

■ SPECIAL REPORT

TOUGH TO CRACK, RICH IN REWARDS

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Illustration by MM Shanith





Selling to the government is different from selling to any other sector. One needs to learn the tactics to be a winner here.

ANANTHARAM WAS not at fault. But he lost the deal. One of his competitors mistakenly forgot to add two zeros (quoted Rs 5000 instead of Rs 500000!) in the quotation and the customer naturally opted for the competitor's solution. This may sound a little dramatic. But if the customer was from the government sector, most may not get surprised.

While the government sector remains one of the largest buyers of IT products and services, only those who know the 'art' of dealing with the government would win hands down. The intention is not to blame the bureaucracy, red tape, and their impact, but to find out the various challenges involved in government deals and how to tackle them. All said and done, government has been an intricate customer and still remains intricate, due to various reasons. But if one has the passion, patience, and determination, none can be as rewarding as the government.

VV Anantharam, Director of Webcome Technologies, the very person who lost a government deal because of somebody else's mistake, still focuses on the government sector. Webcome derives almost 60 percent of its revenue from government sector customers. "A customer in the government sector is easy to retain and the deal gives us very high margins. And most importantly, I know I would be able to realize my money from the customer even though it might take more time. You need to take some amount of risk with a private sector customer as he may default," he says.

Government sector also remains as a relief for many partners at a time when all

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other sectors are cutting down their IT purchase. This precisely means that the government sector offers an ocean of opportunities for the channel partners in the country. DK Bajaj, Director of Delhi-based DM Systems says, "Companies in every other sector have squeezed their IT budgets. Government is the only sector that continues to buy IT. Though we have been catering to the government sector right from the start, we decided to increase our focus of late."

However, there are certain dos and don'ts while approaching and selling solutions to a government sector customer. And, once the account is cracked, partners should be ready for long decision-making procedures, complex documentations, and delayed payments. But if one is ready to be more cautious and well planned, doing business with the government customers can be a delight.

KNOW THE COMPLEXITY

The first and foremost thing is to identify opportunities in the various departments of government sector. It is a very large and potential vertical that includes PSUs, defence, R&D establishments, space research, and other industries like steel, coal, oil, minerals, etc. Partners need to identify tender enquiries and get prepared to participate in various bids.

Anand Rao, Managing Director of Par Data Systems, explains the procedures, "There are no significant hurdles associated while selling to the

The Art of 'Locking' the Customer

IT'S a success story that began almost 15 years back when Bangalore-based Binary Systems sold a number of desktops to a public sector company. Since then, they have been working as a trusted partner for the customer and have been getting repeat business from the company. Edward Jeevan, Director, Binary Systems, says, "We started our relationship with this customer by selling a few PCs. They, later on, bought servers and networking products from us. But our relationship did not cease there. We have been catering to their storage and security needs as well. We are currently planning to implement a logical access control solution for this client."

Jeevan says it wasn't easy to retain a long-lasting relationship with this customer. "It has been quite challenging for us to ensure that we get repeated business from this customer. We had to go the extra mile to spot opportunities and also to retain our credibility. We have built multiple relationships at multiple levels in this organization. We realized that at times even a gatekeeper can play a

key role," he explains. Binary Systems has a dedicated team and an account manager for this customer.

The team at Binary believes that a mere reselling would not help retain a relationship and has applied the same strategy while working with this public sector customer as well. "We always try to address this client's pain areas and suggest them the right solution. We have been working very closely with them over the years. They see us as their technology consultants." He, however, admits that this market has become very cutthroat and there has been an immense competition to be the lowest bidder. So, apart from being technically superior, Binary is now offering attractive pricing to this customer. "Some of the SIs forget why they are in this business and as a result they try to push some boxes for huge discounts. This has compelled us to come up with competitive pricing to be the L1. However, we have managed to sort this out to a large extent by working closely with our principals," says Jeevan.

government, but the gestation time for the businesses to start coming and building relationships is longer. Results are not instant and it's a procedure-driven business. The enquiries in the government sector will be either open tender, limited tender or global tender. Once you identify the opportunity, you need to participate in technical and commercial bids. One has to

give the best competitive offer (lowest bidder or L1) for technically getting accepted for final negotiations."

