LOCAL PURCHASING INITIATIVES - A REVIEW

MARK DAVID WEBB

MSc BY RESEARCH IN BUSINESS MANAGEMENT

THE UNIVERSITY OF ASTON IN BIRMINGHAM

DECEMBER 1992

THE UNIVERSITY OF ASTON IN BIRMINGHAM

TITLE:

LOCAL PURCHASING INITIATIVES - A REVIEW

MARK DAVID WEBB

SUBMITTED FOR THE DEGREE OF MSc BY RESEARCH IN BUSINESS MANAGEMENT

DECEMBER 1992

SUMMARY

The objective of this research is to evaluate the different types of Local Purchasing Initiative that have been operated in the UK. As far as it is known this is the first attempt to draw together the academic work relating to firms' sourcing strategies and the experiences of initiatives that have attempted to influence these strategies in order to increase the amount that firms purchase locally.

The research involved investigating academic sources, purchasing journals, and sources relating to economic initiatives, as well as interviews with initiative operators and surveys of initiative users. The information gained from the interviews and surveys allowed the strengths and weaknesses of the various approaches to be analysed.

A number of alternative approaches are available to stimulate local purchasing, requiring various levels of resources. However, none of the initiatives studied could provide evidence that they generated many links between local companies. The findings of the research suggest that this is largely due to the purchasing practices adopted by large companies, which no longer provide opportunities for the small local supplier. In view of this it was concluded that Local Purchasing Initiatives should focus on encouraging inter-trading between companies of all sizes, rather than just large buyers and small suppliers.

ACKNOWLEDGEMENTS

Firstly, I would like to express my gratitude to my supervisor, Mike Tricker, who provided encouragement and advice throughout the project. My thanks also go out to the people and organisations that co-operated with research, and the Public Sector Management Department at Aston University for providing the studentship without which it would not have been possible.

LIST OF CONTENTS

LIST OF TABLES

LIST OF FIGURES

1.0 INTRODUCTION

1.1 Background to the research

The stimulus for this study on Local Purchasing Initiatives was my supervisor, Mike Tricker. As a result of work carried out at Aston Business School he became aware of this method of local economic regeneration and the fact that there was a lack of research on the effectiveness of the different approaches in use. As a consequence, I was offered the chance to carry out a year long research project with the aim of being awarded a Masters Degree at it's conclusion.

1.2 The objective of Local Purchasing Initiatives

The core objective of a Local Purchasing Initiative is the same as for the majority of local economic initiatives, which is to secure and create jobs for local people.

As this study will show, Local Purchasing Initiatives take a number of forms and do not always have exactly the same set of goals. However, they share one objective which differentiates them from the other types of local economic initiative. This is to raise the proportion of orders which organisations place with local suppliers.

1.3 Research objective

In practice, increasing the amount of local sourcing usually means encouraging large local organisations to purchase from small local suppliers. The relationship between large purchasers and their small suppliers will therefore form an integral element of this report. However, the goal of the research is to evaluate the different types of Local Purchasing Initiative currently operated not present a case for sourcing from small firms.

The research objective was achieved by gathering written material on, or relevant to, local purchasing and combining this with the experiences of people that have operated such initiatives. In addition, the users of a number of initiatives were surveyed to gain their perspective on the initiatives and the value that they had derived from their membership of them.

1.4 The extent of local authority economic development initiatives devoted to local purchasing

Although, there have not been any previous studies that investigated the Local Purchasing Initiative's in operation around the country, Sellgren (1990) gives a broad indication in his study of local authority economic initiatives operating over the financial year 1986-1987.

He found that 34 (7.9% of the survey total) initiatives were connected with 'business liaison'. Initiatives in this category were defined as "...developing or improving local business to business contacts" and "developing better links and liaison between local businesses". From this it is reasonable to assume that Local Purchasing Initiative's are included in this figure, which therefore represents the maximum possible number of local authority operated Local Purchasing Initiatives at that time.

2.0 THE NATURE AND RATIONALE OF LOCAL PURCHASING

In any modern local economy when firms buy goods and services a certain amount are sourced from outside the locality. This means that money which might have been spent with an indigenous supplier leaks out of the local economy. Local Purchasing Initiatives seek to stem this flow of wealth from a locality by such means as increasing purchasers awareness of local supply alternatives, promoting the advantages of local sourcing and improving the competitiveness of local suppliers.

Via such methods, it is hoped that the proportion of contracts placed with local firms will be raised. More orders for local suppliers means that they are better able to support jobs for people in their community. In practical terms the results of these extra orders are expected to be higher pay for the suppliers existing workforce; additional members of that workforce, or both. With such benefits as these it is obvious why local authorities and local enterprise agencies are interested in this type of initiative.

A critical element of all Local Purchasing Initiatives is that they seek to encourage the placing of orders with local companies on the basis of factors such as quality, price and delivery. They do not advocate the placing of orders locally for protectionist purposes.

2.1 Total economic impact - the multiplier effect

The effect of switching a contract to a local source has a total economic impact on the locality which may be far greater than the value of that contract. There are three distinct stages of spending which contribute to the economic impact of switching a contract to a local supplier. By examining these we are able to calculate a constant which relates the value of the contract switched to it's total economic impact. This is known as the multiplier.

The three stages of spending:

(i) The initial direct spending with the local supplier that receives the contract;

(ii) The indirect spending on local goods and services by the contract receiver in order to make goods or provide services to meet this new demand (repeated down the supply chain);

(iii) The induced spending by suppliers employees on extra local goods and services (either due to the spending of the additional workers and/or the higher disposable income of the existing employees).

The multiplier effect for a Local Purchasing Initiative is the ratio of the total spending to the direct spending i.e.

$$\frac{\text{direct+indirect+induced}}{\text{direct}}$$

By knowing the value of the multiplier it is possible to project the total impact of all new contracts switched to local suppliers. For example, in 1987 the 'Oregon Marketplace' Local Purchasing Initiative in the United States calculated a multiplier of 2.5 to be relevant to their project (Probst and Gibbons, 1987). This means that for every $1000 of orders switched from a non-local to local supplier, circulation of that money through the local economy was expected to result in a total impact of $2500.

2.2 Advantages for purchasers in sourcing locally

When a company sources from a local supplier it benefits by having short and cheap lines of communication. For example, telephone calls will be charged at a cheaper rate than for more distant suppliers.

Another advantage is that technical liaison between purchaser and supplier is easier due to the small amount of time required to travel to the other company. Sourcing locally also enables delivery schedules to be closely controlled, allowing a reduction in the amount of inventory required and possibly the introduction of just-in-time methods if so desired. Purchasers can also expect the delivery costs of products to be reduced if sourced locally.

3.0 MARKET FAILURE

This chapter examines the factors which justify the creation of Local Purchasing Initiatives in order to stimulate local sourcing.

3.1 Market failure and the need for Local Purchasing Initiatives

The advantages of local sourcing for purchasers and the community have been outlined in the previous sections. With such benefits, why are Local Purchasing Initiatives required in order to stimulate local purchasing?

The reason is market failure, which Hartley & Hutton defined as occurring when, "markets are not working correctly" (Hartley and Hutton, 1989). The causes of failure can be internal (monopoly, entry barriers etc.) or external to the market (e.g. international agreements). These imperfections provide the justification for intervention by public sector agencies.

3.2 Research on the propensity of companies to source outside a locality

There appears to have been little formal research carried out on the extent to which companies source products and services from outside their locality. However, results from a survey of 366 manufacturing establishments in Devon and Cornwall (Gripiaos, 1984) are relevant to this research.

The survey found that 71.5% of the plants sourced more than 50%, by value, of their material requirements from outside the two counties. As Table 3.1 shows, subsidiary companies were more likely to source from outside the locality.

Table 3.1 % of plants sourcing their material requirements outside Devon and Cornwall

	50% or more	**less than 50%**
Independents	66.4	33.6
Subsidiaries	84.9	15.1
Total	71.5	28.5

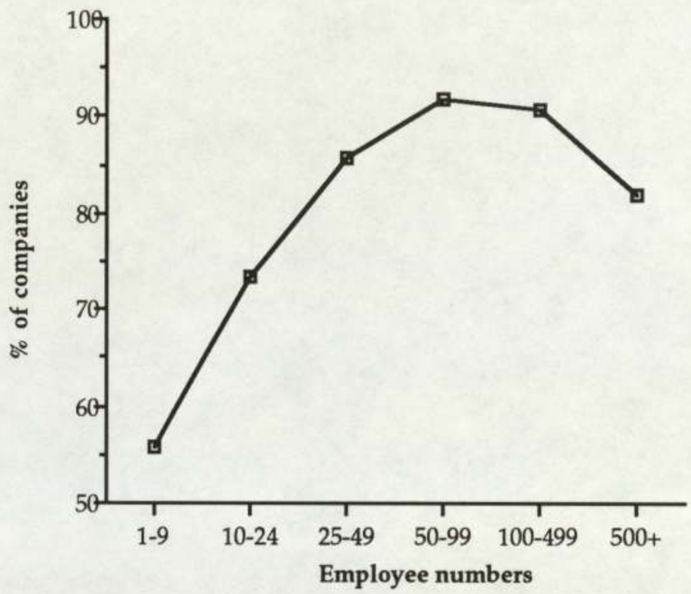
Source: Gripiaos (1984)

Although these figures are unlikely to be generaliseable to the country as a whole they give a rough indication of sourcing patterns for a region of this size. The reason for the

Devon and Cornwall region being unrepresentative is that organisations in the South West tending to source a high proportion of their requirements from outside the region, often due to the fact that there are few local alternatives.

Figure 3.1 indicates that smaller companies source more of their materials locally.

Figure 3.1 *The employee range of those companies sourcing more than 50% of their materials from outside Devon and Cornwall*



Source: Gripiaos (1984)

Of those plants that sourced most of their requirements outside Devon and Cornwall, 72% said that there was "no known local supplier and 55% stated that local firms were uncompetitive in terms of price, quality, or other aspects.

The study also looked at the sourcing of services and came to the conclusion that these are more likely than materials to be provided locally. There was a significant difference between the type of service and the propensity to source it locally. Lower order services (haulage, office cleaning, plant hire and waste disposal) were reported to have been provided by local suppliers in 95% of cases, whereas higher order services (R&D, accounting, legal services etc.) were sourced locally in only 65% of cases.

3.3 Information failure

One of the internal causes of market failure which Local Purchasing Initiatives seek to address is information failure. This is said to exist when "markets are providing too little information on trading opportunities in the economy" (Hartley & Hutton, 1989). A typical example of this is when large firms are unaware of potential suppliers in their immediate vicinity.

Access to information for buyers and sellers is critical if trade, exchange and the development of markets are to occur. When buyers search the market for suppliers costs are incurred as a result of the process. Likewise, suppliers searching for market opportunities will also incur costs. The more intensive the search, the higher the associated costs. The result of this is that either party will only undertake a search if the outcome is expected to be worthwhile (Parkinson 1985). Hence, many organisations target and source from only well known regional or national companies rather than explore the potential of the local market.

Local Purchasing Initiatives seek to correct information failure in the local market by providing firms with details of local companies for a low charge, or in some cases no charge. By reducing or removing the information cost barrier an increase in local inter-trading is expected to occur. In practice this is achieved by gathering relevant information on the firms in the locality and making this available to them.

3.4 Empirical research on the quality of supplier information

The application of IT in the business information industry has led to a massive increase in the availability of information in recent times. In his study of 122 private and public sector organisations, John Cohen looked at the information they require on suppliers and how the actual provision compares with this (Cohen 1991). He found that 82% of respondents used information sources to locate UK supplier and 75% used multiple sources to do so. Paper directories were used by 78% of respondents, making them the most commonly used source. On-line sources were used by 22%, microfilm by 9%, with another 15% using alternative sources.

When Cohen asked the buyers which three types of information they required on suppliers, other than product, 80% mentioned quality certification data, 76% capabilities (skills, capacity) and 61% other corporate data. This gives an indication of what information Local Purchasing Initiatives should seek to provide.

Cohen postulated that the level of information required and therefore the sources used by buyers, is dependent on the importance of the purchase being made. Thus, low value/low risk purchases are sourced using information from Business Libraries and Chambers of Commerce etc., whereas high value/high risk purchases are sourced using more detailed information that can only be acquired by using more sophisticated research techniques.

Another theory he put forward was that buyers in smaller companies would make more use of assistance provided by Local Purchasing Initiatives than those in larger companies. This is because large companies are frequently approached by potential suppliers and therefore do not have as many unsatisfied requirements as smaller companies, who need to be more pro-active in order to locate suppliers.

Cohen asked the buyers to rate the different supplier information sources on a scale ranging from 'extremely valuable' to 'not at all valuable'. The results are shown in Table 3.2.

Table 3.2 *Rating of information sources*

	% extremely/ quite valuable	**% not very/ not at all valuable**
Information company	62	3
Professional body	38	13
Trade/industry body	35	11
Local authority	6	15
Development agency	8	10
Trade press	48	11
Chamber of commerce	16	12

Source: Cohen 1991

As Table 3.2 indicates, the usual Local Purchasing Initiative operators - local authorities and development agencies were felt to be of little or no value. Unfortunately, the presentation of the results makes it unclear as to whether this perception is influenced by actual trial or is simply 'knee-jerk' business antipathy towards outside agencies.

3.5 Public sector purchasing policy

A second area of market failure which some initiatives try to combat is the purchasing policy of the public sector. The public sector is an increasingly important purchaser of goods and services, indicated by the fact that U.K. public expenditure, as a proportion of total expenditure, grew from 9% to 50% between 1890 and 1970 (Bannock, 1980).

The report on government procurement, Cmnd 4811 (1971), indicated that there was a trend towards placing larger contracts which "sometimes goes beyond the point of maximum economies of scale". If this is still the case, after the privatisation of many public companies, small local suppliers will continue to be unable to meet these bulk purchasing requirements. The combination of more and larger public contracts presents an increasingly difficult trading climate for the small local supplier. To counter this, Local Purchasing Initiatives attempt to persuade public sector Purchasing Officers to break down contracts into smaller sizes, which can be handled by small local companies.

A number of local authorities have recognised the problems that trading with them presents to small suppliers in their locality. Appendix (i) describes action taken by Glasgow District Council in the early 1980's to increase its amount of local purchasing.

3.6 Buyer and supplier related problems

The following two sub-sections examine the practises and policies of purchasing organisations and local suppliers which inhibit local sourcing. In this polarised analysis the buyer problems relate mainly to large firms and supplier problems mainly to small firms.

(i) Buyer related problems

Large companies, especially multi-national enterprises, may permit branch plants limited autonomy, with the majority of important decisions being taken outside the region. It follows from this that in regions where a large proportion of the jobs are controlled from outside the area it will be particularly difficult for small local suppliers to obtain contracts from large local firms. This is the case in the North East of England, where an estimated 80% of all manufacturing jobs controlled from outside the region (Peck 1990).

However, the research conducted in Devon and Cornwall in 1984 indicated that the purchasing function in branch plants is an area over which local management has more control than any other - see Table 3.3.

Table 3.3 The location of decision taking in branch plants

Type of decision	**% of branch plants where the decision is taken**
Purchasing	72.8
R&D	48.3
Investment	25.8
Marketing	49.3
Production	82.2

Source: Gripiaos (1984)

Even when the branch plant makes purchasing decisions for itself company sourcing policies have to be followed, which may be biased against local suppliers. For example, company policy may require detailed tender applications which strain the limited resources of the small local suppliers. If the cost of tendering is high and the perceived chance of success small, the local supplier will be discouraged from tendering. Hartley and Hutton (1989) estimate that total tendering costs could represent 2.5 - 3 per cent of the contract value for small companies.

Companies that are part of a group often give contracts to firms which are members of the same group, although Gripiaos found that this was less prevalent than might have been expected. Only 10% of branch plants in the 1984 study took more than 50% of their material supplies form other parts of their group. A further 11% of the companies sourced between 25% and 49% of their material requirements from sister companies and 79.3% took less than 25% of requirements from these sources (Gripiaos 1984).

Another problem which inhibits local sourcing is that the purchase decision in a large company is influenced by many people, including staff from departments such as purchasing, quality assurance and engineering. This complex decision making arrangement means that not all those involved will be aware of the local supply alternatives. This problem is exacerbated when large companies are situated in an industrial area which the staff do not live in, or come from. The outcome of this is that they are often unaware of the other companies in the surrounding locality and the potential for sourcing locally.

The large number of contributors to the purchase decision also has the consequence that small local suppliers have to find time to track down all the relevant personnel. This limits the influence they are able to exert on the final purchase decision. Research carried out in Northern Ireland by O'Neill, D'Arcy and D'Arcy suggests that a purchasing 'route map' for each large organisation would assist prospective small suppliers in overcoming this problem (O'Neill, D'Arcy and D'Arcy, 1986).

Purchasing departments are sometimes accused of professional conservatism - not being disposed to actively seeking out new supply alternatives and making access to their preferred suppliers lists difficult. As a result, new suppliers in general are seen as a major risk and they will only be successful through "persistence and chance" (Forrester and West 1985, p. 12). The situation of small new suppliers is even more difficult as the official report on government purchasing policy (Cmnd 4811, 1971, p. 108) reveals. This states that purchasing staff prefer to deal with large, established firms, rather than small suppliers who are perceived as risky.

Even when a local supplier can beat an established one on important issues such as price or quality there is an inertia to overcome on the buying side. This is caused by the unwillingness of buyers to change suppliers frequently due to the disruption, inconvenience and costs incurred (Harlow 1983, p44). Even when evaluating bids for a new contract buyers prefer to do business with suppliers whom they have previous experience of, this being especially true of large purchasing organisations (Cunningham and White 1974).

In certain cases, especially when subcontracting, the choice of supplier that can be used will be dictated by the final customer.

An additional problem is that purchasing companies frequently expect technical and quality standards which the local supplier may not be capable of attaining, or proving they can meet. Research carried out by Gibb for the Northern Purchasing Initiative (NPI) indicated that for two-thirds of the firms surveyed more than 50% of their purchases had to meet specific British Standards. A quarter of the firms required the majority of their suppliers to have BS5750 accreditation (Gibb 1990).

A complaint frequently directed at large firms is that they demand credit from their suppliers. This discourages small suppliers from approaching large local buyers. Research by Arnold-McCullough and Lewis (1985), found that the credit behaviour of large companies resulted in the small suppliers experiencing restricted development. This in turn led to them supporting fewer jobs than their true potential, making people unnecessarily unemployed and actually failing in some cases.

Although the emphasis that buyers place on price is generally accepted to have reduced in recent times, small suppliers believe that this still receives too much emphasis, allowing larger suppliers to secure contracts due to their economies of scale and consequent lower prices.

(ii) Empirical research on the problems of dealing with large firms

An indication of the relative significance of some of these problems in Northern Ireland is given by O'Neill, D'Arcy and D'Arcy. Table 3.4 represents the main difficulties encountered by the 117 small firms in their survey when trying to obtain business from large organisations. The information is subdivided between those firms which found it 'more difficult' and 'not more difficult' to obtain business from large, as opposed to small, organisations.

