



# The UK Public Sector Marketplace:

## **Introduction to the UK Public Sector:**

The Public Sector (often referred to collectively as 'The Government') is responsible for providing all Public Services in the UK. From Healthcare to Education, Social Care to Housing, Refuse Collection to International Development, Tourism Promotion to Pensions.

Funding comes through various forms of direct and indirect taxation, collected locally and centrally and through revenue earning activities. Budgets are allocated across over 50,000 Public Sector organisations, from Government Departments through to Hospitals and Schools, with Public Services being delivered either directly, through a third party contractor, or by a Private/Charitable organisation working within Government guidelines.

Approximately 1/4 of the working population (over 5 million people) are employed within Public Services and total Government spending in 2009 will exceed £600 billion and represents over 50% of GDP. The largest constituent parts of spending are Health, Education and Social Care.

## **Structure and Functions of Public Sector Management:**

It would be a mistake to think of 'The Public Sector' as a single homogenous organisation. In the first place it is divided into both the 'political side' and the 'management side', for example within Central Government, MPs (Political) and Civil Servants (Management). Within Local Government, Councillors (Political) and Officers (Management). The theory being the political side deals with democratic process, strategy and policy while the management are a continuous non-party presence co-ordinating and running Public Services

Public Sector Management can be broadly divided down into different areas (see chart):

- Central Government/Civil Service
- Regional Government/QUANGOS
- Local Government
- NHS
- Further and Higher Education
- Criminal Justice

Within each of these areas of Government are many different organisation types. There are also different relationships from Central Government through to Local Services some more direct than others (see chart).

As well as the 'Political' and 'Management' split within the majority of Public Sector organisations, it's also worth being aware of the division between 'Corporate' and 'Operational' functions.

*Corporate functions'* – In some respects the Public Sector is no different to the Private Sector inasmuch as the majority of organisations will have IT/Finance/Personnel/Training/Facilities/Health and Safety and other 'Corporate' functions that are required to run an organisation, irrespective of its function/purpose.

*'Operational Functions'* – These are the actual Public Services services provided by the organisation, eg Education / Social Services / Highways / Environmental / Technical / Housing / Leisure. The range of which varies considerable from one organisation type to another and may involve relationships with Private Sector organisations working as Contractors. (see 'client' and 'contractor' section below).

A useful distinction to consider between the Public and Private Sectors is that Public Sector organisations have rules governing what they must do, whereas the Private Sector have rules governing what they must not do.

## **Selling to Government**

### **Perception and advantages of the UK Public Sector as a market:**

Many organisations ignore the Public Sector as a market place for their products/services; often because of the lack of awareness of the types of organisations, structure, who to contact and the perceived complexities of becoming a Government contractor/supplier. In many cases those that are suppliers into the Public Sector are likely to have developed customers on a somewhat 'ad-hoc' basis, with clients across different departments and organisations, but no clear idea of overall market penetration and other relevant organisations/departments in the same/different areas of Government.

Some of the benefits to supplying the UK Public Sector are as follows:

- Diverse Requirements
- Positively inclined towards SME's as suppliers
- Little or no risk of Bad Debt
- Potential for ongoing work
- Responsibility to provide services irrespective of Economic Conditions

## Ways in which the Public Sector Purchase/Buy services:

There are two main ways in which Public Sector organisations will purchase/buy products and services (also see the distinction between 'Buying' and 'Purchasing' below). :

Through inviting companies to tender for work.

There are 2 levels of tender invitations issued by Government.

According to European Law, those contracts worth over £100,000 have to be 'published' within the Official Journal of the European Union (OJEU). The information on these contracts, including details of required pre-qualification and award notices is available freely online.

Under the £100,000 threshold and down to a discretionary (varies from one organisation to another, but is often £20,000) level contracts are offered for tender by existing and external suppliers. The rules about the number of required suppliers will vary from one organisation to another and will depend somewhat on the required product / service.

The Government offer a free portal to identify these opportunities at <http://www.supply2.gov.uk/>

## Buying in Products and Services directly

In addition to contract work, Public Sector organisations (like most others) will buy products and services directly (ie not through a tender process). These may be :

Lower value products/services (eg below £10,000)

Bought in response to an immediate requirement.

Services that are only available through a particular supplier/organisation

Consultation / Research Services

A wide range of Events / Publications / Conferences / Training Services etc that are 'bought' in response to advertising / marketing / need / repeat order.

## Marketing your services

In addition / as an alternative to registering for contract and tender alerts, many companies choose to market their products and services directly to contacts and organisations within the Public Sector. This may be a particularly appropriate option if the products and services provided are in section 2 above (eg Lower Value Products / Time and/or Compliance Sensitive Services / Unique Services / Events / Publications / Training etc), or if organisations wish to build general awareness of their services, engage in brand development, or simply expand their coverage of customers within the sector.

