INNOVATIVE MODELS FOR PURCHASING PUBLIC SECTOR SOFTWARE

Presented by

VendorRegistry®

OVERVIEW

If you're a public purchasing professional, there is no doubt you've been asked to do more with less. Purchasing staffs are shrinking but mandates for procurement visibility and efficiency are growing. You're grateful that IT budgets are on the rise, but there's no such thing as a "one-stop solution," so there's not enough budget to cover all your needs.

Historically, large up-front software costs (for client-hosted systems) and ongoing maintenance fees were prohibitively expensive for small and mid-size schools and local governments. Thus, paper or Excel spreadsheets were the more budget-friendly alternatives to world-class software. Cloud-hosted software and the Software-as-a-Service (or SaaS) pricing model eliminated large software installation and maintenance expenses for smaller monthly or annually recurring subscription fees. While a significant improvement, it still falls short of meeting the unique purchasing challenges of public sector entities.

Today, innovative companies are utilizing new software and service delivery and pricing models to better align customer costs and benefits. Freemium, On Demand and Transactional models now give underserved small and mid-size schools and local governments the world class software and help they deserve If you're not already taking advantage of these user-friendly pricing models, we'll teach you how.

PUBLIC SECTOR PURCHASING CHALLENGES

Small and mid-size schools, municipalities, counties and local government agencies are especially challenged in procuring needed core and specialized business applications, such as vendor, bid, contract and invoice management systems.

LIMITED BUDGET, OR NONE AT ALL

By nature, these business applications are relatively new, especially if you're using paper and Excel. Thus, you have no budget. And, if you're a smaller school or city, you may never have much of a budget to speak of.

NEED IT IN THE MIDDLE OF BUDGET YEAR

You've found the right solution (or, more likely, solutions), and you need them now! Unfortunately, it's mid-year and there's nothing in your budget. Now you have to wait, knowing every day there's a better way. Your time is more valuable than that!

IMPORTANT, BUT ONLY A FEW TIMES A YEAR

The timing is right and you have some budget, but the few times a year you'll use the application doesn't justify the cost. Even the expense broken down to monthly payments still means you're paying for something you're not using.

IT BENEFITS OTHERS, SO HOW TO SHARE EXPENSE

How many times have you been asked to do something that benefits others and then been left to pay the bill? If you're lucky, the benefiting party is willing to pay, but how does that work?

UNFUNDED MANDATE

Mandates, like the popular "modernize purchasing," often go unfunded. Sometimes it's just because they don't understand the level of effort required. Other times, mandates by elected officials are made for political reasons and without budgetary support. Regardless, you have to deliver, so you just chalk it up to "doing more with less."

ONE-SIZE-FITS-ALL SOLUTION DOESN'T FIT

It's Murphy's Law…the more it tries to meet the needs of everyone, the more it meets the needs of no one. Thus, to meet your needs, you may need to cobble together a few applications. Unfortunately, each solution wants you to pay for the entire solution, even though you only want a piece.

INNOVATIVE PRICING MODELS

Business applications built by and for purchasing professionals appreciate the unique procurement challenges of the public sector. Necessity is the mother of invention, so software providers that truly serve small and mid-size schools and local governments have introduced and/or adopted several innovative pricing models. They key enabler to most (if not all) user-friendly pricing models is that software has moved from client servers and desktops to the cloud, where features and usage can be controlled by the provider.

SOFTWARE-AS-A-SERVICE (SAAS)

SaaS is now the most common alternative pricing model for business applications—it's easy to find, try and subscribe to any number of business

applications online. Even the most traditional of shrink-wrapped software (like Microsoft Office) is now sold as an online service.

FREEMIUM

The "Freemium" model has been popular almost since the beginning of the Internet. In this model, subscriptions of more robust premium products allows for the offering of limited-use free products. For some smaller schools and agencies, the free limited-use product may meet many (if not all) of their needs.

A LA CARTE

Software is relatively easy to write and even easier to deliver. Thus, many business applications' features and capabilities have exploded. Unfortunately, the abundance of features also usually means increased cost, not to mention complexity. By making the applications modular, customers can purchase features a la carte, buying only what is needed now and adding others later as the need arises.

NO-COST

The no-cost model was popularized by Public Private Partnerships (or PPP or P3s) for large infrastructure projects, like toll roads. In these models, the beneficiary of the new roads (i.e., travelers) pays for the road rather than the government. Software companies are also adopting this model, where constituents and businesses who are benefitting from convenience, data, services, etc., are paying rather than the system provider/user (e.g., the local government).

PAY-PER-USE OR ON DEMAND

Software or business application products where you only pay when you use them are not common. However, pioneering companies are employing this alternative payment model in order to better serve small and mid-size customers who have more limited usage patterns. Ultimately, pay-per-use better aligns costs and benefits for the customer.

TRANSACTION AND CONVENIENCE FEES

A variation on the No-cost and Pay-per-use models are transaction (or often called "convenience") fees. Typically, the system itself is provided at no cost and the user (which could be the government agency or the constituent) pays a small transaction fee based on a percentage of the transaction value. One common example is where a municipality allows constituents and businesses to pay fines, taxes and fees using a credit card online and the constituent/business pays a small transaction fee for the convenience.

HOW TO LEVERAGE USER-FRIENDLY PRICING MODELS TO INCREASE PURCHASING POWER

Schools, local governments and agencies can leverage these alternative pricing models to increase their purchasing power as well as overcome common public procurement challenges. The following are four things you can do to increase your use of user-friendly pricing.

JUST ASK!

Software and application providers may not advertise alternative pricing models, so ask them. Come prepared for the conversation by understanding your projected use (and derived value) of the system.

TAKE ADVANTAGE OF FREE VERSIONS

Free versions of business applications are great for learning not only about the application but also about the provider. Do they offer onboarding and

training? How responsive is their customer support? Do they have best practices to share? Also, you may find that the free, limited-feature version is enough to meet your needs—at least for the near term. Free doesn't necessarily equate to poor quality.

REQUEST PRO-RATED PRICING

Needs don't always align with your budget year, especially if you're not even sure what solution you're looking for. When you do find a solution and if it's between budget cycles, ask for pro-rated annual pricing based on the number of months between now and your next budget year. Thus, for a smaller expense, you can start using the new system today.

APPRECIATE THAT OTHERS ARE WILLING TO PAY TOO

Business applications and software can make your life easier, no doubt. But others may be benefiting as well, and they may be willing to pay for that benefit. For example, managing your RFPs and quotes online (from vendor registration to solicitation notices to bid evaluation) saves you significant time and drives more competition. Big benefits for you, no doubt. However, it saves businesses even more time as they're trying to sell to and serve dozens of local governments. Thus, businesses are willing to pay for the conveniences of online registration, bid sourcing and submission, and even faster payments.

Innovative pricing models can better align costs and benefits (and even buyers and sellers), which enables small and mid-size schools, municipalities, counties and government agencies to access world class software within limited budgets, or even for free.

Vendor Registry is the highest rated eProcurement system as ranked by ELGL, takes literally just a few minutes to implement, and provides industry leading support. One reason purchasers love Vendor Registry is their

Schedule a few minutes to learn how Vendor Registry can work within your budget challenges.

Don't wait because that productivity tool you've been dreaming of is out there and more affordable than you thought!

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