Table 3.4 Problems small firms face when selling to large firms

	More difficult (N=69)	Not more difficult (N=48)	TOTAL (N=117)
Finding the right person	40 (58%)	24 (50%)	64 (55%)
Reluctance to change supplier	38 (55%)	17 (35%)	55 (47%
Decisions mainly based on price	31 (45%)	18 (37%)	49 (42%)
Too many departments	25 (36%)	17 (35%)	42 (36%)
Decisions take too long	27 (39%)	11 (23%)	38 (32%)
Large firms not publicising requirements enough	22 (32%)	7 (14%)	29 (25%)
Brand loyalty	17 (25%)	10 (21%)	27 (23%)
Show bias against small firms	21 (30%)	6 (12%)	27 (23%)
Too much paperwork	19 (26%)	6 (12%)	25 (21%)
Large firms not returning phone call	16 (23%)	3 (6%)	19 (16%)
Large firm did not return letter	12 (17%)	4 (8%)	16 (14%)
Seek control over production	9 (13%)	4 (8%)	13 (11%)

Source: O'Neill, D'Arcy and D'Arcy (1986)

The results indicate that finding the right person was the most frequently encountered problem, irrespective of whether the companies found it 'more difficult', or 'not more difficult' to obtain business from large organisations.

Those small suppliers that found it more difficult to sell to large organisations tended to be younger and of the smallest size.

(iii) Supplier related problems

Suppliers often possess inadequate marketing and sales capability. Hitchens and O'Farrell believe that in Northern Ireland the single largest constraint on local sourcing is the lack of marketing ability, with issues of plant and technological ability playing a less important role.

Small suppliers' knowledge of market opportunities is limited as they do not have, or are unwilling to devote, adequate resources to research potential new business. This lack of competitiveness is evidenced by the fact that "small firms often complain that they have never been asked to quote for public contracts", (Hartley and Hutton 1989, p. 113).

The uncompetitiveness of certain small suppliers is confirmed by the fact that they have sometimes shown themselves to be unable or unwilling to meet the price, quality and delivery standards required to win contracts from large buyers, (Hartley and Hutton, 1989). These contracts are competitively fought for by many potential suppliers.

Many small firms take the view that becoming dependent on large buyers will lead to a loss of control, and increased risk, rather than looking at the benefits of long term relationships. This cautious viewpoint is supported by the DTI's Small Firms Service in their booklet, 'Selling to Large Firms'. This advises against supplying a single large customer at the expense of other existing relationships, as many small firms have foundered as a result of this.

Other problems which suppliers have include them being unaware of the procedures they have to follow to get on approved suppliers lists; having difficulty in convincing buyers that they have the capacity to meet the required levels of demand and; not possessing the quality standards, such as BS5750 which are often required by buyers.

4.0 DEVELOPMENTS IN THE COMMERCIAL ENVIRONMENT

The business world is never static and there are a number of important developments which have implications for local sourcing.

4.1 Modern production methods and their implications for local purchasing

One of these developments is the trend for large companies to concentrate on core activities, with other goods and services being 'bought in' rather than provided 'in house'. This results in work being transferred to smaller sub-contractors. The potential savings attainable through the contracting-out of in-house activities is indicated by the public sector competitive tendering initiatives, where cost reductions of 25% have been suggested (Hartley and Huby 1985).

The effects of the Single European Market on purchasing are largely unknown, but Phil Bully predicted the following five outcomes:

(i) Technical barriers in the IT and electronics industries would be removed, allowing the use of non-domestic supply;

(ii) It will be easier to locate company activities abroad and there will be greater freedom for cross-border activity;

(iii) The rules on cross border mergers will be relaxed stimulating more joint ventures.

(iv) There will be an increased availability of product substitution;

(v) Public authorities will seek to reduce their costs by sourcing from elsewhere in the EC. (Bully, Procurement & Supply, Nov 10 1990, page 36)

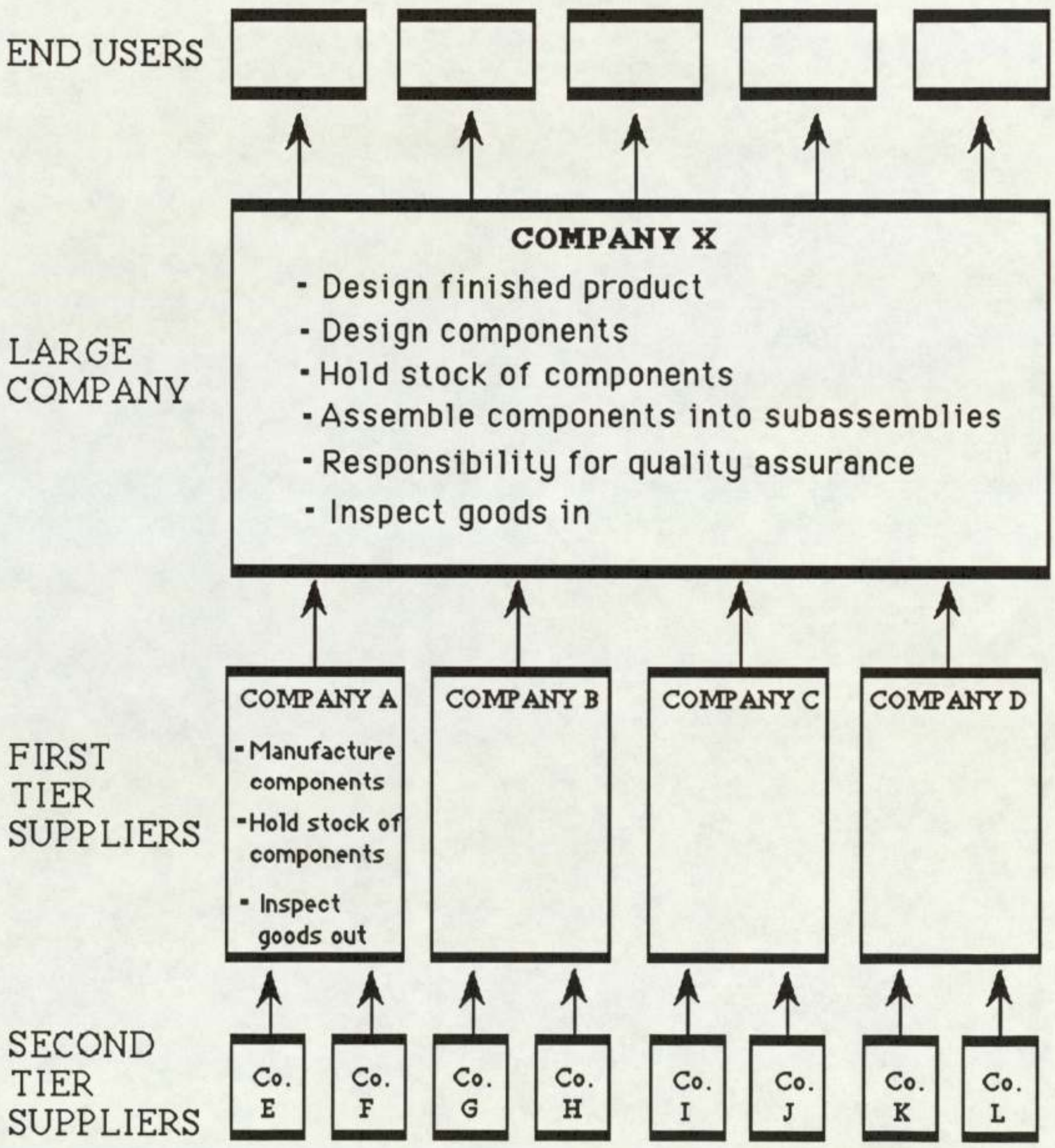
These factors are likely to result in the competitive environment of small local suppliers becoming increasingly hostile. Fifty percent of the firms in the NPI study felt the Single European Market would give them a wider scope for sourcing (Gibb 1990).

Although the same survey found that less than 20% of the large firms responding used JIT it is generally accepted that such practises, along with the related activity of Partnership Sourcing are being increasingly used.

Intrinsic to Partnership Sourcing is a reduction in the number of suppliers a firm uses for a particular good or service - often to just a single source. Two-thirds of the large companies in the NPI study were seeking some reduction in numbers and half of them claimed to be pursuing some single source agreements as part of their rationalisation and quality improvement drives.

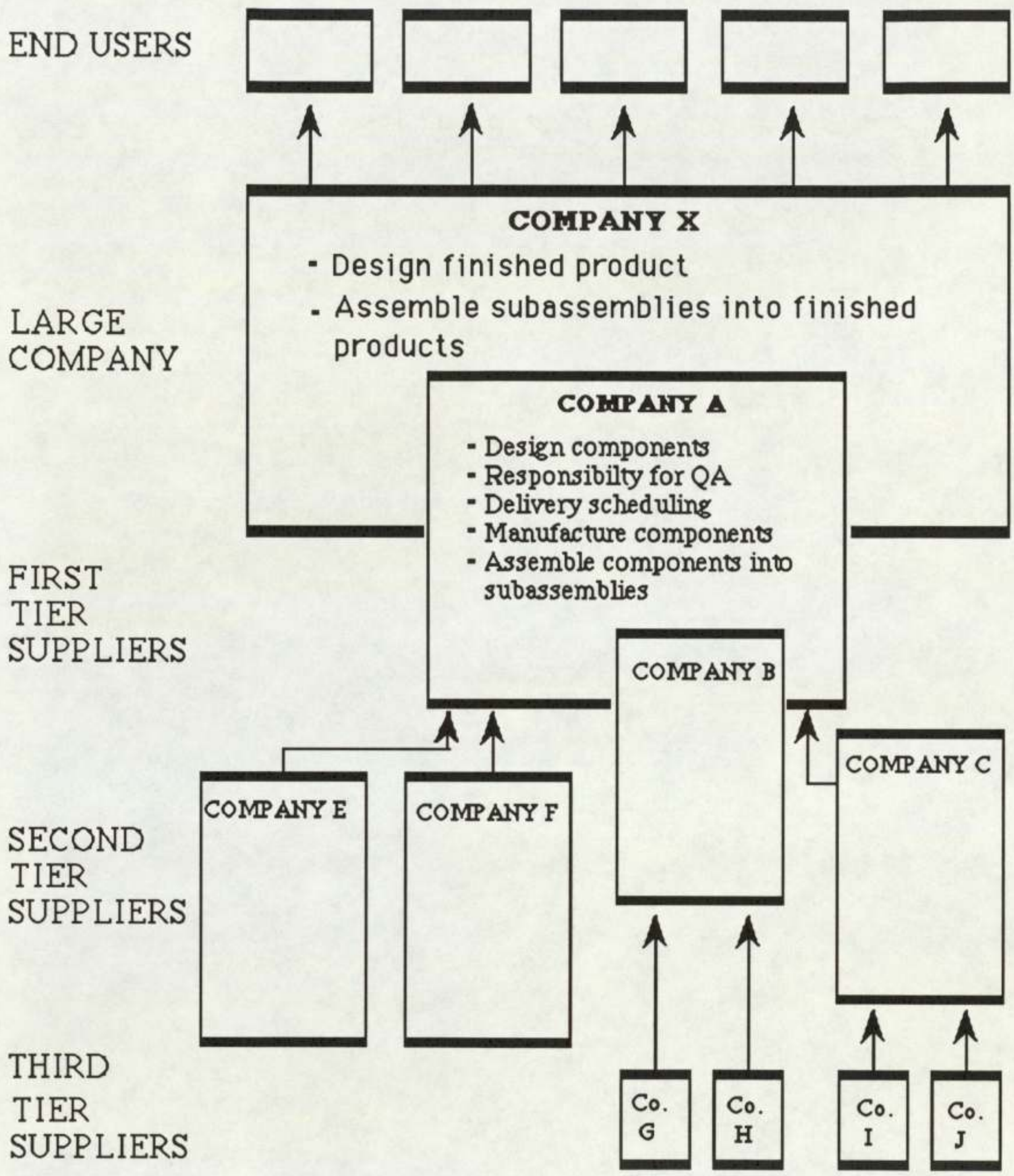
Figures 4.1 and 4.2 indicate how the traditional supply chain differs from the Partnership Sourcing type.

Figure 4.1 *Traditional supply chain*



Source: Robinson 1990

Figure 4.2 Partnership Sourcing supply chain



Source: Robinson 1990

Figure 4.1 represents the traditional adversarial supply relationship of a firm with it's suppliers. Companies A, B, C and D are providing the same component for company X. Multiple sourcing and competitive tendering are being used by X to achieve the lowest price for the component. The lack of trust which the suppliers have in X results in them being unwilling to invest in new equipment and training in order to increase productivity and component quality. This makes it necessary for X to inspect incoming components from it's suppliers, as it cannot rely on their quality standards and inspection processes.

This set-up is inefficient and cannot cope with the demands of an increasingly sophisticated end customer who has come to expect continual reductions in product costs with simultaneous increases in product quality, as a result of the innovations of Japanese companies.

To achieve these twin requirements firms such as X are entering into Partnership Sourcing supply relationships, as in Figure 4.2. In this set-up, X has established close links with supplier A. Company A is now the sole provider of the component to X, with the other first tier firms dropping down to become second tier suppliers.

Company A has taken on most of the responsibility for designing the component, which is a logical development as they know best how to reduce wastage and improve it's quality. The short term relationship which existed previously is now long term. This atmosphere of trust and certainty allows A to feel confident about investing in equipment and training, resulting in productivity and quality improvements. Company A can now guarantee the quality of it's components to a few parts in a million. As a result, X no longer checks incoming components, leading to a further cost reduction and facilitating the adoption of just-in-time supply. This method reduces the stockholding requirements of X. Appendix (ii) is a summary of the advantages and disadvantages of Partnership Sourcing.

Local purchasing fits in well with this type of practice, as having the supplier close to the purchaser's premises makes them easier to implement. The importance of reducing costs was highlighted by the former chairman of Rank Xerox, Sir Derek Hornby, who believes that for most companies a 1% cut in the amount spent on purchasing could increase profits by the equivalent of a 10% sales rise (Times, Nov. 7 1990, page 52).

Before single sourcing became popular, purchasers tested new suppliers by initially giving them small orders to see how well they performed, with good performance being rewarded with higher order levels. It follows that an increase in the use of single sourcing will result in a decline in the number of opportunities to break into the supply chain via this method, due to the close links between the purchasing company and it's current supplier.

5.0 FORMS OF LOCAL PURCHASING INITIATIVES

As previously stated, the strategic objective of all Local Purchasing Initiatives is to raise the proportion of goods and services sourced locally. The tactical objectives of a particular initiative will be defined by the individual problems of it's local economy. These objectives will influence the format and structure of the Local Purchasing Initiative.

5.1 The Rednall typology of Local Purchasing Initiatives

Richard Rednall, working for Business in the Community, is the only person, at present, known to have segmented Local Purchasing Initiatives into different types. He identified five types of Local Purchasing Initiative that are relevant to this study:

- Sourcing Services;
- Business Links;
- Directories/Contact Services;
- REGAIN - Regional Audit of Industry;
- 'Meet the Buyer' events.

5.2 Business Directory/Contact Service

The objective of these types of initiative is to stimulate local trade by helping buyers to locate local suppliers and provide suppliers with sales leads on local buyers.

(i) The range of business directories

Business directories are produced at the national (e.g. Dunn & Bradstreet), regional (e.g. Kelly's and Kompass) and local (Thomson's and local authorities) levels. As well as these multi-industry directories, there are also many designed to cater for specific industries. These are often produced by trade and industry bodies in co-operation with publishing companies. The Kemp group co-operates with 77 of the country's Chambers of Commerce to create 12 directories.

(ii) Disavantages of commercial directories

Even though the UK has ten times as many paper directories as the rest of the EC (Cohen 1991) the commercial ones lack comprehensive coverage. This is due to the difficulty of tracking down and maintaining accurate data on small firms. The methods used by the commercial directories, such as checking national/local press and monitoring companies registrations is not adequate to keep up with the large number of small companies in the country, with their high birth, death and mobility rates. The result of this situation is that

Purchasing Managers using only these directories cannot guarantee that they are aware of all local supply options for the products and services they require. To remedy this at the local level, local authorities and Chambers of Commerce etc. have produced local directories. The directories produced by Chambers of Commerce do not incorporate non-members, although Cohen notes their claim that nearly half of the companies with 20 or more employees are members.

The problems of many directories were summarised by Dr. Holmes of Jordan's who commented that "coverage is patchy, content and quality of information is variable and a lot of it is out of date" (Cohen 1991)

(iii) Disadvantages of locally produced directories

Local authority produced directories tend to contain 'stale' information due to the lead time between data collection and final publication. This can often be 18 months and reflects the fact that too often local authorities see business directories as a method of promoting their area to new or relocating companies, rather than a means of increasing inter-trading between existing companies.

(iv) Decision process of directory development

Figure 5.1 is a summary of the decisions which have to be made when developing a Directory. As Stage 3 indicates, directories sometimes do not include retailers. This is because they are not usually a major source of supplies or orders for local manufacturers.

Figure 5.1 *Summary of the decision process in the development of a Directory*

Stage 1	Define the purpose of the directory
Stage 2	Decide on potential users of the directory - local, regional, national
Stage 3	Whom to include ? May leave out retailers and concentrate on manufacturers and service providers, or small firms
Stage 4	Establish initial data sources - own records, local authority, Chamber of Commerce etc.
Stage 5	Cross check information with 'Yellow Pages', other directories , or by direct contact for the firmest confirmation
Stage 6	What information is required by the users of the directory ?
Stage 7	Which industrial classification coding system should be used ?
Stage 8	Decide on format of survey - postal, telephone, or face -to-face
Stage 9	Load information into computerised database
Stage 10	Decide on directory layout

Source: Rednall (1990)

(v) Supplier information required by buyers

Rednall suggests the minimum information required by buyers on supplier companies is:

- name and address;
- telephone, fax, telex;
- contact;
- export contact;
- employee numbers;
- quality accreditation;
- activities
  - -products;
  - -production;
  - -processes;
  - -after sales service.

Cohen's survey indicated that names, addresses and phone numbers are adequate for many companies when making a low cost/low risk purchase (Cohen 1991). However, on other occasions more detail is required than is likely to be found in a Directory or on a single commercial database, on such issues as:

- association with a group;
- major customers;
- credit worthiness;
- trends in technology and investment.
- trade names;
- summary of financial performance;
- markets in which the firm operates;

(vi) Company and product classification systems

Probably the most well known classification system in the U.K. is the Standard Industrial Classification (SIC). This is a numerical system which seeks to classify firms by the type of activity they are engaged in. The system has been criticised due to the fact that it is related to the economic activity of companies, rather than being product based. Other perceived faults are that the activity headings are too broadly based and that they have not been updated regularly enough to take into account new types of activity. A consequence of this latter fact is that it does not provide detailed coverage on areas which have experienced growth in recent years such as the information technology industry.