### The Direct Approach

Things to consider when planning a marketing campaign:

Which organisations types / areas of the Public Sector are relevant.

What Regions / Areas are appropriate

What is the best medium for communicating the details of the product / service.

One of the most important elements of a marketing or research project is simply to communicate with right people. The following are things to consider:

**Responsibilities and functions** of contacts that would be most appropriate for the product / service. In many of the larger Public Sector organisations, there are many thousands of people working across different directorates at different locations with different responsibilities. It may seem that the best route to take would be to contact either the Overall or Departmental 'Purchasing Manager'. However, this can often be ineffective as people with specific responsibility for using the products / services being offered may have a more direct influence / initiate a 'Buying Decision'

The following explains the distinction between 'Purchasing' and 'Buying' within Local Authorities – though similar distinctions exist across the Public Sector:

**Purchasing** – is a formal, bureaucratic, process, which follows "rules", or procedures, which are, laid down by each local authority, often set out in so-called "standing orders". Standing Orders stipulate requirements for companies to be on lists of approved suppliers before orders can be placed with them and define the processes and approvals which are required to enable purchase orders to be made. They also lay down the role of central purchasing in the authority and the autonomy allowed to individual departments.

Central Purchasing departments maintain the list of approved suppliers and undertake purchasing on behalf of individual departments. It is essential that companies check out the purchasing procedures of each local authority before approaching potential buyers - it may be necessary to get on an approved list before approaching potential buyers. Not all authorities have central purchasing departments. Departmental Purchasing processes may be integrated with central purchasing - in which case departmental officers undertake the first steps in the purchasing process before handing over to the central purchasing department. Alternatively, departments may have their own purchasing sections working independently of central purchasing; for example, highways departments may purchase their own road maintenance materials, perhaps on an annual basis. The purchasing of Computing and IT supplies may be controlled centrally, by the central IT department operating their own list of approved suppliers and software, which other departments have to abide by. Standard off-the-shelf items (e.g. personal computers) may be purchased on annual

contracts. Annual Contracts are usually administered by the central purchasing departments. They involve the purchase of standard goods and services, which are required throughout the year; examples include fuel, paper, building materials and office supplies.

**Buying** - Buying decisions can be initiated by almost anyone in an authority, especially for products and services which are not purchased as part of an annual contract. A junior officer may see an advert, suggest to his team leader that the product is worth looking at, who in turn may put in a "requisition" to his manager as a result of which an order is "raised", which is then passed on to the departmental or central purchasing people.

The fact that a supplier is not on an approved list does not stop the supplier being able to sell to an authority. If the suppliers' products are cheaper or different from the products on the approved list there may be an over-riding reason for a purchase to be made. 'Buying' is particularly relevant for one-off/function specific/specialist purchases and those products and services mentioned in Section 2 of 'Generating Business' above.

**Level of management (seniority)** of the people to communicate with.

Simply communicating a message to all available contacts, even if ostensibly they appear relevant, can sometimes dilute the effectiveness of a campaign, when just targeting people at a specific management level (s) would be better.

Conversely, it is sometimes better to communicate with people at all management levels ( this approach known as 'top down' and 'bottom up') as there may be a number of buying influencers at different levels within the organisation and this approach will increase both the effectiveness and influence of the communication.

Which is appropriate depends on the nature, value and type of product / service being offered, the organisation type and structure of the functional responsibilities of contacts being considered

**'Client' and 'Contractor'** sides within an organisation. An important consideration for some suppliers is whether or not the people being communicated with are specifiers (client side) and / or actually have an operational role (contractor side). A good example is within Local Authorities where in some cases the organisation will have a range of Departments/Contacts with a responsibility to provide services, but the actual work is carried out by another Department (often called 'Direct Services in the case of Street Cleaning / Fleet Management / Highways Maintenance etc). In addition to internal splits (called 'soft splits') within organisations, there are many examples of Organisations/Departments/Contacts within the Public Sector who specify the work that needs to be done and use external contractors to provide those services, these sometimes take the form of PPP's (Public Private Partnerships) where the private sector take over providing the services, with the Public sector monitoring performance/effectiveness and satisfying their statutory obligations

In short when planning a marketing or research campaign into the Public Sector it is important to consider what organisations and which people to target in order to maximize the effectiveness of a campaign and to avoid alienating people which have no interest in / responsibility for the services being offered.

### Chart Showing the Structure of the UK Public Sector Management and Funding