This means a partner should not be quoting blindly without having any idea about the budget availability for that project. And if you quote a price that is higher than the available budget, chances are you may not even get listed as a participant for the bid, or the customer would take a long time in going back to the authorities to get the new budget sanctioned, result-

ing in unnecessary delays. Subashini Prabhakar, Chief Technology Manager, Dax Networks, says, "We suggest our partners to first see the budget available for a particular government deal and prepare the quotation accordingly. We have prepared a set of questions for our partners, which will help them see the larger picture of the deal and analyze actual requirements."

Arvind Chandrasekar, General Manager - Business Development, AMD India, says it's also important to identify 'sanctioned' projects. "There are sanctioned and unsanctioned projects in the government sector. The



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partners need to find out whether the deal that they are planning to bid for has already been sanctioned or not. If you choose to go with an unsanctioned project, you can't expect the project to be successful and rewarding." He also adds that the government is far more transparent these days, and it should not be difficult to identify sanctioned deals. "It's all about your dedication and the due-diligence you perform," he reminds.

In some cases, the vendors lend a hand to their partners by providing special pricing for government customers and helping them identify the needs of the customer and ensuring they present the right specification to the customer. Neeraj Lijhara, National Channel Manager, India, ADC Krone, explains, "The partner must learn the end objective of the solution. Normally government procures to solve multiple region requirements, connectivity, interstate, interoffice, etc. This information is very crucial for successful implementation of the solution. Finding out the entire requirement from the end user and agencies will help prepare a final proposal of solution." AL Srinath, CEO of Hyderabad-based Shell Networks, says, "We need to have the patience to go through these procedures. Government deals won't happen overnight and you can't put the client in pressure under any circumstances. You need to have a lot of flexibility."

Due to long and complicated procedures, a partner needs to have a designated team to provide more focus and dedication. Besides, they also need to have the ready money to submit security deposits and performance bank guarantee (both are generally 10 percent of the order value). "We have at least about Rs 4 crore with our government sector customers as various deposits, at any given time in a year. Our capital definitely gets blocked due to this, but that's how government deals work," says Ananatharam.

HARD TO CONVINCE

Decision making in the government sector is a different process all together. As a result, a partner needs to adopt an entirely different mode of discussion. 'Mind your language' is the first lesson. If you keep talking



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about Return on Investment (RoI) to a government sector customer (which could be a favorite word for a private sector enterprise), you are likely to get the least attention from him. "For a government sector customer, RoI does not mean anything," adds Anantharam of Webcome.

Talking 'pure technology or IT' is also not the easiest way to get through, says Srinath of Shell Networks. "Sell him tools that can help him make his job easier. For example, give him ideas about how to get things at the click of a button or how to manage his file movements. You need to use an entirely different language to a government sector customer. You need to view things from his point of view," adds Srinath. Contrary to the popular notion that

government sector customers generally have low awareness about technologies and market trends, most of the time they turn out to be amazingly well-informed and clear about the options available in the market. A majority of these customers today have consultants and nodal agencies who decide what latest technology is available for them. "Five years back, things might have been different. But we have noticed that the level of awareness about technology among the government sector customers has gone up dramatically. So, if you think you can sell 'anything' to the government, you are misjudging him completely," says Subashini of Dax Networks.

Webcome's Anantharam seconds this opinion. "They are open to all latest technologies. Some of them, in fact, take pride in owning certain products and technologies. If you go to a private sector customer with one of the latest and much-talked about technology, they would ask you to show RoI and give discounts," he adds. M Prabhakar Kini, Chairman & Managing Director of Bangalore-based Kinfotech, says, "Government sector customers are very clear about their requirements. You can never fool them." As a result, most of the government sector deals start with a 'technology bid'. Those who are able to get selected in the technology bid would be eligible to participate in the 'commercial bid'.