The British Standards Institute (BSI) have developed their own system known as the 'Root Thesaurus', which is an alphabetically organised product based system that has been adopted by the DTI Quality Assurance Register.

A relatively new system is the 'Harmonised' system, developed by EC Customs and Excise for tariff duty collection and currently being adopted in North America and most developing countries. Unfortunately, different countries have evolved their own versions of the system which has resulted in them being only slightly related.

(vii) Survey methods to gain company information

Unless the Directory is based on secondary sources only, such as Yellow Pages, it is necessary to conduct a survey to compile information on the companies in the locality. There are three survey methods which can be used - postal, face-to-face and telephone.

The postal approach involves sending questionnaires to identified companies to get more details about their structure and activities. An advantage of this method is that it is cheap to administer. There are also a number of disadvantages which include the fact that firms not known to the compilers do not get sent a questionnaire and are therefore excluded from the survey. Even when firms have been identified many fail to return the questionnaire. Examples of this problem are given by Bolton Business Ventures which received an initial response rate of 12% (BIC, 1990), and HERTIS (at Hatfield Polytechnic) with a 20% response rate. The effectiveness of resending questionnaires was demonstrated by HERTIS, which raised it's response rate to 50% by doing this. Another problem with the postal method is that there is usually no means of verifying the data provided.

The face-to-face type of survey involves personnel visiting identified companies to conduct a structured interview with relevant staff. This ensures that the questionnaire is fully and accurately filled in. An additional advantage is that meeting the company staff provides an excellent opportunity to promote the scheme. Unfortunately, the method is time consuming and expensive and even when highly labour intensive methods are used for data collection the proportion of firms covered can be disappointing. When Business Link Ltd in Runcorn used the combination of a postal survey and a Manpower Services Commission field team to produce the 'Halton Business Resource' in 1983, coverage was estimated at only 65% (Business Databases in the UK, 1983).

The telephone survey method is essentially the same as the face-to-face interview, with a structured interview being carried out to ensure that the same information is gathered from each company. As no travelling is required it is possible to conduct interviews more quickly and cheaply than with the face-to-face approach. HERTIS also found interviewing by telephone to be more cost effective than by postal survey due to the higher response rate. A potential problem with this method is that it is relatively easy for respondents to break off interviews part way through.

(viii) Directory layout style

A commonly used layout is to divide the Directory into an index of products, processes and services; company details by classification code order; and an alphabetical index of companies with their classification codes.

(ix) The purpose of Contact Services

Contact Services are basically directories mounted on a computer. They tend to be found at Business Libraries and Chambers of Commerce, as they suit organisations which seek to give updated information to inquirers while maintaining a distance from the companies involved. Most organisations producing a Directory hold the company and product information on a database and so could provide the service.

(x) How to access a Contact Service

The simplest way of doing this is to telephone the people maintaining the database giving them the details of the search required. The results of the search may be posted to the enquirer or given immediately over the telephone depending on the circumstances.

(xi) Advantages of Contact Services

Databases have the capacity to store far more information on far more companies than paper directories. An indication of the gulf between the media is given by the fact the national database produced by Dun and Bradstreet contains more than two million company records, whereas the largest version of their paper Directory, Key British Enterprises has information on only 50,000.

Another advantage is that enquirers can have the database searched in a number of ways, dependant on the sophistication of the software and the data fields present. For example, it may be possible to select plastic moulding manufacturers, with a workforce of more than 10 people, in a particular postal district, in possession of BS 5750 quality accreditation. To carry out a complex search such as this with a Directory would be time consuming and probably inaccurate, even if it contained such detailed information.

The fact that the Contact Service databases may be continuously updated means they avoid the data decay problem that inevitably affects directories. In turn, this makes them more precise and reliable than paper directories.

(xii) Disadvantages of Contact Services

Maintaining a current database of local companies is a labour intensive process, making it a more expensive way of providing the service. If a high coverage of small firms is required the associated costs are even greater as their details are more likely to change within small time periods.

Unlike the Directory, which only has to be accurate when it is published, databases are expected to be accurate at all times. This means that a monitoring system has to be in permanent operation so that any alterations or additions can be rapidly incorporated. The amount of changes which occur over a year will vary from region to region and have been estimated at ranging from 10-60%, with 20% being typical (BIC, 1990).

Although Cohen's survey found that inaccurate information was not a major problem for respondents, if an unacceptable level of incorrect information is received by enquirers, they will lose faith in the system. This will result in them going back to their old methods and being very difficult to persuade to use any 'improved' future service. It is therefore critical to have adequate monitoring systems in place before launching the scheme.

(xiii) Justification for Contact Service database being provided by public sector agency rather than private company (Cohen)

Unlike a private company, a public sector agency is unlikely to have to prove that a database would be profitable before being able to initiate it. If the database were to be unsuccessful, this would not have great implications for a public sector operating body. However, this eventuality could have grave consequences for a private company.

Another reason for Contact Services being provided by a public sector agency is that the marketing mix available to them is less constrained than that available to a private sector organisation. For example, the service could be priced cheaply and promoted to it's target market via the agency's existing channels such as other business services it operates.

5.4 Sourcing Service

This approach involves trying to satisfy the procurement requirements of a single organisation locally.

(i) Co-ordinators activities in a typical Sourcing Service

Figure 5.2 is a summary of the co-ordinators activities in a typical Sourcing Service.

Figure 5.2 Summary of Co-ordinators activities in a Sourcing Service

Identifies large companies willing to support a local purchasing programme, via ' Yellow Pages ' etc

↓

Analyses the company's purchasing requirements

↓

Working with the company decides which requirements are best suited to local purchasing

↓

Searches for potential suppliers

↓

Assesses potential suppliers

↓

Introduces those suitable to the buyer

Source: Rednall (1990)

(ii) Advantages of Sourcing Services

One of the main advantages of this approach is that it results in strongly forged relationships which tend to be more long lasting those produced by other methods. The project can be set up with only one member of staff, the co-ordinator and all his/her efforts are focused on meeting known supply requirements.

As the project develops a database of suppliers is built up from the contacts that the Project Co-ordinator makes as a result of his/her investigations. This database, constructed for a small cost, will attract large buyers to use the scheme.

(iii) Disadvantages of Sourcing Services

The process of seeking out appropriate suppliers is very time consuming and results in the large companies being dealt with relatively slowly.

(iv) Income generation

A range of options for generating income in order to finance services have been tried. these are summarised in Figure 5.3.

Figure 5.3 Methods of income generation and their associated problems

	Method		Problem
•	Charge supplier commission on sales or charge buyers for sourcing successful	→	Adds additional cost to product or service - making it less competitive
		→	Project not seen as independent as got a vested financial interest in the transactions
•	Membership charge for using the service to either suppliers or buyers	→	Cost of policing - i.e. who actually got the contract and what value was it ?
•	Sponsorship		

Source: Rednall (1990)

5.5 Business Link

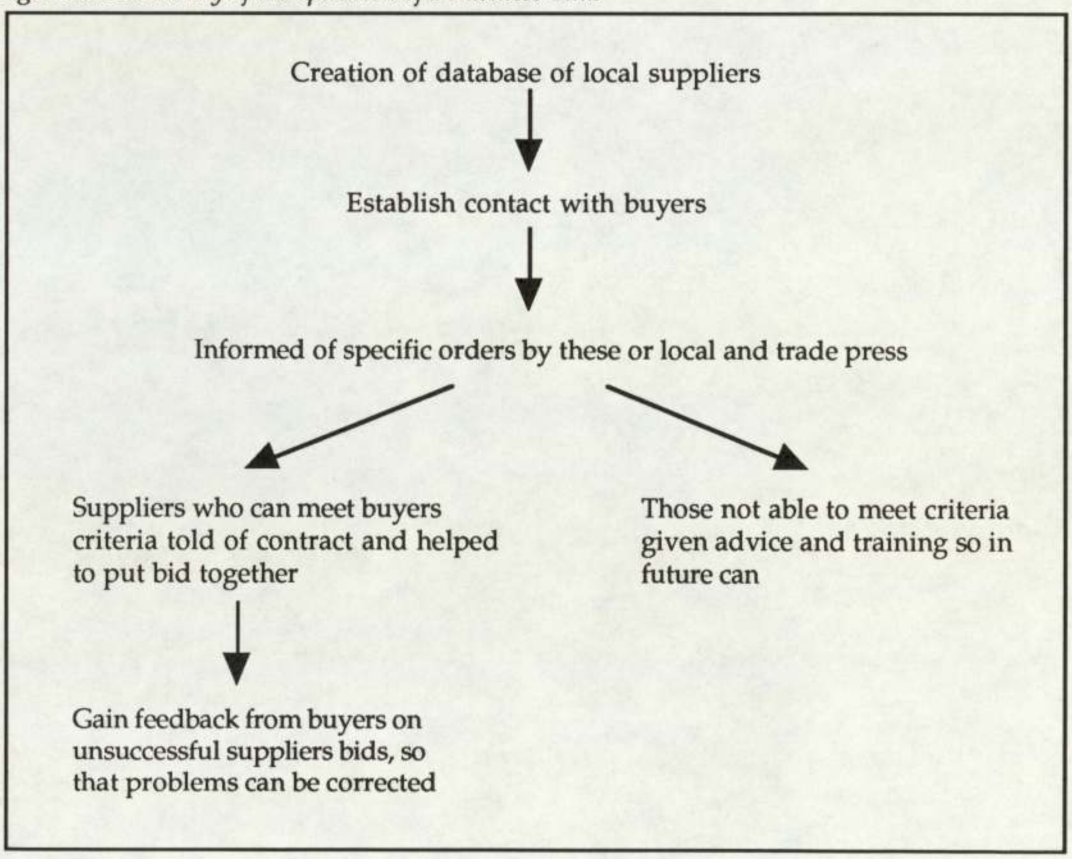
An initiative of this type operates by first finding out what local firms supply and logging this on a database. Local buyers are then encouraged to contact the operators when they have supply requirements.

The objective of this type of initiative is to increase the competitiveness of local suppliers so that they are more likely to win contracts from public and private organisations, eventually without the assistance of the project operators. Rednall commented that Business Link initiatives put more emphasis than Sourcing Services on the training and development of small suppliers in areas such as quality and marketing.

(i) Project Managers activities in a typical Business Link:

Figure 5.4 is a summary of how a Business Link operates.

Figure 5.4 Summary of the operation of a Business Link



Source: Rednall (1990)

In addition to these activities the co-ordinator may help local suppliers to search out new customers for their products and services. In doing so they build up the marketing skills of the suppliers and often help them with tendering procedures.

(ii) Costs and Income

Rednall indicates that this type of initiative functions best as a discrete entity, outside the main body of a business support agency and is therefore more costly to set up than a Sourcing Service.

In addition to the same charging methods as the Sourcing Service, the Business Link can raise income from the training sessions it provides for suppliers.

5.6 REGAIN - Regional Audit of Industry

This is one of a number of programmes developed by the 'Better Made in Britain' organisation (BMIB), which was set up in 1983 to, "encourage UK manufacturers of consumer and industrial goods to compete for, and to recover, home market share lost to imports".

The REGAIN scheme functions by surveying manufacturers in a particular industrial sector to discover what products and materials they are importing from foreign countries. From this data a market report is produced, indicating the opportunities available to local suppliers to substitute imported goods with their own.

Derrick Johnstone pointed out that with Local Purchasing Initiative's there is a danger that "attention is focused on increasing orders for local companies at the expense of orders within the same region or elsewhere in the country" (Johnstone, 1985) The fact that REGAIN projects only seek to replace foreign imports with locally produced alternatives differentiates them from the other types of Local Purchasing Initiative. These, for the most part, seek to substitute supplies originating from other parts of the UK, as well as from abroad. The implication of this is that REGAIN schemes assist both the national and local economies, whereas it is possible that the other types of initiative are of little benefit nationally as the majority of orders switched to local suppliers are won from companies elsewhere in the UK.

(i) Scale of operations

REGAIN schemes have operated at both the city-wide and sub-regional levels. Locations include, Birmingham, Leeds, Teesside and Essex. In each location the REGAIN teams have tended to concentrate their efforts on the particular industrial sectors that are important to those areas. Hence, the Birmingham project investigated the jewellery, gunmaking and mechanical engineering sectors of industry, and one of the Teesside sectors was plastics (Source: BMIB documentation).

The project operators have to decide whether they are going to interview all companies in a sector, or only a certain number. This has consequences on the time necessary to complete a project and the resources required.

(ii) Operators

BMIB provide advice and some of the material requirements necessary to run a project. However, the management and staff involved in the day-to-day running of the project need to be provided locally. In past, projects the management have been provided by Chambers of Commerce and secondees from local industry, with the staff coming from the Employment Training scheme.

(iii) Costs and income

BMIB estimate that in addition to the Employment Training funding a further £10-20k is required to pay for such things as computer equipment and other management costs. This funding has come from organisations such as City Action Teams, Training and Enterprise Councils, Chambers of Commerce and local authorities.

5.6.1 Stages of a REGAIN project

BMIB have identified three key stages in the REGAIN process which are summarised in Figure 5.5.

Figure 5.5 Summary of the REGAIN process

Stage 1	- Part one	Identify suitable market sectors
		↓
Stage 1	- Part two	Survey the companies in that sector
		↓
Stage 1	- Part three	Analyse the data collected
		↓
Stage 2		Detail product substitution opportunities
		↓
Stage 3		Identify potential local suppliers and help them to develop business proposals

Source: REGAIN documentation

5.6.2 Stage 1 - Part one: The identification of suitable market sectors

BMIB specify that the main requirement of an industrial sector for it to be suitable for a REGAIN project is that it should contain a reasonable number of firms, i.e. >20. A large proportion of these firms should be small-medium sized, as there is little scope to influence the purchase decision with large multinationals. Conversely, the sector should not be dominated by a large number of very small companies, as more effort will be required to identify only small import substitution opportunities.

The industry sector chosen should be in the growth phase of it's lifecycle and also one where import penetration is known to have taken place. The opportunities thus located should be viable for local suppliers, or ones where it is attractive to encourage local supply due to a lack of UK competition.

5.6.3 Stage 1 - Part two: Survey the companies in the sectors chosen

BMIB indicate that the interviewing of senior buyers from each company in the chosen sector should be carried out by a member of the E.T. staff. BMIB have developed a structured questionnaire that provides all of the critical information needed to identify potential import substitution opportunities. The four sections of this questionnaire cover the following topics.

(i) Company purchasing procedures - including the location of key decision makers and decision influencers;

(ii) Details of all materials incorporated into the end product or used in the manufacturing process. This includes the origins of the products and if appropriate, why the decision has been taken to source certain items from overseas;

(iii) The criteria used to select suppliers;

(iv) Company and market information.

This information is entered onto a database system held by the project operators. This database has been specifically designed for REGAIN by Nectar Electronics Ltd, based in Durham (Source: BMIB documentation).

5.6.4 Stage 1 - Part three: Analysis of the data collected

Using the material gained from the interviews the import penetration levels for the various products used by companies in the sector can be discovered. Analysis will also reveal if some firms are importing a product that others source locally. This may be due to them being unaware of the local supply opportunity.

In addition, the information gathered from a REGAIN questionnaire gives an indication of how many of the firms currently importing particular products would consider using local suppliers and if the chosen industrial sector is experiencing growth, decline, or has reached maturity.

At this stage BMIB suggest compiling a full report on the industry in the area, covering the following areas:

- summary of the industry's history in the locality;
- description of industry statistics in the local area - numbers, turnover etc.;
- absolute levels of imported materials and components;
- proportions of the above available for substitution;
- purchasing trends and attitudes in the sector;
- supplier situation at both the local and national levels;

- quality requirements;
- technology requirements;
- analysis of the different products imported.

5.6.5 Stage 2 - Details of product substitution opportunities

This involves the production of product profiles including the following information:

(i) Market information

- product description;
- needs that the product is designed to meet;
- description of customer types, numbers etc.;
- distribution channels currently used for the product;
- levels and sources of current imports;
- current principal suppliers of the product;
- technical breakdown of the product's components;
- prices and margins;
- quality standards expected/required;
- marketing currently used.

(ii) Production information

- scale of operation required;
- equipment needed;
- processes used and the possibilities of subcontracting.

(iii) Resources required

- plant;
- machinery;
- labour;
- scale and sources of the major materials required;
- minimum capital requirements - fixed and working.

5.6.6 Stage 3 - Identification of local suppliers

This stage involves identifying potential local suppliers and helping them to develop business proposals to 'regain' the orders for the UK.

5.7 'Meet the Buyer' events

The objective of 'Meet the Buyer' events is to facilitate individual meetings between local suppliers and the procurement personnel of large local companies. It requires an organiser from the local business enterprise agency or equivalent. They have the responsibility of persuading both large buying organisations and small suppliers to attend the event.

(i) Format

There are many variations on this type of event, but the two most common forms are individual company or multiple company. In the former case small suppliers are invited to meet with the buyers from a single large company for 15-20 minutes. This type of event is frequently held on the buying companies premises and is preceded by a discussion about the company and it's requirements from the Managing Director, or Senior Buyer. At a multiple company event a number of large local organisations are gathered together at a neutral venue.

(ii) Decision Process for a 'Meet the Buyer' event

Figure 5.6 is a summary of the decision process for a 'Meet the Buyer' event.

Figure 5.6 Summary of the decision process for a 'Meet the Buyer' event

Stage 1 Seek support from large organisations in area

↓

Stage 2 Decide on individual or multiple company event

↓

Stage 3 Identify any difficult to source items and any potential problems which particular firms might have with local sourcing

↓

Stage 4 Invite small local suppliers to the event, trying to keep them as relevent to the needs of the companies as possible

↓

Stage 5 Arrange interviews for the suppliers attending

↓

Stage 6 Conduct survey at the end of event to get feedback from all parties

↓

Stage 7 At both 6 weeks and 6 months after the event contact all firms present to discover how much trade has been done as a result

Source: Rednall (1990)

(iii) Advantages of a 'Meet the Buyer' event

'Meet the buyer' events provide small suppliers with extensive and relatively informal contact with large organisations. This gives them an opportunity to discover what is expected of them by their potential customers.

(iv) Disadvantages of a 'Meet the Buyer' event

Frequently buyers are obliged to see many suppliers, a large proportion of whom will be irrelevant to their needs, although some may be useful for future sourcing requirements.

Depending on the type of event chosen and the companies attending many of the suppliers may already be known to the buyers, either through previous 'Meet the buyer' events or normal business approaches.

6.0 INITIAL INVESTIGATION OF SELECTED PROJECTS

6.1 Introduction

In chapter five a number of the approaches to stimulating local purchasing identified by Richard Rednall were discussed. In order to find out more about the individual methods and approaches used visits were made to a selection of initiatives and structured discussions carried out with those responsible for initiating and managing the schemes.

