, attending expos, blogs, mailings, advertising, whitepapers or shoe leather (or hopefully a judicious combination of all of these).

In addition, your sales team needs to understand how the Digital Marketplace works and how customers can buy from you.

**Key Lesson four – bid management is still important**

Customers are not supposed to run mini tenders within the Digital Marketplace; however, they are allowed to seek clarification and volume specific pricing from one or more bidders. If you receive a request for clarification then take it seriously – respond diligently and comprehensively and do so within the required timeframes.

**Selling to Local Authorities**

Sellers of cloud services need to account for the fact that there are three distinct Local Authority G-Cloud Markets (in addition to the market segmentation that was mentioned above).

- Firstly, there are Local Authorities that have already purchased a combination of G-Cloud IaaS, Paas, SaaS and SCS;
- Secondly, there are Local Authorities that have only purchased SCS;
- Finally, there is the largest group – those Local Authorities that have not yet purchased any G-Cloud services.
We have cleaned the May version of the G-Cloud data, split it into these three segments and uploaded it onto our site here.

**Specific guidance for Specialist Cloud Services (SCS Lot 4) suppliers.**

For SCS suppliers, listing their services on the G-Cloud Digital Marketplace is an excellent way of gaining a ‘hunting license’ to find and win business across the entire Public Sector including the Local Authority Market.

35% (149) of all Local Authorities have bought some SCS services and there are ample case studies supporting the decision for Local Authorities to buy further consultancy services via the G-Cloud.

There are therefore no structural barriers to stand in the way of any proactive and energetic sales team providing that the company’s price/position is competitive.

However, the SCS marketplace is so busy and competitive (12,000 different service lines are offered for Lot 4 services) that it is essential for SCS suppliers to reach out to the market and sell their services proactively. It is a sad fact that only ~30% of the suppliers on G-Cloud have made any sales via the framework and the key difference that we see between the successful ones and the unsuccessful ones is that the successful ones have taken a proactive approach.

Many local Authorities are unclear as to the benefits of the G-Cloud and how it can coexists with the Authority’s existing ICT estate and so offering free G-Cloud related briefings or similar may help open doors.

G-Cloud Sales data is published monthly and SCS suppliers should ensure that they research all the recent major sales made in order to identify possible SCS sub-contracting opportunities.

Finally, don’t only think G-Cloud – some Local Authorities have already started the process of developing their own private cloud environments and these Authorities may need your support as well.

Some of the SCS that are currently being purchased via the G-Cloud should actually be purchased via other less open/accessibe frameworks such as:

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<th>Digital Services 2</th>
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<td>Technology Services (RM1058)</td>
<td>11 Lots: Technology</td>
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<td>Desktop Support</td>
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<td>Network Management</td>
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<td>Audit services &amp; Asset Management</td>
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<td>IT Infrastructure Transition Services</td>
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DeNové has helped a number of companies to win places on Digital Services 2 and RM1058 and so if you have a client who wants to use these frameworks rather than the G-Cloud, please get in touch and we would be pleased to introduce you to our clients so that you can discuss possible sell though agreements.

**Specific guidance for IaaS, PaaS and SaaS suppliers**

There are 126 Local Authorities in the UK that have already bought either G-Cloud IaaS, PaaS or SaaS in addition to SCS and they represent the easiest Local Authority market to sell into.

For obvious reasons it is a lot easier to sell to a Local Authority that is an established G-Cloud user.

Indeed, our standard advice is that sales people meeting with a Local Authority customer for the first time should check the latest G-Cloud Sales data to see if these are an existing G-Cloud customer – if not then it is easier to avoid even mentioning G-Cloud because it creates an additional sales objection that needs to be overcome.

Equally, the published G-Cloud sales data shows details of every purchase made by each local Authority and it is therefore easy to see which Authorities are already heavily committed to the Cloud. To get you started, the May data is available [here](#). Please note that we have cleaned and sorted the data already so it is easier to read. If you would prefer to download the raw data provided by the Digital Market Place Team [here](#).

SCS customers that have not yet bought IaaS, PaaS or SaaS - This is a smaller group of 29 Local Authorities. Some of these have purchased Cloud Strategy or Cloud readiness audits. Therefore, the decision to purchase SCS is potentially a key indicator that the Local Authority may purchase Cloud services in the near future. This data is contained in the file listed above.
Local Authorities and G-Cloud 7

The burning platform
Funding – Research from the Institute for Fiscal Studies shows that local authorities’ spending per person has been cut by 23.4% in real terms between 2009–10 and 2014–15, using a comparable definition of net spending on services over time by single-tier and county councils. A large number of councils will attempt to bridge this funding gap via wholesale commissioning / outsourcing, or shared services, however, some will choose to retain their ICT in-house and these will need to avail themselves of the savings that G-Cloud can provide.

Digital Marketplace outreach programme
In May this year, the Digital Marketplace team, in conjunction with Crown Commercial Service started a comprehensive national roadshow directed at Local Authorities. A new set of dates have been announced for August and September this year and feedback from delegates to the Digital Marketplace team suggest that the programme will provide Local Authorities with the knowledge and confidence to start to purchase G-Cloud services in Q3 and Q4 of 2015.

Local Authorities will buy from the G-cloud because of the 3 Cs

Cost – “Every time somebody spends on the G-Cloud, our projection is that we save 50 percent of what we were buying. Every pound spent on G-Cloud is delivering the same services but saving us 50 percent of what we spent before”. Liam Maxwell

Choice – over 1800 suppliers, all with transparent process and services.

Convenience – no long tender, pre screened, can buy there and brings “lean purchasing”

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6 http://www.ifs.org.uk/publications/7621
7 https://digitalmarketplace.blog.gov.uk/events/
8 http://diginomica.com/2014/03/25/uk-gov-targets-500m-savings-year-taking-business-elsewhere/
Note for new suppliers
The G-Cloud is expected to open for new suppliers to register their services in August. You can keep up-to-date with the latest news from the Digital Market Place team https://digitalmarketplace.blog.gov.uk/ or just drop us a line and we will let you know what you have to do and when.

About the G-Cloud and DeNové
The G-Cloud is a totally new route to market, with different buying groups, buying behaviours and competition. It contains a number of novel contractual clauses and commercial obligations and even the style of registration is different to what suppliers may be used to.

New and existing suppliers often find it difficult to get to grips with the challenges involved and often neglect to fully think through the opportunities and challenges that the G-Cloud can present to their business. As a result, only slightly more than 30% of these suppliers have made any G-Cloud sales and many have never even received an invitation to quote for any work.

DeNové is a specialist B2G business development agency. Four of our SME clients were in the top 30 suppliers (by turnover) on the G-Cloud in 2014-2015, exceeding the revenues achieved by global heavyweight ITC companies such as Accenture, Tata, Unisys and E&Y. Our team are experts in how the G-Cloud functions and how best to position our client’s services for success. Our G-Cloud services include:

- G-Cloud briefings for management teams of companies considering taking a G-Cloud listing for the first time.
- Seminars for sales teams to teach them about the G-Cloud and how to win more sales in the new G-Cloud regime.
- Optimising existing or new service portfolios to rapidly increase sales and market share.

If you would like to know more about our services then please drop us a line: roger.newman@denove.com or call 07950 396 205