WHAT TO DO AND WHAT NOT TO DO

DO

- ✓ Be quick to identify new opportunities through various tender enquiries
- ✓ Perform apt due-diligence to understand customer requirements
- ✓ Study the overall requirements of the customer at multiple levels to draw an attractive solution
- ✓ Have a designated team to give more focus and dedication
- ✓ Give a demo or PoC to the customer
- ✓ Build multiple relationships at multiple levels of a government organization

DON'T

- ✗ Quote blindly without having any idea about the budget availability for projects
- ✗ Go for unsanctioned projects
- ✗ Have too much of focus on Return on Investment during pre-sales
- ✗ Talk 'Pure technology', but address business needs
- ✗ Make unrealistic promises in your quotation or in any other document
- ✗ Offer on-the-spot discounts to convince the customer

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M Venkat, Prime Mover of Bangalore-based 22by7 confirms, "From a technology perspective, it is easy to sell to the government."

Chandrashekhar of AMD India says those who are not able to cross the technology bid should not have given quotation for such a deal in the first place. "A lot of partners try to drive the specification according to their interest. They are more interested in their own individual success. But they are missing out one point. The government is far more sensitive than many private sector customers when it comes to what they buy, as these decisions will have a direct impact on the needs of the citizens. A private sector customer can easily correct a wrong decision he has taken and look for alternatives. Such partners may be able to win once or twice, but it is equal to 'killing the golden goose'. So it's very important to understand their needs and address their business pain points." Partners and vendors collectively admit that a PoC or a demo always helps in convincing a government sector customer easily.

Unlike other sectors, the government bodies take more time for decision making because of the long procedures as they go by documents and decisions of 'committees' and not by the decisions of 'persons'. There is no way out but to abide with the government's procedures.

EYES WIDE OPEN

The biggest grievance of partners when it comes to government deals

THE TWO SIDES OF A COIN

PROS

- ✓ Trustworthy customer and easy to retain
- ✓ Assures high margins for systems integrators
- ✓ Payment is guaranteed
- ✓ Burgeoning market and not likely to get saturated soon
- ✓ Respects technology and is clear about what to buy
- ✓ Looks beyond RoI and discounts to see the value of the solution

CONS

- ✓ One should be ready to handle delayed payments
- ✓ Involves long decision making procedures
- ✓ Various security deposits lead to capital block
- ✓ Can't expect fast returns
- ✓ Complex procedures call for more effort and manpower
- ✓ There is always a risk of not being the L1 and thus losing the order

are 'delayed payments'. But is this delay only due to the red tape and bureaucracy? Not always. Vendors and even partners say such delays can be avoided to a large extent if the partners take extra care in reading the tender documents and also while preparing their quotations. Put the extra effort in and make sure all the papers are error-free. After all, one can not afford to make dreadful mistakes like missing out to add a few zeroes in the quotation document. "We need to be very careful while writing quotations. We have seen cases where a few partners forgot to add taxes in their quotations. In the government sector, once you finalize the tender, it's closed forever. Had it been a private sector company,

partners would have got chances to re-submit tenders," says Anantharam of Webcome.

Most of the delayed payments and unsuccessful projects are because of overseeing certain terms and conditions in the tender or due to some goof-ups in the quotation. "We have witnessed cases where partners quote a price that's less than the price at which they actually buy products from us. Sometimes in a bid, there can be up to 20 percent difference between the L1 and L2. This can mean only two things — either the L2 bidder was trying to get 20 percent extra margin or there was a major error in the quotation of the L1 bidder. And I would confidently say that all such cases happen only because of some unjustifiable blunders in the papers. We give the customer enough reasons to delay payments and later complain about it," says Chandrashekhar of AMD. He advises that partners need to have a 'check-list' of things that need to be taken care of.

Sunil Jose, Managing Director, Sybase India says, "Typically the government purchases are based on L1 requirements. We consider this and provide our partners with special pricing to make them competitive for the Request for Proposal (RFP)."

"One of the largest partners in the country was asked to submit three years' balance sheet along with the quotation. He went on to his website, took last three years' balance sheets



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and attached it along with other documents. Only later he realized that he was supposed to submit audited balance sheets. Negligence only gives room for more mistakes and thus reasons for extended sales and payment cycles. Such things can be avoided by preparing a simple check-list," Chandrashekar adds. Lijhara of ADC Krone has the same opinion, "Government usually pays faster when 100 percent deliveries are made."