The projects were identified by collecting information from a wide range of sources including Ledis news, online information services such as Textline and journal articles. In addition, contact was made with Richard Rednall at Business in the Community who was able to provide a number of contacts.

While searching for suitable projects to visit it became evident that a multiplicity of individual approaches had been adopted and that it would not be possible to visit all of the initiatives identified. As a result, a decision was taken to focus on exploring the more innovative and resource intensive schemes, referred to by Richard Rednall as 'Sourcing Services' and 'Business Links', which are less well documented.

Information on the more straightforward approaches that have been used for several decades, i.e. 'Meet the Buyer' and Directories/Contact Services were obtained from a single interview in the former case and an external review in the latter. This review was carried out by Hertfordshire County Council and looked at the involvement of County Councils in the provision of Directories/Contact Services (see appendix iii for summary).

Only one interview was carried out with a REGAIN initiative as it was felt that the organisation itself provided adequate coverage of the methodology used and business generated. In common with the 'Meet the Buyer' interview the purpose was to highlight any insights that only become apparent through being operationally involved with an initiative of this type, rather than explore the basic issues of it's operation.

Brief telephone interviews were held with the Managers of the projects targeted to check their relevance to the research and to obtain a range of background information on them. In eleven cases these mini interviews were followed up by visits and structured discussions that were designed to provide the maximum amount of detail about each project from a single interview. Each interview lasted between one and two hours and a copy of the interview schedule used is included in appendix (iv).

Table 6.1 is a summary of the projects visited.

Table 6.1 Summary of projects visited

Type	Location	Operator	Project Name	Years of operation
BL	Bradford	Bradford Enterprise Agency	Buy From Bradford	1988-
BL	Middlesborough	Cleveland County Council	Linkdata	1986-
BL	Middlesborough	Northern Development Company	Regional Procurement Office	1987-
BL	Coventry	Coventry City Council	Coventry Business Link	1986-
BL	Bangor	Targed (North West Wales TEC)	Contract Shop	1991-
BL	Oxford	Thames Business Advice Centre	Businesslink	1986-
BL	Darlington	Darlington Business Venture	Darlington Business Link	1991-
SS	Bolton	Bolton Business Ventures	Bolton Local Purchasing Initiative	1990-1991
SS	Nottingham	Notinghamshire Business Venture Purchasing Initiative	Nottinghamshire Local Purchasing Project	1990-1991
R	Mansfield	Mansfield District Council	Better Buy in Mansfield	1991
MTB	Rotherham	Joint venture inc. local enterprise agency, TEC, local authority and Chamber of Commerce	Rotherham 'Meet the Buyer'	1992-

Source: Interviews with Project Managers

Key:				
	BL	- Business Link	SS	- Sourcing Service
	R	- REGAIN	MTB	- 'Meet the Buyer'

In addition to these visits a substantial amount of information was obtained on London Local Purchasing Limited. This was a non-profit company with the status of an approved enterprise agency, that operated in the capital between 1989 and the end of 1991. This information has been incorporated in the following analysis along with the material obtained from the structured interviews.

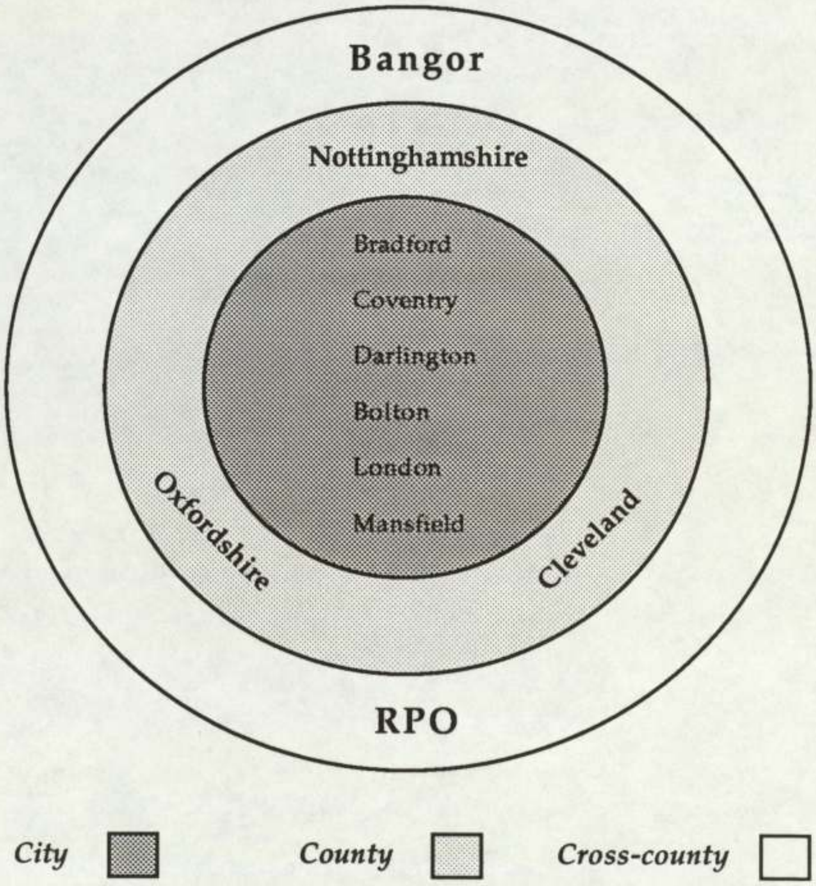
For the sake of brevity, throughout the discussion of the findings the projects are identified by their location, rather than the operator or project name. To avoid confusion between the two Middlesborough based initiatives these are referred to as Cleveland and the Regional Procurement Office (RPO).

6.2 Scale of operation

In the majority of cases the geographical scale of the initiatives has been heavily influenced by the agencies' own operating areas. These are city boundaries in the case of Bradford, Coventry, Bolton, Mansfield and Rotherham. The London scheme used the M25 as the boundary of it's activities and Darlington the local area telephone code. Of the two cross-county projects the RPO use the standard economic North of England region and Bangor use the operating boundaries of the North West Wales TEC.

Figure 6.1 segments the projects according to their operating areas. It can be seen that the majority of initiatives have city boundaries as their scale of operation. Obviously, this only gives an approximate indication of their relative size as the cities contain different numbers of firms and in the case of London probably more than most British counties.

Figure 6.1 Summary of the Geographical extent of the initiatives



6.3 Implications of operating area choice

A problem arises with geographical definitions, especially when initiatives are operating in an integrated urban area such as Bolton (Greater Manchester) and Coventry (West Midlands). In this situation it is tempting for Project Operators to only include 'their' part of the conurbation in the operating area. However, these beaurocratic boundaries have no relevance to the businesses operating in these areas.

Suppliers just outside the defined area are likely to find it frustrating to be excluded from the project, especially if a competitor is within the boundaries. Likewise, if a buyers is not informed of a good supplier in what he/she consider to be the locality, simply because the supplier falls outside the project boundary, the buyer's confidence in the service will be eroded. For both sets of users this type of experience will only to serve to confirm the negative perceptions that companies often have of public sector economic development projects. A project which sets it's boundaries on practical criteria is more likely to be well received by the business community, a point made by the London initiative which stated that Local Purchasing Initiative's should operate within a "natural catchment area" if they are to be of most use to buyers.

If the operating area chosen does not contain enough companies few new trading relationships will be established. This need for a 'critical mass' of companies was confirmed by the 'Buy From Bradford' users survey (Section 17.2) which indicated that a number of firms on the database would find it of greater benefit if it had a wider geographical scope. One approach would be to commence a project on a limited scale with a number of planned growth stages.

In summary, the projects operating boundaries should seem logical to potential users and be wide enough to include a sufficient number of firms.

7.0 MODUS OPERANDI OF SELECTED PROJECTS

This chapter gives a basic description of the projects studied in detail. They are discussed under the headings of an extended Rednall typology.

7.1 'Meet the Buyer'

These have been operating in many locations around the country for a number of years. The fact that they can be organised on a 'one-off' basis, or at regular intervals means that they are attractive to operators that do not wish to commit high levels of resources to a local purchasing scheme, or enter into longer term on-going commitments.

The only project visited which was operating solely via the 'Meet the Buyer' method was at Rotherham. This is a joint initiative between the Local Enterprise Agency, Training and Enterprise Council, Chamber of Commerce and Borough Council, with the TEC providing the funding. The first event was held in 1992, specifically as a means of testing the potential for local purchasing in Rotherham. The operators are now considering whether to develop a more sophisticated instrument. In the meantime the next event of this nature is being planned for 1994.

The event was of the general type, where buyers from different sectors of industry and the public sector in attendance. This was chosen so that prospective suppliers got to meet a diversity of buyers who might be interested in their product or service.

The organisers believe that as a result of attending the event, certain suppliers realised that they were poor at communicating with buyers - a point which several of the buyers had raised.

At the operational level it was recognised that provision of refreshment facilities in comfortable surroundings is an important factor if informal discussions between companies are to be encouraged. These would also have helped to reduce the displeasure of those suppliers that had to wait around to see suppliers. This waiting might have been reduced by having strict appointment times, but the organisers felt that allotting suppliers to time zones instead allowed greater flexibility in the length of individual meetings.

The effectiveness of 'Meet the Buyer' events was questioned by a number of the other initiatives visited. The Darlington Project Manager felt that they had little long term effect and after a few weeks they cease to generate any new business. The Bolton Project Manager believed, from his own experience in attending such events as a buyer, the best way to organise a 'Meet the Buyer' is to hold smaller events for different segments of industry.

7.2 Sourcing Services

Three of the projects operated via this method, Nottingham, Bolton and London. The procedure followed by the London and Bolton initiatives was to first identify large organisations in their operating area that might be able to purchase more locally. After analysing their purchasing requirements in detail they then attempted to locate potential suppliers for those products and services which were deemed suitable for local purchasing.

The Nottingham project operated in a more ad-hoc manner. Firstly, in liaison with the Nottinghamshire Chamber of Commerce, the support of the larger companies in Nottinghamshire was sought as potential purchasers. Meetings were arranged with senior purchasing staff to establish a personal relationship. These people were then sent 'schedules' describing the activities of small Nottinghamshire suppliers that were felt to be of potential interest to them. The small suppliers having been interviewed by the Project Manager to establish their line of business and capabilities.

In each case the operating agencies saw their scheme as a way of exploring the potential for local purchasing and an objective of the Bolton and London projects was to see if a Sourcing Service could be set up on a self supporting basis.

Both the Nottingham and Bolton initiatives were operated by a single member of staff. In each case these were experienced senior managers who had worked for internationally operating UK companies. The Nottingham Project Manager worked on the scheme for three days each week of the two year project, whereas the Bolton Project Manager worked full-time on that initiative for one year.

The London initiative employed four experienced business-people on full and part-time contracts as Purchasing Coordinators for the length of the three year project. Part-time office space was made available for the staff at local Enterprise Agencies in Tower Hamlets, Brixton/Wandsworth and Croydon. The administrative base was provided by Smith's Industries in Cricklewood.

These initiatives all had a fixed operating life and at the end of each the Project Manager concluded that the benefits which accrued to local small firms did not justify the costs involved. Various actions to stimulate local purchasing were recommended by the Project Managers. These are discussed in section 16.5.

7.3 Business Links

This type of initiative requires a database of the names of local companies, what they supply and in some cases what they purchase. In general, the fixed costs and human resources necessary for the database construction results in these lasting longer than Sourcing Service projects. This is indicated by the fact that the Sourcing Services discussed above came to a conclusion about their viability within two years. For the majority of Business Links a large proportion of their first two years is taken up with planning, collecting company information and getting the database system up and running. The implication of this is that the benefits of Business Link initiatives take longer to assess than Sourcing Services.

In addition to their main modes of operation, a number of the Business Link schemes also use 'Meet the Buyer' and Sourcing Services as secondary methods to stimulate local purchasing. Their views on these services will therefore be included where relevant.

Seven of the projects visited were of the Business Link type, with three distinct variations being encountered:

(i) Phone/Write in

The Business Links operating in this way first constructed a database of what the companies in their locality supply. The next stage is to encourage buyers in the locality to phone or write in when they have a new procurement requirement, or wish to switch to a local supply source. The inquirer is given the names of any companies on the database that can provide the product or service they want. Projects which operate like this are Oxford, Bangor, Coventry and Cleveland. After receiving an inquiry the Oxford and Bangor initiatives contact the suppliers whose details they have given out and tell them the name of the company inquiring about the product or service they provide. Thus, sales leads are given to the suppliers.

All of the projects indicated that they would be willing to help purchasers from outside the defined operating area to locate suppliers from inside the operating area, as this is of benefit to the local economy. Bangor and Cleveland also help buyers from inside their area to locate suppliers from outside their operating area if one cannot be found inside. They both feel that this encourages buyers to use the service again, although they have not sourced locally. Often they will try to find local or regional suppliers first then search nationally and internationally. This type of service reflects the substantial resources which they have at their disposal.

The Oxford initiative does not have staff dedicated to it on a full time basis. Three members of the agency devote some of their time to it, their functions being Project Manager, Marketing Manager and administrator. One further person is employed to edit a members magazine and organise club nights on a part time basis. When the database was being constructed an external person was employed to visit and interview companies.

In the case of the Bangor initiative, due to the elongated nature of the TEC's geographical operating area they decided to open 'satellite' offices in Holyhead and Rhyl, in addition to the HQ at Bangor. A member of staff located at each office has the responsibility of getting to know the companies in their locality and encouraging them to join the scheme. These two members of staff report to the Project Manager.

The Coventry initiative operates out of shop front premises, which was a set-up specifically chosen to communicate accessibility to small businesses. The operation is run by three full-time and one part-time members of staff. Although this is a Business Link operation a great deal of emphasis is placed on the need to improve small companies through the provision of training.

In the case of Cleveland, the two members of staff working full-time on this initiative collect information on what the companies on their database purchase as well as what they produce. This enables them to offer a service to suppliers whereby they can receive the names of companies that purchase what they provide. An objective of this initiative is to help companies on the database sell outside Cleveland, via the County Council's Industrial Development Department.

(ii) 'Matching'

The method involves gathering information from all companies in the locality on what they supply and also what they purchase. The information is then entered onto a database that is able to match companies that require a particular product or service with those companies that provide it (these matches are made possible by providing a numerical code for products supplied or purchased and are discussed in detail in section 10.6). The reverse of this process is also possible with companies providing a product or service being matched with all those companies that purchase the item, e.g. a company that makes plastic bags will be matched with all those companies on the database that purchase plastic bags.

The company producing the plastic bags is sent two lists:

(i) The names of all companies on the database that purchase plastic bags and any other products that they make - for use as sales leads;

(ii) The names of all companies on the database that supply the goods and services they purchase in order to make the plastic bags - for purchasing uses.

Every company on the database is sent two such lists specific to their own requirements every six months. Companies are then left to decide for themselves if they wish to pursue any of the sales or purchasing opportunities brought to their attention.

Bradford and Darlington are the two projects that operate a Business Link in this way. They are both managed by one member of their respective enterprise agencies on a part-time basis.

The 'Matching' approach encourages inter-trading between organisations of all sizes, as there is no strict delineation of the service into providing sales leads for "small" companies and purchasing leads for "large" companies - which tends to occur with all other types of Local Purchasing Initiative. However, as a result of user feedback Bradford now offer companies the opportunity to register only as a buyer or only as a supplier if they wish.

One potentially important difference between the two schemes is that if no changes are made to the database between mailings the Bradford system will send out exactly the same listings as on the previous occasion. However, the Darlington system is designed so that after a link has been made between two companies and the information sent out, the link will not be made again. Therefore, if no alterations or additions are made to the Darlington database between mailings no links will be made and consequently no information sent out to companies on the database. It is not possible to say which of these two alternatives is most beneficial to the users as the approaches appear to have been adopted without consultation with them.

(iii) 'Contract scanning'

A third variation on the Business Link approach has been developed by the Northern Development Company's Regional Procurement Office (RPO). This takes advantage of the network of offices and contacts which the Northern Development Company has around the world. In conjunction with their offices in the north of England this enables them to be informed of £12bn worth of contracts every week. The RPO pass details of these contracts on to the companies that have registered with the scheme and whose details are on their database. The size and international nature of some of the contracts makes this service especially attractive to large companies within the region.

7.4 REGAIN

The REGAIN project in Mansfield was the fourth type of initiative visited. Due to the relatively small number of large companies in the town all sectors of industry were looked at en-masse to discover opportunities for local suppliers.

As stated in section 5.6 the aim of REGAIN is to locate and replace foreign imports. However, the Mansfield project took this a stage further and attempted to locate and replace all products and services "imported" from outside the Mansfield area.

This six month long project was managed by one member of the District Council's Economic Development Department, with assistance from staff and students from the Business Studies Department of the local College of Further Education.

8.0 ADDITIONAL SERVICES PROVIDED

The databases constructed by the Business Link schemes are a valuable resource and allow the operators to develop other products for their users.

8.1 Mailing Lists

These are particularly useful for firms that wish to mailshot potential customers with promotional material. Companies using this service tend to provide a product or service used by a wide range of customers e.g., stationary or office cleaning services. Several of the projects visited have enhanced their mailing list service by printing the addresses onto sticky labels. The Bradford scheme provides the opportunity for companies to "piggyback" their sales literature with the matching letters they send out.

8.2 Information on diskette

Cleveland will provide inquirers with basic information on all the companies on their database on diskette for £300 - £600 depending on whether the customer is based in Cleveland and has paid the membership fee.

Bradford provide information on diskette due to the volume of links that certain companies on the database generate. For example, virtually every company purchases stationary which results in those companies supplying this being matched with nearly all of the companies on the database. It helps to reduce paper and postage costs if companies in this situation can be persuaded to take the information in disk form.

8.3 Directories

It is a relatively simple task to produce a paper Directory from the company information on a database. The Cleveland Directory gives information on the number of employees, turnover and nature of the business in addition to the usual name, address, telephone and fax numbers. The number of employees and turnover information is handled sensitively by providing a rough indication using banded figures instead of absolute numbers. Entry onto this Directory is free when companies register with the scheme.

An alternative approach has been developed at Oxford. Here the Directory simply lists the type of businesses which they have on their database, but does not give any details on particular companies. Firms requiring a product can look in the Directory to see if it might be available from one of the companies on the scheme, if the Directory lists the product or service the inquirer then telephones the scheme to obtain the names of the companies that provide it. A Directory of this nature is cheap to produce as a result of it's small size. In addition, it acts as an inducement to use the service and enables monitoring of enquiries. The disadvantage is that of all directories - lack of currency.

8.4 Business Clubs

Business clubs for members of their schemes are organised by both the Oxford and Bangor initiatives. They arrange for guest speakers to address the membership on topics pertinent to small businesses. These meetings also provide a networking forum where members can share information, ideas and experiences. Bangor charge £7 per head for members and £12 for non-members.

The Northern Purchasing Initiative (NPI) is a unique business club, operated for and by purchasing staff of major companies in the North of England that has 400 members. It is a totally self financing company, limited by guarantee, which operates on a strictly non-profit basis. Working closely with the Regional Procurement Office, it has the objectives of increasing the amount of local purchasing in the region and providing an opportunity for purchasing staff to meet to discuss topics of relevance to them. It seeks to promote the idea of local purchasing to all companies in the region via monthly meetings, newsletters and through the media. The only cost associated with attendance at the meetings, apart from the annual membership fee, is the price of the buffet.

All companies that would like to find a local supplier are advised to contact the Regional Procurement Office, which in addition to their own database of members have access to the Northern Development Company's Mercury Dataline database. This system holds information on 9000 Northern companies.

8.5 Magazines

The advent of desk top publishing software has made the production of newsletters relatively quick and simple. Both the NPI and the Oxford initiatives provide magazines for their membership. These are used to explain changes to the service and provide news about local purchasing successes and articles relevant to small businesses. Advertising space and 'advertorial' features generate income to help fund these products, which are free to members.

The magazine provides a regular reminder to people of the service's existence and to consider local suppliers when new procurement requirements arise. An interesting innovation in the Oxford magazine is that firms advertise discounts to fellow members of the scheme.

Contents of the magazines include the following:

- Profiles of particular companies - especially those new to the area
- Letters page
- Information on training courses being run locally
- Stories on tendering successes
- Prompts for readers to renew their membership of the scheme

9.0 PROCEDURE FOR COMPILING AND UPDATING INFORMATION ON FIRMS

This chapter describes how project staff identified relevant local companies and then went about collecting information on them.

9.1 How have the participating firms been located?

At the commencement of an initiative it is necessary to identify a core of firms that are to be the subject of the project. The Sourcing Services were able to start bringing buyers and suppliers together relatively quickly as the large purchasers in the areas tended to have a high profile and were known to the project operators. They were simply contacted and asked to take part in the initiatives.

In the case of Business Link initiatives, the need for a database of companies means that time had to be spent locating and interviewing companies. Provision also had to be made for updating the information gathered.

(i) Press publicity

Press coverage of the project (adverts and features) can be used to generate interest in an initiative, prompting small firms to contact the scheme. Virtually all of the initiatives have used this approach. The evidence suggests that this is especially effective if the advert or article has a cut out mini questionnaire which firms can fill out and return.

(ii) Mailshots

By using existing directories, Chamber of Commerce records, Yellow Pages and Thomson's Directories small suppliers in the locality can be located and mailed information that explains the scheme and invites them to take part. The Nottingham initiative wrote to 430 small companies located through the Dun and Bradstreet Market Research database (resulting in 70 responses). Bangor carried out a mailshot using names from the database of the local branch of the Small Firms Federation. The Bradford initiative purchased a list of companies from the County Council.

(iii) Fieldwork

An alternative approach is to locate suppliers 'on foot'. Cleveland County Council staff have visited all of the business parks in the county, identifying companies which could then be contacted to see if the wished to register with the scheme. Oxford consecutively recruited two staff members to increase their membership by visiting all firms in the county.

(iv) Commissioned surveys

Coventry commissioned staff at the local polytechnic to carry out a survey of all small businesses in the city. The advantage of this is that it allows project staff to spend more of their time dealing with other issues. The Coventry project manager was highly satisfied with this approach.

The Mansfield REGAIN project used business students from the local F.E. college to carry out interviews. Unfortunately, problems were encountered and these are discussed in section 9.2 (i).

9.2 The methods used to gain company information

In order to obtain structured information the majority of initiatives have designed questionnaires for their member companies to complete. The following sub-sections describe the alternative approaches used to complete these.

(i) Personal interviews

Carrying out personal interviews is acknowledged as a time consuming process, but is nevertheless the preferred method of most initiatives. For schemes which are operating a quality threshold for suppliers it is essential to meet the companies involved in person, hence the RPO, Bangor and all of the Sourcing Services used this option. The Bangor initiative uses independent Business Counsellors to conduct the interviews as these have the experience and gravitas to ensure that the questionnaires are thoroughly answered and any interesting points explored.

Bradford used retired Managers, as Research Executives, to visit companies that had responded to press features and mailshots. These researchers interviewed all the companies that were willing to take part from a particular industrial sector before moving onto the next sector. The operators found this to be a slow process and now believe that for their type of initiative interviews could be conducted over the telephone or via postal questionnaires.

Cleveland see the personal interview they have with every company on their database as an essential part of their operation. By meeting with companies they get an opportunity to develop a rapport with them and establish the credibility of the initiative. This results in a high proportion of the firms registering and using the service.

For Mansfield, although using college students was cost effective the operators would not use them for any future project as they did not engender a "professional" image to the scheme. Another factor was that an interviewer with business experience would have been better able to pursue lines of questioning, removing the ambiguities that occurred in the responses. For example, when analysing the survey results it was found that imported goods coming through UK suppliers and distributors had not been classified as being of foreign origin. A more experienced interviewer would have made the meanings of such questions unequivocal.

As already mentioned, Oxford employed someone with experience of running a small business in the County to interview companies.

(ii) Telephone interviews

Apart from Bradford none of the other projects visited used this method. The Bradford Project Manager felt that this was an adequate method for gaining company information as it was much cheaper than personal interviews.

(iii) Postal questionnaires

As well as holding personal interviews with 50 of the largest companies in the town, Mansfield also mailed questionnaires to 214 less important companies. Responses were received from 30 (14%).

Darlington mail their questionnaires to companies that have shown interest in the project as a result of promotional activities and press coverage.

9.3 Summary of methods used to compile company information

The experiences of the initiatives visited indicate that the greatest level of company interest is stimulated by personal approaches from project staff, especially if they have worked in the private sector as this gives them credibility. However, the information collection methods that initiatives adopted have been influenced by their objectives and resources. This has resulted in a variety of methods being used. Those projects that desire a high level of coverage and/or have high levels of resources pro-actively search for companies to put on their database via mailshots and surveys. The projects that have low levels of resources or seek to concentrate only on assisting firms that are motivated to participate in the scheme tend to promote the existence of the initiative and then wait for such firms to contact them.

9.4 Updating company data

All of the operators recognised the necessity for regular checking of company information, with a yearly check being the most common frequency. The 'matching' process used by Business Links have an advantage here in that sending out their matching lists presents them with a convenient opportunity to send out copies of the company records. Bradford request that this be returned if any amendments need to be made. The Project Manager estimates that about sixty changes are required annually and about five companies lost. Only those companies that re-register for the service (280 at present) are updated, resulting in the other company records (900) gradually becoming out of date.

Cleveland revise company records on a yearly basis and estimate company turnover to be 5-10% per annum. When companies come up for renewal on the RPO database the opportunity is taken to check if any changes have occurred to the company over the previous year.

Coventry are using the remodelling of their registration forms as an opportunity to check company information. Oxford wrote to all the companies on their database in 1989 to verify their details and the following year a secondee from British Rail went through the database weeding out all those who no longer wished to be on it. By stamping on the back of any correspondence "please return if the company is no longer at this address", they have an on-going updating process to inform them of companies moving or closing down.

At Bangor the individual office managers have the responsibility of maintaining contact with member companies in that locality. Each company is telephoned at least every six months to see if any changes have occurred.

10.0 DATABASES

A computerised database is the most efficient way to store the details of the companies participating in an initiative and ten of the twelve projects which were examined in detail have created such databases.

10.1 Initiatives that have created databases

The Manager of the Bolton initiative spent some time considering the various options before deciding that in the limited time available to him (one year), the setting up of a database would be too time consuming. The Rotherham 'Meet the Buyer' event, in common with all such initiatives had no requirement for a database containing company information.

Table 10.1 Hardware and software used

Initiative	Hardware	Software
Nottingham	PC	Foxbase
Cleveland	IBM Mainframe	Produced in house by Council software engineers
Bangor	Networked PC's in each office	Produced by local company
Coventry	PC	Smartware II
Oxford	PC	Q & A - designed specifically for Enterprise Agencies to hold information on clients
Bradford	PC	Produced by local company
Darlington	PC	Foxpro II - customised by local company
RPO	PC	Not given
Mansfield	PC	Produced by staff at local F.E. college

Source: Interviews with Project Managers

10.2 Basic information held

The Table 10.1 is a summary of the most frequently held company information. The starred projects collect information on what the companies purchase as well as what they supply - making them general company databases rather than supplier company databases.

Figure 10.1 Summary of the most frequently held company information

	London	Nottinghham	* Cleveland	Bangor	Coventry	Oxford	* Bradford	* Darlington	RPO	* Mansfield
Name/Address/Phone/fax	●	●	●	●	●	●	●	●	●	●
Contact name	●		●	●	●	●	●	●	●	●
Date established	●		●	●	●		●		●	
Number employees	●	●	●	●	●		●	●	●	●
Turnover			●	●	●			●	●	●
Business Nature (man/ser)	●	●	●	●	●			●	●	
Products/Services produced	●		11	●	●	●	15	●	●	6
Products/Services purchased			11				30	●		●
Capacity/Capability	●			●				●	●	
Quality Assurance	●			●			●	●	●	
Extent of marketing	●		●	●				●	●	
Principle customers	●			●					●	

10.3 Additional information held

Other than Mansfield with their REGAIN derived questionnaire, Cleveland gather the most detailed company information. This enables the database to be used for purposes other than local purchasing, such as producing county 'Economic Outlook' reports and other analyses. A companies has to spend more than £1000 per year on a product for it to be included on the database. Specifically there are three areas of extra information which are of note:

(i) The employment structure of the company usually disaggregated by type or level of skill, e.g.

-Professionals	-Unskilled
-Clerical	-Apprentices
-Skilled	-Trainees
-Semi skilled	-Other

(ii) A forecast for employment change within the company for the next year.

(iii) The total amount spent annually on purchasing and the location of the sources: Company internal, Cleveland, North East, United Kingdom, or overseas

Darlington inquire if there are specific items which are currently being sourced from outside the area which the company would be prepared to source locally. They also ask for any new items that might be sourced locally, which gives information on future requirements - and thus has proved useful for tipping off relevant suppliers. Suppliers are also asked what marketing methods they use. In common with a number of other databases Darlington's has free text sections, where detailed descriptions of marketing used, technology and quality, can be stored.

Suppliers on the Bangor database are asked to provide bank, accounting and customer references. If companies object strongly to their financial details being recorded the Business Counsellor conducting the interview might just look them over. Bangor ask suppliers if they are willing to tender co-operatively with other suppliers on the database so that large orders can be met.

Member firms of the Regional Procurement Office are asked to differentiate between their private and public sector customers (as are the Bangor members). They are also asked in which areas of the public and private sectors they would *like* to do business. This allows the RPO to develop an understanding of the business and in which direction it would like to evolve. As a means of ascertaining their capacity they are asked to name the three largest orders they have received in the past two years. The consultancy firms registering are asked for the qualifications of their principle officers. This gives an indication of their standards.

As already mentioned the Mansfield project based their questionnaire on the generic REGAIN questionnaire, with some additional questions about services purchased. (The contents of the REGAIN questionnaire have been summarised in section 5.6.3 and a full copy can be found in appendix v)

10.4 Decisions on number and scope of firms held on a Business Link Database

The Sourcing Service projects such as London's search for suppliers when they have a known buyer requirement. Databases are therefore built up incrementally, the suppliers on them having had their standard assessed. The issue of maximising the number of companies on the database does not therefore arise. However, with Business link initiatives there is a choice to be made between getting all of the suppliers in the locality on to the database or allowing only those that are adjudged to be of a particular standard to be on it and ensuring that these suppliers get a valuable service. The RPO and Bangor operate the strictest vetting of suppliers - with both rejecting about 25% of applicants. This approach gives the suppliers taking part a 'badge of approval' and is a means of protecting the prestige of the project. Both projects provide certificates as proof of membership of their schemes and Bangor are considering allowing member firms to use the 'Contract Shop' logo on their letterheads.

For companies which are currently not deemed to be of the standard required for the main database Bangor have created a secondary one. The aim is for the companies on the reserve database to eventually move onto the primary database after receiving training and development advice. Being on the secondary database has practical advantages because buyers whose requirements cannot be met from the primary database will be informed of any companies on the secondary database providing what they need. Suppliers are only charged membership if they are on the primary database.

For the other Business Links maximising the number of companies on the database to provide full coverage of the local industrial base is an objective. Operators may require information about any quality accreditation possessed, but no judgement is made on whether companies are 'good enough' to be included. Moreover, where a Local Purchasing Initiative is operated by a local authority, such as in Cleveland, rejecting companies on these grounds would not be possible, as all companies pay the Uniform Business Rate to the local authority and should therefore be entitled to benefit from any council funded initiative.

10.5 Number of companies on the Business Link databases

All of the projects have focused on attracting companies from the manufacturing and service industries, ignoring all but the largest of retail operations as these are unlikely to provide many supply opportunities. Table 10.2 summarises the number of companies on the databases.

Table 10.2 Number of companies on the Business Link databases

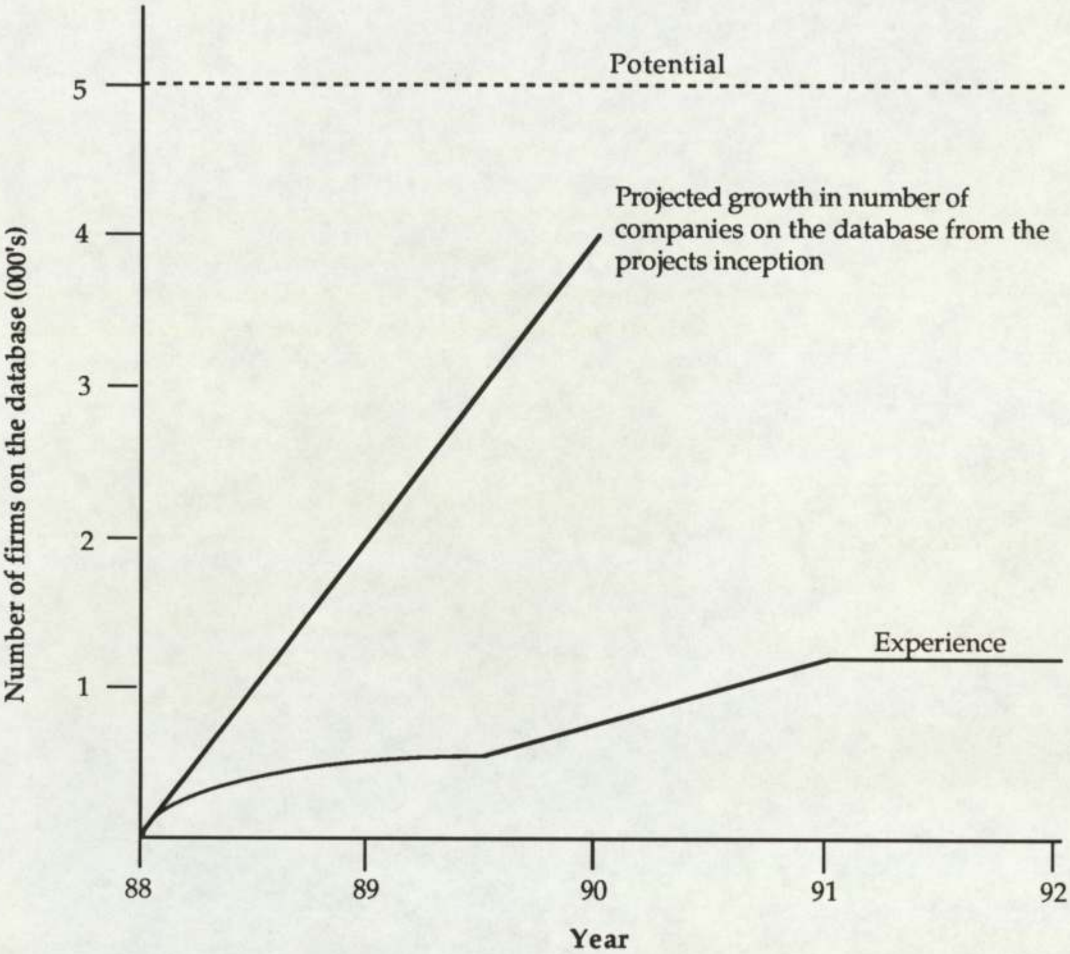
Initiative	Number	Estimated potential
Oxford	1500	5000-6000
Bangor (ongoing)-Suppliers	250	500 (who could benefit)
-Buyers	none at present	200-500 major buyers
Coventry	1000	-
Cleveland	4000	6000
RPO	105	Not an objective
Bradford	1200	5000
Darlington (ongoing)	150	1200

Source: Interviews with Project Managers

A number of the initiatives were able to give a breakdown of the companies on their databases: the RPO have a 75/25 split between manufacturing and services, for Bangor this is 30/70 and for Darlington 40/60.

Not all companies recognise the advantages of being part of an Local Purchasing Initiative and many have turned down the chance to join. This has often come as a surprise to the project operators, who attribute this to apathy and ignorance in certain cases. The experiences of the Bradford initiative indicate how the high hopes of maximising the number of companies joining can fail to be achieved (Figure 10.1)

Figure 10.2 The expected and actual growth in the number of companies on the Bradford database



Source: Interview with Bradford Manager

10.6 Classification Systems

The use of classification systems for company activities, or products and services provided, allows enquiries to be dealt more easily and rapidly than searching for specific words. Naturally, the more companies there are on the database the greater will be the necessity for a numerical classification system. For the Business Link initiatives such as Bradford and Darlington classification codes are a necessity.

The most frequently used system by all types of initiative was the Standard Industrial Classification (SIC). However, four of the initiatives visited had developed alternatives.

Cleveland have taken the basic five digit SIC code and added their own two digit extension in order to make it a more accurate representation of a product rather than a line of business. They currently have 9500 product codes.

The operators of the Bradford initiative have developed their own five digit system as they found the SIC system to be too specific for their needs. They now have 5,500 different products registered on their system. The matching program they use allows them to match companies by using only the first three digits of the product description. This allows them to produce broader matches than if the full five digits were used and is useful for 'forging' links between companies. 'Forged' links are created when a supplier provides a buyer with a product or service that was not previously part of their product range.

The Darlington initiative also operates by a broad matching system designed in-house to meet their own needs. They have 14 sectors covering all industry and commerce. These sectors have each been subdivided to give a total of 297 individual codes. For example:

Sector 1 =	*Engineering and metal work*	*Sector 2 =*	*Building Construction*
subdivisions-	1.Jobbing machinery and components	subdivisions -	1.Architectural services
	2.Foundry work		2.Civil engineers
	3.Sheet metal work etc. etc.		3.Surveyors etc.

By operating a flexible system and putting people into contact who *might* be able to do business the schemes aim to encourage diversification of the local economy, making it stronger. An example of the potential value of a 'forged' link occurred at Darlington when an office chair manufacturer requiring steel chair frames was put in contact with a steel product manufacturer. The steel fabricator had not made chair frames before, but was capable of doing so. Had a less flexible approach been used the companies would not have been matched, as the fabricator was not registered as a chair frame producer.