Partners, who have been catering to the government sector for a long time, advise not to commit to too many things on paper. "Don't get into too many commitments in writing, be it technical or commercial unless it is mandatory and feasible," says Rao of Par Data Systems, revealing the rule of thumb.

LEARN THE RIGHT TRICKS

Even when everything has been considered, one needs to know some tricks to sell to the government sector. Partners, who have been successfully doing this over a long period of time, know the game very well. At the same time, for those systems integrators and value-added resellers who only recently started focusing on the government sector as an escape route from the downturn, it is going to be a tough task.

While we may tend to believe that personal relationships are of no importance in the government sector, experienced partners say relationships play a huge role, especially for identifying new opportunities and also in retaining customers. "Build a relationship once you crack a government deal. I believe a sale is never made, it happens. So, it's very important to cultivate a relationship. Your first sale to a government customer need not be very big, but you will get a lot of up-selling opportunities with him," explains Srinath of Shell networks.

Ananatham agrees, "Personal rapport with the customers would help us get new enquiries. It also ensures that the client comes back to you for all their future IT needs. In fact, once you develop a comfort level with the customer, you can create new opportunities by suggesting upgrades and new products. He would be more receptive to people whom he knows well."

Primer on Process

UNLIKE private sector deals, government deals are largely process-driven. Although most of the partners who are already dealing with government sector customers would be aware of the procedures, here is a primer for the new-comers.

The first step is to get the tender enquiry from the customer. To be able to get this, one has to be a 'registered vendor' with that particular organization. There are three types of tenders. In a limited tender, a customer would choose a few names from the registered vendors and send enquiries to them.

A systems integrator has to match the eligible criteria based on the needs of the customer to get such enquiries. In an open tender, the customer or the government agency would publish tender notifications in newspapers as well as other journals, inviting all the qualified bidders to take part in the tender.

There is a third category called global tender. In a global tender, a customer would invite bidders from outside the country as well. It happens when the customer feels that a particular technology is not available in India, or when there is a lack of adequate expertise to implement a particular solution. This, however, happens only in limited cases, as most of the big vendors today have presence in India.

Once a systems integrator gets the tender enquiry, he needs to get prepared for technical and commercial bids. If it's an

open tender, all the bidders will be asked to submit an Earnest Money Deposit (EMD). The customer would have the right to forfeit this money if the systems integrator fails to supply the products on time. EMD is to ensure that only genuine bidders participate.

The next step is to participate in the technical bid, where the systems integrator would have to comply with the specifications given by the customer. He will be asked to advise if he suggests any deviation from the specified products. Based on the final specifications provided by the bidders, the customer would choose a few qualified customers. A government customer today has nodal agencies and consultants to decide on qualified bidders.

Those who were chosen would be eligible to participate in the commercial bid. Ideally, the lowest bidder or L1, should get the deal. However, government usually gives a chance to other bidders who have quoted close to the lowest price. After having further negotiations, government chooses the best possible pricing and gives the order. After bagging the deal, the systems integrator has to submit a performance bank guarantee assuring the uptime of the proposed product. This amount will be released once the implementation is up and running. The systems integrator will also have to make certain commitments on supply, delivery, and implementation. Failure in execution may lead to certain penalties.

However, one will have to build multiple relationships at multiple levels of a government organization to make sure one does not miss any opportunities.

Srinath of Shell Networks believes it's not a great idea to attract a government sector customer with more and more discounts. "One does not have to jump in to give discounts initially. Because a government sector customer would get convinced by many other things like value of the product, its business benefits, etc."

WHY GOVERNMENT?

While there are many challenges to tackle when managing the government sector, partners still believe they are the trustworthy lot. They respect technology, they are clear

about what they want, and they do not evaluate a solution based on the 'look' of it. They are like public sector banks where your money would always be safe. Once you manage to convince them, you don't need to chase them for deals as they would come back to you for all their requirements. Partners also state that it is easier for them to get financing for government sector customers from banks and other sources.

Srinath of Shell Network winds up, "The wonderful thing about a government sector customer is that once you convince him, he would become your sales man. He would give you new leads in other departments as well and recommend you as a preferred partner to many others." So take the tough path to own a treasure in the end. ■