At Bangor the operators do not code companies according to their activities. They sort companies entirely by using words and phrases.

11.0 MARKETING METHODS AND MESSAGE

Apart from the general methods used to attract people to join the initiatives discussed earlier it was also deemed worthwhile to record the details of specific marketing methods used to generate interest in and usage of the initiatives.

In all cases, the initiative operators stressed that it is important to avoid giving the impression to buyers that they are being told how to do their job. Cleveland attribute much of their success in achieving a high level of usage to the use of this tactful approach.

11.1 Use of the media

Newsworthy occasions such as an official launch or annual dinner present good opportunities for generating press coverage. A number of the initiatives have arranged for important people to be present at these occasions to give their backing to the schemes. This helps to give a favourable impression to potential users of the service and helps build credibility for the initiatives. Bangor had senior representatives from Gateway Supermarkets at their launch, Darlington had the Minister for Employment and the Northern Purchasing Initiative had Lord Whitelaw at an event. A year or so after starting their initiative Oxford organised a meeting at County Hall to which they invited a large range of major organisations. After talking about the initiative, companies were challenged to analyse their purchasing and see if certain items could be replaced from a local supplier. This encouraged companies to register with the scheme and give it a trial.

Another popular method of attracting press attention and members to the initiatives was to highlight successful links created as a result of the schemes. These show to prospective members that membership does produce contracts.

The RPO have a weekly slot on Radio Cleveland where they promote half a dozen major contracts. As well as making a wide range of companies aware of these opportunities it also acts as way of promoting the RPO to these people. Similarly, Darlington have a column in the business pages of the local paper where they promote companies that are operating below capacity and those that are having difficulty locating suppliers of a particular good or service.

11.2 Promotional themes

The first priority of all schemes is to make it absolutely clear that they are not perceived by buyers as protectionist. They all state in their literature that they are not trying to encourage local purchasing for altruistic reasons and that contracts and firms should be judged on a commercial basis only. The most frequently used approach is to stress the advantages of purchasing locally and the contribution it can make to an increase in the quality of the service received, reduction in costs and improvement in deliveries. For example, Darlington emphasise, reduced transportation costs, reduced storage costs, opportunities for just -in time operations and opportunity to conduct business face-to-face.

Bangor point out that they are enhancing competition by making companies aware of all the opportunities available locally i.e. helping to overcome market failure. They are there to take the "weight off buyers shoulders", and add a sales and marketing arm to small companies. Bradford use some of the same themes as Bangor - possible research economies, the market efficiency of local purchasing, helping the Bradford economy and instant access if needed.

The Bolton Initiative pointed out the advantages that local purchasing has for community welfare, as well as the PR value to companies of being seen to support local suppliers. Coventry have a very similar message to prospective users, citing possible cost reductions, enhancement of corporate image and the prospect of enabling firms to contribute to the development of the local economy. Coventry have found that the idea of 'supplier development' interests Purchasing Officers if they feel it presents opportunities for greater economies.

Nottingham draw attention to the short communication links and that it is a means of promoting the local economy.

Cleveland stress that once the membership fee has been paid everything else is free.

11.3 The need to maintain contact with members

The Oxford Project Manager feels that it is necessary to have someone visiting companies in order to attract new members to the scheme and also to act as a link between the scheme and it's membership. It is felt that by giving a face and known point of contact to the initiative companies will be more willing to use it.

Bangor agree that members and users need frequent reminders of the initiative's existence, to prompt them to use it, which is why their local managers have the responsibility of building and maintaining links with companies in their locality.

Mid-way through the Mansfield initiative the Project Manager wrote to the companies involved informing them of the progress made to date, which helped to maintain the project's profile.

11.4 Conclusions on marketing methods

The impression given by most of the projects is that marketing has not been treated as a priority. However, this is largely attributable to time and financial restraints rather than oversight.

The nature of a Local Purchasing Initiative results in local media coverage being easy to obtain and highly effective for reaching potential users. Promotional features in the form of 'advertorials' allow more money to be spent improving and extening the services available.

With regard to the marketing messages of the initiatives, the key elements used to attract buyers are the possibility of generating cost savings and assistance in locating suppliers. Suppliers are presented with the opportunity of accessing marketing assistance.

12.0 COSTS AND SOURCES OF FUNDING

The amount of funding provided for the different initiatives varies widely. The vast majority of costs associated with a Sourcing Service are of a variable nature i.e. related to the number of people employed to work on the initiative and the length of time they are employed for. Business Links initiatives have fixed costs associated with the database of companies required, as well as the variable costs of employing staff to run the project. Unfortunately, few of the Business Links were able to provide information on the costs they encountered in creating their databases.

Before launching their initiative, Bangor commissioned a feasibility study that indicated that the project was unlikely to be a net generator of revenue and in the light of their own experience the Coventry operators agree with this finding.

12.1 Initiatives operating on an annual budget of £30,000 or less

The Nottingham initiative had a total budget of £20k for it's two year life. This was provided by the County Council, local Training Agency, Nottingham Business Venture and Marks & Spencer. The project manager was a secondee from Coates Vyella.

The Bolton Project Manager was seconded to Bolton Business Ventures from BAe. A budget of £30k was provided to cover the other requirements of this one year project. This came from local businesses, Marks & Spencer, British Telecom, British Gas, Coates Vyella and the local Chamber of Commerce.

In 1991 the Oxford project cost £21k to operate. Income to meet this came from Business Link membership (£7k), club nights (£2k), magazine adverts (£7k) and other sources (£3k) - totalling £19k. The shortfall of £2k between project cost and total income was met by the enterprise agency from internal funds.

The pre-launch costs of the Bradford scheme were £22k, which was provided by a grant from the DOE, Bradford Chamber of Commerce and internal funds. The first year running costs were estimated at £75k , which was mainly accounted for by the cost of providing for the collection of company information. £40k of this was obtained from the City Action Team (CAT), with the rest coming from the enterprise agency and local businesses. Since the withdrawal of CAT funding in 1991 the project has been subsisting on the £7k raised from membership fees and a considerable subsidy from the Chamber of Commerce which hosts the database.

The Mansfield project was run on a £3k budget provided by Mansfield District Council.

12.2 Initiatives operating on an annual budget of more than £30,000

The £173k funding for the three year London project came from the London City Action Team (£115k), the London Enterprise Agency (£9k), non government donations (£30k) and commission and special projects (£19k). In addition secondments, office facilities and professional services were provided by BT, Heald Nickinson, J.Walter Thompson, Nash Broad Wesson and Smiths Industries.

Cleveland were unwilling to divulge the actual figures involved but apart from the Project Manager's salary all other costs are covered by the income generated. The 'Teesside Directory' is a particular money spinner as the printing costs are covered by the Teesside Development Corporation.

In it's first year of operation the Bangor project had a budget of £87k. Of this total, 45% is being supplied by the European Social fund. The 250 suppliers registered with the initiative have each paid £60 fee, providing £15k income. As the European funding is only available for two years they will be looking to sponsorship and charging buyers as a means of generating income in the future.

Coventry were also unwilling to give details of costs, but they are estimated at £50k annually and are, or have been, provided by the DOE Urban Programme, local TEC, Coventry Taskforce and the City Council.

The Darlington project has been set up at a cost of £50k for the first year of operation. The funding has come in equal parts from the local TEC, Rothmans International and Darlington Business Venture. The Project Manager is on secondment from Glaxo.

The annual budget for the RPO scheme is £112k, with the shortfall between fees and costs being met by the Northern Development Company.

12.3 Conclusions on income generation

The evidence from the interviews indicates that all projects have a limited ability to recover their costs from users, resulting in them relying on grants from public sector agencies and sponsorship from the private sector to make up the shortfall. Funds from these sources tend to decline as the initiatives progress due to the financial requirements of other economic regeneration projects.

The next chapter examines the charging methods used by the different schemes.

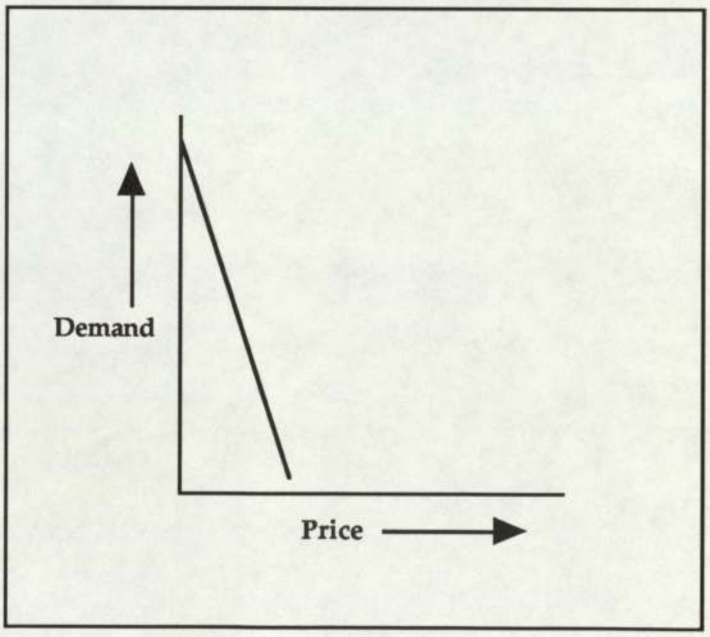
13.0 CHARGING FOR THE SERVICES PROVIDED

13.1 Price sensitivity of Local Purchasing Initiative members and users

The lifeblood of all Local Purchasing Initiative's is information. But, the information that they possess can be discovered by users/members for themselves. For instance, a company requiring a new supplier could look up companies of the required type in Yellow Pages or Thomson's and a company wishing to mailshot potential customers could use the same sources.

The initiative that charges for it's service therefore has to convince the users that it is worth them paying for this information instead of finding it for themselves. In general, the perceived market value which companies attribute to Local Purchasing Initiative's is low and initiative operators feel that members and users are very price sensitive. The demand schedule for an Local Purchasing Initiative's services is believed by most project operators to be approximately of the shape shown in Figure 13.1.

Figure 13.1 Demand schedule for Local Purchasing Initiative's as perceived by Project Managers



Source: Interviews with Project Managers

The result of this belief is that the prices charged tend to be low so as to minimise the number of companies deciding not to use the service on the grounds of cost.

13.2 Pricing Options

There are fifteen available pricing options, summarised in Figure 13.2.

Figure 13.2 Pricing options

Pricing instrument

User Charged	Free	Fixed Fee		Size of Contracts	Usage Rate
		Banded	Not Banded		
Buyer					
Supplier					
Buyer and Supplier					

The individual strategies are discussed within the framework of the pricing instrument used.

(i) Free initiatives

Nottingham, Bolton, Coventry, Mansfield and Darlington (at present) do/did not charge either suppliers or buyers to use the service. As stated, this is intended to maximise usage of the services and in the cases of the Nottingham and Bolton exploratory projects were felt to have been useful in determining the true potential for local purchasing.

Coventry generate income by charging for the small company training seminars which they provide. For example, a one day seminar on quality assurance would cost each attendee £35. The operators believe that charging for training results in it being perceived as more valuable than if it were provided free of charge. Unfortunately, this argument cannot be extended to Local Purchasing Initiatives. This is because with training sessions it is virtually guaranteed that the attendees will gain something, but joining a Local Purchasing scheme does not lead to the identification of new suppliers or customers for all member companies.

(ii) Non-banded, fixed fee initiatives

Initiatives using this pricing strategy charge all companies joining the scheme the same price, irrespective of their size.

In the case of Bangor suppliers are currently charged a £60 annual registration fee. During the initial phase of the project buyers are not being charged to use the system, but may be later on when firms have had time to recognise it's value.

In Bradford all companies registering for the initiative are charged £25, which raised £6500 in 1991. The piggy back mailing is charged at £120 and raised £600 in that year. The amount raised from membership indicates that only about 280 firms were willing to re-register.

(iii) Banded, fixed fee initiatives

In Oxford companies with a turnover of less than £500,000 are charged £25, with the fee for the rest being £50. In 1991- 1992 this raised £7000. Those companies that did not renew their registration are still retained on the database. When an enquiry is received a check is made to see if the enquirer and the companies on the database of interest to the enquirer have paid. Those companies which have not paid are encouraged to do so "in fairness to those have". Oxford has also found that 80% of the companies on their database at it's peak have since failed to re-register.

Cleveland operate a three tier pricing structure. Companies within Cleveland do not have to pay to have their details included on the database, or in the Directory produced from it. If they do pay the membership fee they get various of the initiative's services at a cheaper rate then those companies that do not pay the membership fee. Companies from outside the region are also allowed access to certain services, at the highest price level. Table 13.1 details the pricing of the different services.

Table 13.1 Cleveland pricing structure

	Cleveland companies		Non Cleveland companies
	Pay £20	No payment	
Promotion of company's products and services in Cleveland and beyond	Free	Free	Not available
Entry in 'Teesside network' directory	Free	Free	Not available
Copy of 'Teesside Network' directory	Free	£15/copy	£30/copy
Listings from Linkdata database	Free	Not available	Not available
500 addressed self adhesive labels	£15	£30	£60
Information on floppy disk	£200/inquiry	£300/inquiry	£600/inquiry

Source: Linkdata publicity material

In the case of the RPO, companies are charged according to their turnover, with the smallest being charged £200. Specific charging occurs for other services such as Sourcing Services.

Corporate membership of the NPI (for up to four people) is £80, with extra members being charged at £15. Individuals are charged £20.

(iv) Charging by size of contracts earned

The London initiative is the only one to have raised income by charging a commission on the contracts closed. This commission was charged to the supplier winning the contract and relates only to the value of the first year of the contract. The amount of commission charged varying according to the size of the contract according to the following formula:

first £5000 of all contracts	5%
subsequent £5001 - £25 000 of contract	3%
subsequent £25 001 - £50 000 of contract	1.5%
subsequent £50 001 - £100 000 of contract	1%

This means that the maximum commission possible from any one contract would be £1725, which would have been payable at regular intervals over the year.

(v) Charging by usage

This pricing method would involve charging buyers for each request made for a type of supplier, or for the number of suppliers names provided. Suppliers would be charged similarly for the names of buyers. The only initiative which operates remotely like this is Cleveland, which charges companies from outside the county for each ad-hoc enquiry made.

13.3 Summary of pricing options

The initiatives studied have used a variety of pricing methods, with nearly half choosing to provide their service free to both buyers and suppliers. None of the initiatives have charged buyers only as it was felt that this would have an unacceptable effect on their participation rate. The pricing options chosen by the initiatives are summarised in Figure 13.3.

Figure 13.3 Summary of the pricing options chosen

Pricing instrument

User Charged	Free	Fixed Fee: Banded	Fixed Fee: Not Banded	Size of Contracts	Usage Rate
Buyer					
Supplier		Oxford RPO	Bangor	London	
Buyer and Supplier	Nottingham Bolton Coventry Darlington Mansfield	Cleveland	Bradford		

Source: interviews with Project Managers

14.0 NUMBER OF ENQUIRIES DEALT WITH AND CONTRACTS CLOSED

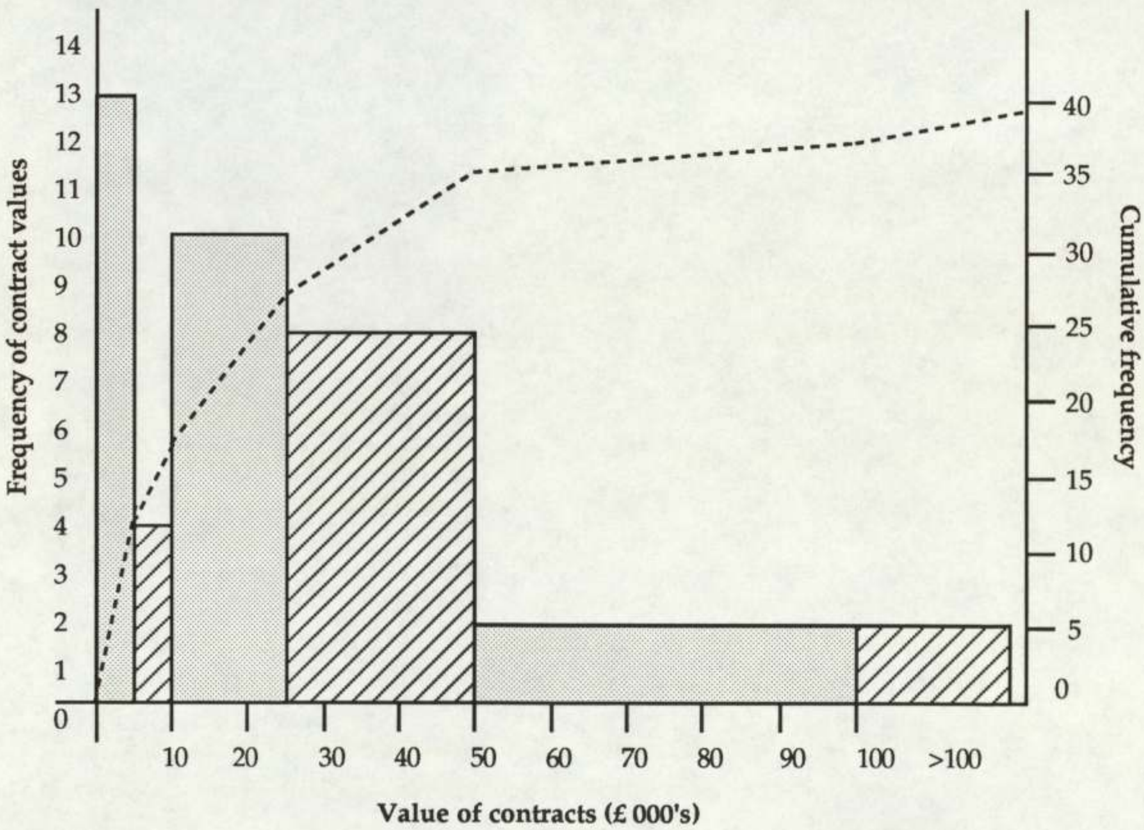
The number of enquiries dealt with and contracts closed are critical performance indicators for projects of this nature.

14.1 Sourcing Services

The close involvement with buyers and suppliers makes it fairly simple to keep track of business done between suppliers and buyers using Sourcing Services.

In their final report the London project provides a detailed analysis of the transactions they were aware of initiating. The total value of the orders placed was £1.02m. Of this amount 73% was attributable to 18 orders placed by large organisations (more than 500 employees), with the remainder being from the 21 orders placed by organisations of a smaller size. Figure 14.1 shows the frequency of contract values gained through the London initiative, between given ranges.

Figure 14.1 The frequency of contract values between given ranges for the London initiative



Source: The London Local Purchasing Project Report

The majority of information on contracts closed was provided by the suppliers. The operators estimate that 25% or more of the contracts closed as a result of the initiative went unreported, giving the true value of contracts closed as £1.3m. Reasons they cite for this under reporting included 'protracted negotiations', which they lost contact with. At the project's termination, at the end of 1991, 14 of the 39 links were estimated to be still generating orders to a value of £200k annually.

The Nottingham Project Manager estimated the trade achieved as a result of the initiative to be in the region of £15k - £20k. These were mainly forged by the Project Manager making use of personal contacts he had established in his previous job.

In Bolton the number of suppliers dealt with was about thirty, with only a few reported successes. The project Manager was unsure of the value of the contracts secured as a result.

14.2 Business Links - Phone in/Write in

For this type of service to monitor the outcome of it's efforts it is necessary to contact either the inquirer or the companies whose details as suppliers have been given.

In the case of Cleveland they dealt with over 1000 enquiries in 1991 and are on target to surpass this in 1992. The operators do not actively seek information on contracts closed as they feel this may be construed as intrusive and have a negative effect on usage of the initiative. Their monitoring takes the form of regular surveys to ascertain satisfaction levels. They have found 95% of respondents to be pleased with the service.

Although the Bangor project had yet to reach full operation when visited, extensive research had been carried out looking at the feasibility of a Local Purchasing Initiative in the region. This has led them to expect at least one enquiry per day at each of their three offices, yielding a total of 750 enquiries per year.

When the Oxford project was operating at it's peak they were receiving an average of one enquiry each day. In the last two years little marketing effort has been put behind the scheme and as a result, usage has declined to around six enquiries per month at present. Initially, companies were contacted a few weeks after the information had been given out to see if any business had transpired, but this practise became less rigorously adhered to as the project progressed. The reason given for this was that other enterprise agency activities took precedence for the staff involved.

The Coventry operators were unwilling to divulge how many enquiries they dealt with.

14.3 Business Links - 'Matching' systems

Monitoring the impact of a 'Matching' type Business Link would be a time consuming process due to the volume of links that can be generated. However, a compensating advantage is that the matching process gives the maximum number of potential links between companies in a locality. As previously discussed, the actual number of links generated will depend on the coding system used.

At present, Bradford are currently handling three to four telephone enquiries each week, in addition to the lists matching suppliers with purchasers which are produced every six months. Although they do not follow up the outcome of the information provided in response to enquiries, they do encourage companies to contact them if they successfully locate a new buyer or supplier through the scheme. This approach has elicited few responses.

In Darlington, which operates along similar lines to the Bradford initiative, all companies joining the scheme have agreed to inform the Project Manager of any contracts placed or received due to the initiative. In addition to the 'Matching' service, between six and ten telephone enquiries are dealt with each week. They expect to generate links worth £2m in the first full year of operation.

14.4 Business Links - 'Contract scanning' Systems

The RPO notify members of around £12bn worth of contracts each week from their various sources. However, no systematic information of how many contracts members have won is collected.

14.5 REGAIN

The Mansfield scheme made 11 matches between the fifty companies on the database and the relevant companies were informed of the potential to trade locally. Again it is not known whether any business has resulted.

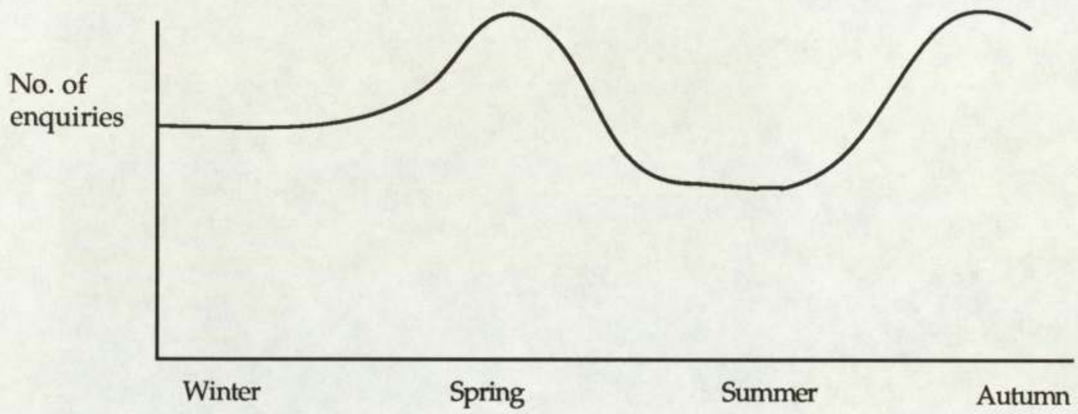
In total, the REGAIN schemes operated around the country have so far identified over £550m of import substitution opportunities. Whether or not these opportunities are exploited depends on companies in the locality being able to produce the identified goods required. An indication of the potential for local companies to win orders through REGAIN is given by the project run by Kirklees and Wakefield Chamber of Commerce. This scheme identified £130m of foreign goods being imported by firms in the industrial sectors researched. Subsequently, local suppliers secured £14m of this total.

If their are no suppliers of a particular product in the locality REGAIN are able to search for one on a national basis using the databases that have been created elsewhere.

14.6 Trends in the usage of Business Links

The Cleveland project operators have found that the frequency of inquiries throughout the year follows the approximate trend shown in Figure 14.2.

Figure 14.2 Trend in enquiry levels at Cleveland



Source: Interview with Project Manager

Of the inquiries, approximately 40% have been from buyers looking for suppliers and 60% a combination of suppliers looking for sales leads and other business analysis requirements. The biggest group of users have been those companies with less than ten employees and/or consultants and service companies.

The Bangor operators envisage that after the third year of operation the number of enquiries made will begin to decline due to the gradual shrinking of the pool of potential links in the local economy as the project progresses. As this occurs they expect the local offices to undergo a parallel metamorphosis, with their roles becoming more focused on training provision for the small companies in the locality.

The Bradford operators have found the biggest group of users to be those companies employing between 20 and 50 people

14.7 Conclusions on the number of enquiries made and contracts closed

All of the Project Managers felt that usage rates were strongly related to the effort put into marketing the schemes. A number of them believed that increased levels of promotion would positively influence the number of enquiries they were dealing with. It was felt that promotional activities should preferably be ongoing or cyclical to maintain the maximum amount of interest and therefore usage.

The number of enquiries dealt with and contracts closed as a result of these are the most important performance indicators for local purchasing initiatives. Not only do they indicate the effectiveness of the scheme to the project staff, but they also provide proof to the funding agencies that the schemes are valuable. The majority of Project Managers confirmed the importance of providing evidence of success in order to secure future funding, despite the fact that their own monitoring was sometimes rather vague.

Although London is a special case, the close monitoring of the number of contracts closed indicates that generating links between companies in a locality is not a simple process. The fact that it took the London team the best part of two years to produce £1m of orders suggests that the Darlington staff may be over ambitious in projecting contracts of £2m in only one year.

The next chapter examines the importance of training provision.

15.0 THE IMPORTANCE OF TRAINING PROVISION

Many of the initiatives studied saw training as an integral part of the process of stimulating local purchasing. In a number of instances the Local Purchasing Initiative complemented the existing training courses provided by the operators.

15.1 The need for training

The view of the Oxford Project Manager summed up the feelings of many of the initiative operators with regard to small firms: they operate by "the seat of their pants", making no attempt to acquire new skills. This results in them only developing to the extent of the innate abilities of their staff and workforce. The way to rectify this is to encourage them to attend training courses, or obtain low cost consultancy advice available through enterprise agencies.

Certain initiatives see the identification of small companies' need for training or assistance and convincing them of this need, as one of their most important functions. Depending on the nature of the operator this is provided in-house or by external agencies. For those projects where the host organisation provides training and consultancy, such as Oxford and Darlington, the initiatives are effective conduits for bringing these services to the attention of small and medium sized companies. Furthermore, a database is useful for targeting the promotion of particular training programmes at relevant companies, as happens at Coventry. The London operators recognised that a Local Purchasing Initiative represents a good way of making small firms aware of the training available to them, especially in light of their finding that many small business managers held the belief that business development help was not available at a reasonable price.

Staff at the Coventry initiative see training as the key to improving the local economy as it tackles the cause of the problem, not just the symptoms. They believe that the main reason for large companies looking further afield for their supply sources is that local suppliers lack quality - not only quality of the actual product or service, but in all facets of the business, including such areas as delivery and post-sales care. By raising the competitiveness and quality of local companies through training, increased local purchasing will occur as a natural result. Consequently much of the Coventry staff's time is spent dealing with training related issues.

Initiatives that liaise closely with buyers are frequently able to ask them for their opinions on the suppliers they have been introduced to. Any problems that the suppliers have can then be communicated back to them and appropriate advice given on what steps are required to effect improvements.

Those schemes that do not have close contact with the suppliers (i.e. most Business Link services) have to rely more on the suppliers themselves recognising their need for training and signing up for the training sessions that the operator organises or 'signposts'. In all cases, the construction of company databases presents an opportunity for training providers to target their training provision to the small and medium size companies that are most likely to be interested in it.

15.2 Type of training provision required

There are three types of training that initiative operators believe small firms to be most in need of:

(i) Marketing and sales techniques;
(ii) Methods of achieving quality standards e.g.. BS5750;
(iii) How to deal with large organisations in both the private and public sectors - tendering procedures etc.

With regard to this last training area, Coventry feel that public sector tender procedures often give the impression to small/medium suppliers that they are only suitable for large companies.

15.3 Conclusions on the usefulness of Local Purchasing Initiatives to training providers

The involvement of small firm business support agencies with Local Purchasing Initiatives gives them an excellent insight into the training needs of the small firms that they deal with and allows them to target their programmes accordingly. In addition, when small firms have failed to win contracts they are more likely to recognise their need for training and respond positively to an offer of advice or courses. Thus, agencies can use an initiative to improve their market penetration.

16.0 OVERALL CONCLUSIONS OF THE PROJECT OPERATORS

This chapter focuses primarily on the conclusions of the operators of the three Sourcing Services. This is due to the close contact they enjoyed with both suppliers and buyers. Also, having concluded the projects, they were able to step back and objectively analyse their activities. The opinions attributed to particular initiatives are often shared by other projects.

As previously stated, operators often feel that Local Purchasing Initiatives have a low perceived value in the eyes of many companies, as they believe the service could be provided in-house without much extra effort. This situation can be remedied by providing a service that companies cannot cost effectively provide for themselves and by effectively communicating this fact to the users and potential users. One method of achieving this is to incorporate company details that are of interest to inquirers, but not easily available elsewhere such as quality assurance and capacity information. Other means of raising an initiative's perceived value include ensuring that the information is as up to date as it is practicable to achieve and the provision of 'added value' services such as sticky labels, meetings and magazines.

16.1 Buyers' attitudes towards Local Purchasing Initiatives and their ability to participate in them

The Bolton and London initiatives found that companies recognise the advantages of having local suppliers and most large firms did not require persuading to get involved with the schemes. The Bolton Project Manager found the most successful method of enlisting a large company was first to sell the idea to the Managing Director, who would then arrange a subsequent meeting with the Purchasing Manager. After analysing thirty large companies' purchasing requirements he drew the conclusion that local purchasing was constrained in Bolton by the now limited level of local manufacturing capability in the town. He also felt that beyond a certain size of order there is no advantage to large companies such as British Aerospace in purchasing locally.

The Nottingham and London initiatives believed that the adoption of modern purchasing techniques by large companies 'greatly limits the extent to which they can support small suppliers' (London). As might be expected they found that the increasing use of Partnership Sourcing and single sourcing was leading to fewer opportunities for local suppliers. However, even those companies that did not use these methods were reluctant to jettison reliable and cost effective suppliers in order to embrace untried local firms.

The Nottingham Project Manager felt that it was unlikely that professional buyers would have neglected any significant local sources of essential materials or services. By the same token, it was felt that any entrepreneurial suppliers in the locality would have made themselves known to the buyers.

16.2 Suppliers' attitudes to selling locally and their and abilities to do so

The Bolton Project Manager believed that the Pareto rule is applicable to local purchasing, inferring that 20% of the small local suppliers will account for 80% of the available trade with local buyers. It was recommended therefore that efforts should be targetted on locating and assisting this 20% of small suppliers, as they have the greatest capacity to expand as a result of such an initiative.

The operators of the London project recognised that suppliers in the capital face tough competition due to higher operating costs and competition from outside the region. The principal requirements identified for supplier growth were competitive prices, quality assurance, customer care and satisfactory marketing. They concluded that suppliers with few employees and low turnovers are unlikely to have the depth of resources a buyer expects. At the other extreme, they found that there was little opportunity to work with larger suppliers as these are capable of dealing efficiently with large concerns without assistance. The consequence of this is that the companies they felt most able to help were in the range of 15-50 employees and/or £250k - £2.5m turnover.

The Nottingham Project Manager found that many firms were cautious at the prospect of expansion, especially as a result of orders from large organisations that they believe apply undue pressure and do not pay on time.

Bradford have found that specialist suppliers are less interested in the scheme as they feel that few companies in the area will be interested in their products.

16.3 Opportunities to supply locally

Another finding from the Bolton Project Manager's study of large companies' purchasing departments was that the majority of orders placed locally were for consumable items or services. This finding is echoed by the Nottingham Manager who felt that most opportunities for small companies existed in services, engineering components and small works - items that tend to be obtained locally anyway. When large companies were approached and asked to consider small local suppliers they were only willing to contemplate them for peripheral items, as a munificent gesture to the spirit of the initiative.

As a result of the number of opportunities to win trial orders being reduced and preferred vendors tending to be larger companies with resources and stability, the London operators recommended that local suppliers now have three target markets if they wish to sell more locally:

(i) other small and medium sized firms in the locality;
(ii) companies that are established first tier suppliers to large companies;
(iii) companies that purchase the product or service at the local plant level.

This means that suppliers have to thoroughly search for opportunities to inter-trade with similar sized companies, recognise that they are increasingly likely to trade with companies further down the large company supply chain and need to discover who, if anyone, purchases their products at a local level.

The operators of the Bolton and Bangor initiatives agree that the best opportunity to achieve large orders for local suppliers is when a company is moving into the location. For example, one Bolton businessman won a £125k order from a factory being built, dwarfing contracts received as a result of the initiative.

16.4 Lessons on 'best practise'

The Bolton Manager felt that a Local Purchasing Initiative might be best managed by someone fairly young, as part of their career path. The disadvantage of this is that they are unlikely to have the experience necessary to engender the respect of the staff of companies using the service, or the contacts that can frequently be useful. He did not believe that a purchasing background was necessary to run the Bolton initiative, as the main prerequisites of the Manager are "good managerial skills and the ability to get on with people". An alternative opinion was expressed at Coventry, where it was felt that a background in marketing and purchasing is necessary if the service is going to provide more than just information. A point on which the two managers agree is that Local Purchasing Initiative's do not produce immediate results. The Coventry Manager referred to the building of purchasing relationships as a "lengthy and difficult process".

16.5 Conclusions reached by the Sourcing Services on their viability

Each of the three initiatives operated for less than two years, which may have not been long enough to fully assess the potential of the schemes. Nevertheless, their recommendations present a salutory lesson on the viability of Local Purchasing Initiatives.

(i) London

The London operators came to the conclusion that there are only limited opportunities to link small suppliers with large buyers, certainly not enough to support a fully fledged Local Purchasing Initiative. It was recommended that local suppliers would benefit more from training programmes that would enable them to identify and act on market opportunities for themselves. At the end of the project responsibility for this type of initiative had passed on to the nine Training and Enterprise Council's that cover the London Region. The London East TEC has created the "London East Business Link", which will be developed in line with the recommendations from the London wide project.

(ii) Bolton

The Project Manager was of the opinion that the cost of the project in financial terms was not balanced by it's achievements. Four recommendations were made on how the enterprise agency might stimulate local purchasing more cost effectively:

(i) Enquiries about products and companies should be passed on to the Business Information librarian in the city;

(ii) A 'purchasing club' should be set up , consisting of senior purchasing staff from large companies in Bolton. The purpose would be to discuss methods of increasing the amount of local purchasing that their companies' achieved. A possible promotional activity would be the awarding of a trophy for the largest local purchase of the month, providing a good opportunity for press coverage;

(iii) Mini 'Meet the Buyer' events should be organised on specific industry sectors. Ideally, these would be the responsibility of the purchasing club;

(iv) Education should be provided for small companies on how to market their products and services to large companies.

The Project Manager concluded that the limited scale of these activities did not require a full time manager, as the various activities recommended could be carried out by existing staff at Bolton Business Ventures or by an external person on a part time basis.

(iii) Nottingham

The database of suppliers built up at the Nottingham initiative was handed over to the Nottinghamshire County Council's Economic Development Unit and TEC at the conclusion of the project. The Project Manager identified two alternatives for any future Local Purchasing Initiative in Nottingham:

(i) Improve the standard of small companies through training provision, or:

(ii) Establish a comprehensive database of Nottinghamshire manufacturers to maximise the potential for trade within Nottinghamshire.

17.0 USER SURVEYS

In order to gauge the effectiveness of initiatives of this type it is necessary to investigate them from the perspective of the users. Key issues are the level of importance the users attach to the service, what they like/dislike about it and ways in which they would like to see it improved.

After conducting the initial interviews with the Project Managers it became apparent that surprisingly little research had been carried out to ascertain the benefits derived by the users of Local Purchasing Initiatives. Therefore, it was decided to attempt to fill this gap in knowledge by conducting a number of user surveys in liaison with Project Operators. In order to assess the benefits which had accrued, attention was focused on a cross section of projects which were thought to have been reasonably successful and which were at the mature stage of their lifecycle.

This led to the Project Managers of the Cleveland, Bradford and RPO initiatives being contacted and further meetings arranged after they had expressed an interest in the idea. At these meetings, the nature of the proposed surveys was explained and an outline given of the topics that were felt to be worthy of inclusion, with the managers then being invited to participate. The Bradford and RPO managers agreed to participate within a short amount of time. Unfortunately Cleveland were initially reluctant and by the time they had finally agreed insufficient time was left to carry out the survey.

17.1 The RPO members survey

As a result of the second meeting with the Manager of the initiative a draft questionnaire was designed using a desk-top-publishing package to give a high standard of presentation. Subsequently, this underwent numerous revisions to incorporate suggestions from staff at the RPO. One of the major changes was the inclusion of questions relating to the 'Great North Meets the Buyer in 1992' event. Less than five of the responding companies had attended this event, resulting in questions relating to this event being left out of the analysis.

When both parties were happy with the content of the questionnaire it was mailed to the RPO contact at each of the 104 companies that were members of the scheme at the time. The questionnaire (appendix vi) was designed to discover:

- how the respondents became aware of the scheme?
- what motivated them to join the initiative?
- how many potential customers they had been made aware of?

- how many supplier and tender lists they had gained access to?
- how many orders gained they had gained?
- which stages of the contract winning process had the respondents reached?
- what value of orders had been placed with the respondents?
- what was the total value and geographic origin of orders obtained?
- what were the most popular methods of locating customers?
- what was the relative importance of the methods used to locate customers?
- how important was the RPO information in locating customers?
- what were the satisfaction levels with the information provided?
- what were the features of the scheme that were particularly liked?
- what were the features of the scheme that were particularly disliked?
- what improvements were recommended?
- what were the attitudes towards the membership fee?

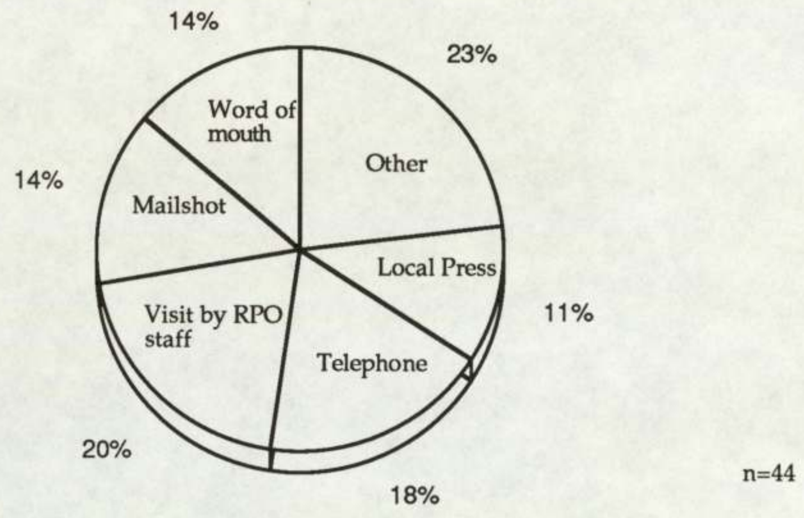
The postal questionnaire format was chosen as it is less time consuming than personal interviews and less expensive than telephone interviews. Also, it was felt that a postal questionnaire would allow the company contacts time to gather the information about tender lists and orders, as this may not have been immediately to hand.

Forty four of the questionnaires were returned for analysis by the closing date, giving a response rate of 42%. Time restraints meant that it was not possible to chase up the non-respondents and therefore, the following results should be viewed in the context of the limited number of responses.

17.1.1 How did the respondents become aware of the RPO?

Figure 17.1 indicates that a variety of methods brought the RPO to the attention of the respondents, with no single method outstanding. Responses mentioned in the 'other' segment include previous contact with the Northern Development Company and/or RPO staff and those respondents who were unsure of how they first heard of the scheme.

Figure 17.1 How respondents became aware of the RPO



17.1.2 Motivations for joining the initiative

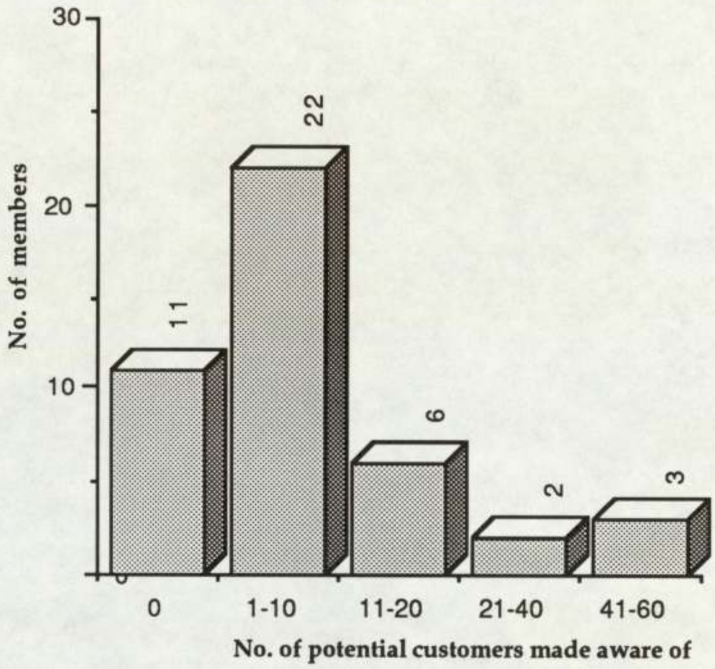
All of the companies joined the initiative in the expectation that it would help them to locate potential customers. A minority of the respondents gave specific reasons, which included:

- seeking to expand the company (four companies);
- opportunities to make contact with inward investors (three companies);
- increasing trade with local organisations (two companies);
- increasing trade with local authorities (one company).

17.1.3 Number of potential customers respondents have been made aware of

Figure 17.2 indicates that 50% of the respondents claim to have been made aware of between one and ten potential customers. A quarter of the respondents claim to have been made aware of no new potential customers at all.

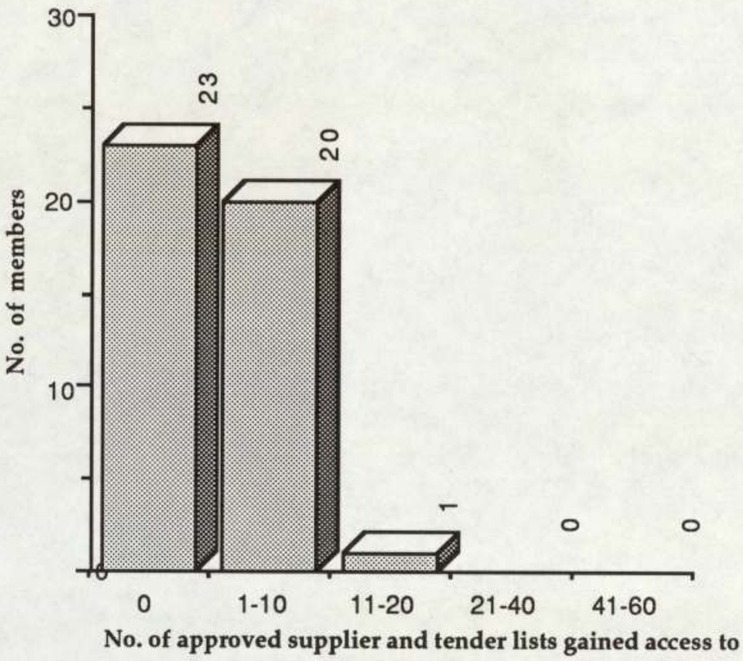
Figure 17.2 The Number of potential customers respondents have been made aware of



17.1.4 Number of approved supplier and tender lists gained access to

It can be seen from the Figure 17.3 that 21 of the respondents have obtained approved supplier status and/or gained access to tender lists as a result of being a member of the RPO.

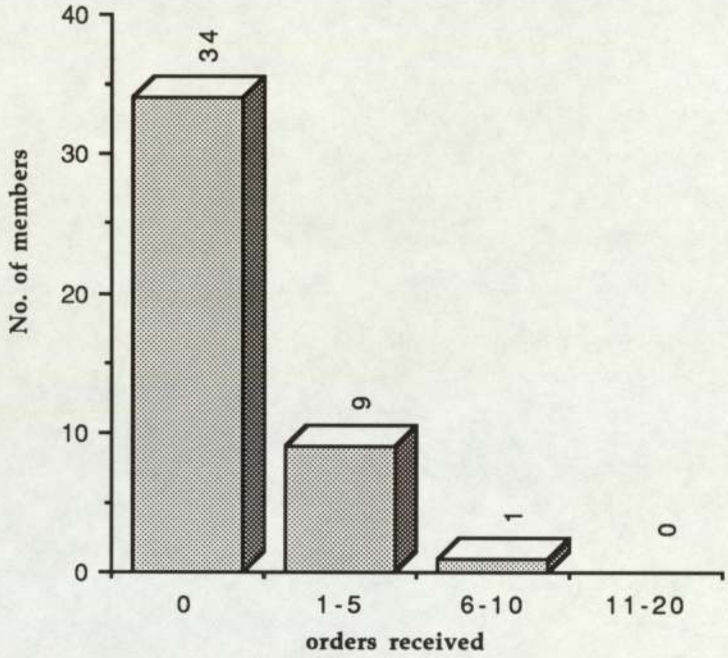
Figure 17.3 Number of approved supplier and tender lists gained access to



17.1.5 Number of orders gained by the respondents

As shown by Figure 17.4, ten of the responding companies indicated they were successful in obtaining orders through the RPO, with one of the companies receiving more than five orders.

Figure 17.4 Number of orders gained by the respondents as a result of joining the RPO

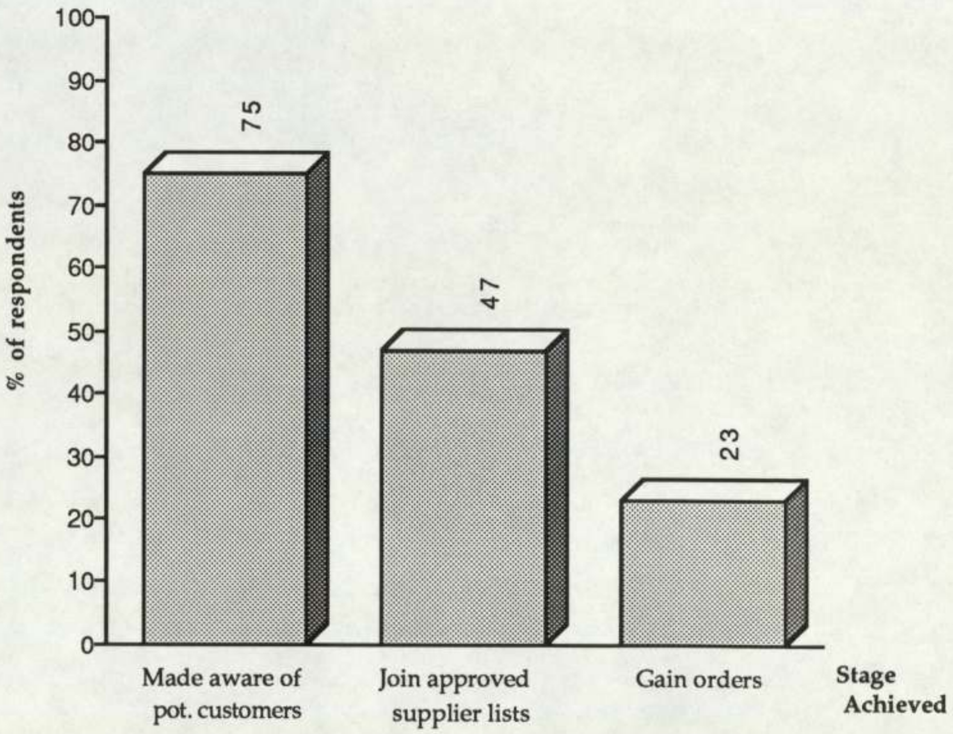


17.1.6 The percentage of respondents reaching specific stages in the contract winning process

Figure 17.5 indicates that 75% of the respondents had been made aware of potential customers by the scheme, with the other 25% claiming that they had not been informed of any potential customers by the RPO. Of the total number of respondents, 47% had joined approved supplier lists and 23% had gone on to win orders. Thus, there is a gradual reduction in the number of respondents reaching each stage of the contract winning process.

From these results it can be concluded that the scheme should endeavour to raise the percentage of firms reaching each stage of the process to 100%, so that they all have potential customers brought to their attention, all firms get on to approved supplier lists and all win contracts via the initiative. This undertaking could be achieved by ensuring that firms are supplied with information on potential customers that are relevant to them and facilitating training programmes and/or providing advice. The training programmes and advice would help the companies to identify and resolve the issues that are presently preventing them from gaining orders

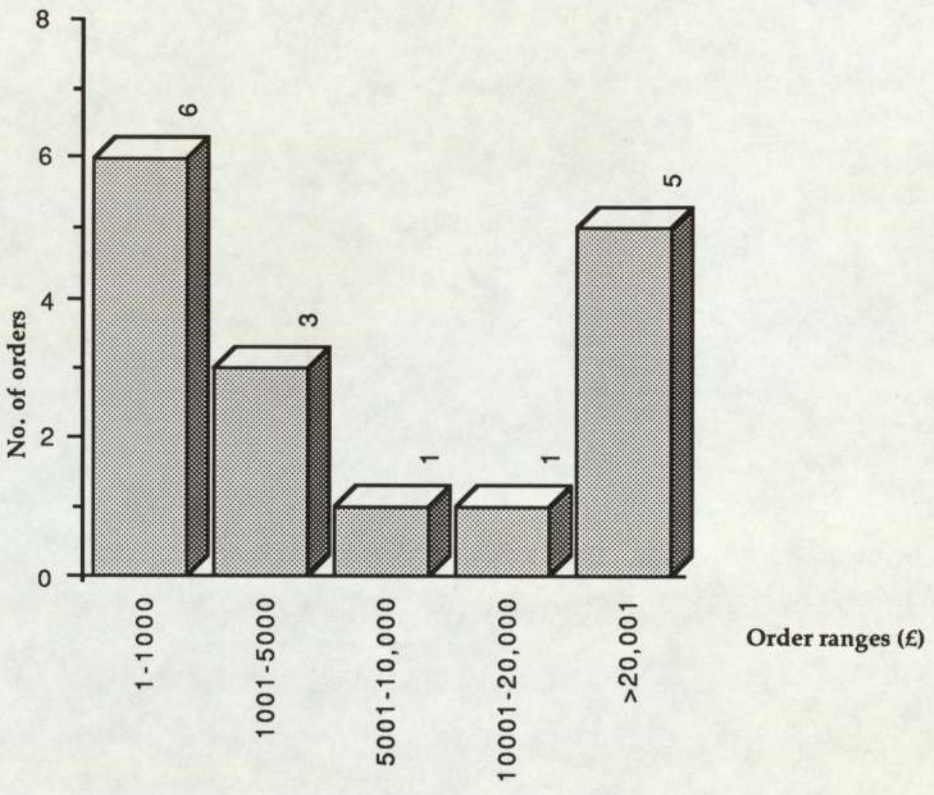
Figure 17.5 The percentage of respondents reaching specific stages in the contract winning process



17.1.7 The value of the orders placed with the respondents' firms

Figure 17.6 indicates the number and value of 16 orders secured by the respondents as a result of the RPO initiative. In addition to these sixteen individual orders, one company indicated it has received a "few" orders in the £1001-£5000 range and another has received an unquantified number in the >£20,000 range (see company i below) - due to the vagueness of these replies they are not included on the graph.

Figure 17.6 The value of the orders placed with the respondents



The five known contracts with a value of more than £20,000 were as follows:

Company	Value of orders received		
a	£75,000		
c	£80,000	£750,000	£700,0000
g	£120,000		

17.1.8 Total value and geographical origin of orders obtained

As previously stated ten of the companies responding had obtained orders through the RPO scheme. The total value and geographical origin of these orders are as detailed in Table 17.1.

Table 17.1 The total value and geographical origin of orders obtained

Company	Total value of orders obtained (£)	Geographical origin of orders Local	UK	Europe	Rest of World
a	100,000				100%
b	10,000	100%			
c	1,500,000	90%	10%		
d	not known	100%			
e	8000	100%			
f	1500	100%			
g	120,000	100%			
h	360		100%		
i	85,000,000				100%
j	<5000	100%			
	Minimum £86,739,860				

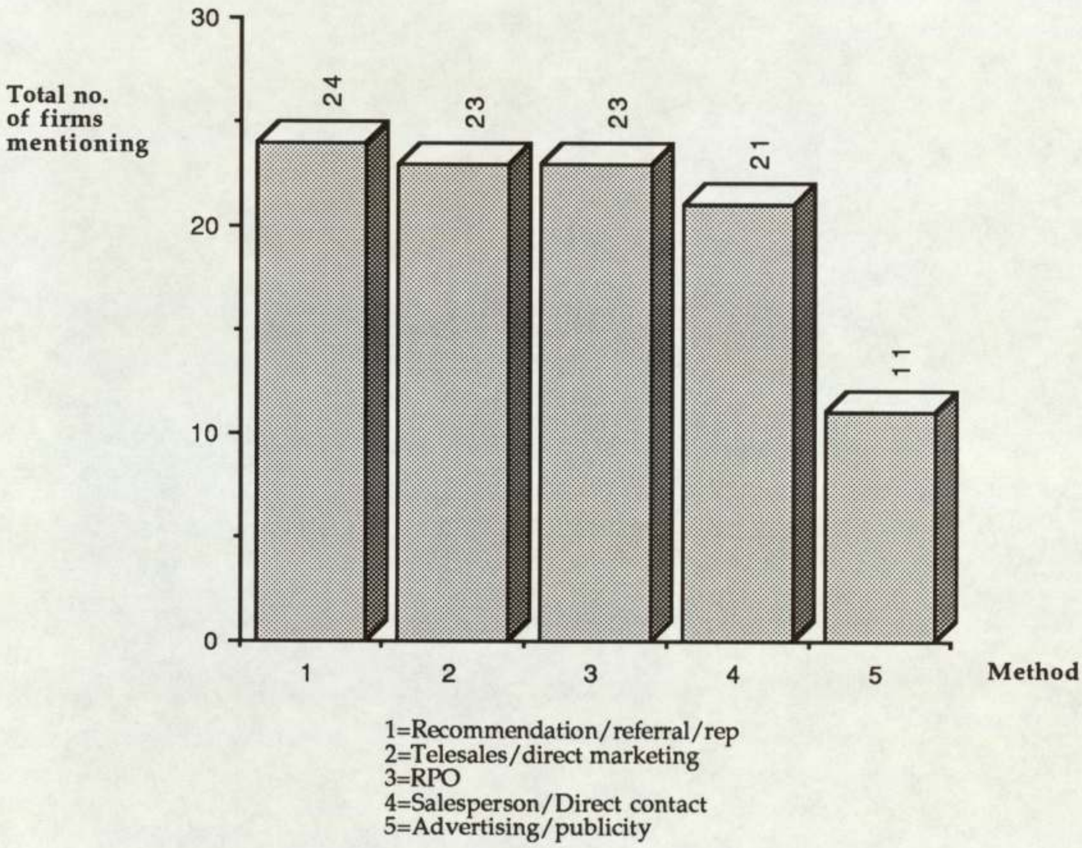
The figures indicate that the majority of orders have originated from other organisations in the North of England. It is not possible to assess the benefit of these orders to the local economy as the location of the previous suppliers are unknown. If these suppliers had also been located in the North there would be no net benefit to the local economy as the contracts would have been moved from one supplier in the region to another.

No orders have been won from other European organisations. In the light of this information it is questionable whether it is worth collecting tender information from non-UK sources. However, with the advent of the Single European Market it would be unwise to dismantle the procedures that have been put in place to collect this information.

17.1.9 The most frequently mentioned methods of locating customers

The respondents were asked to rank the five most important methods they used to locate potential customers. Not all respondents answered the question, or gave five methods. However, Figure 17.7 shows the frequency of the five most commonly mentioned methods. This indicates that recommendation/referral/reputation was the most frequently used method (being cited by 24% of firms), with the RPO being referred to only slightly less often.

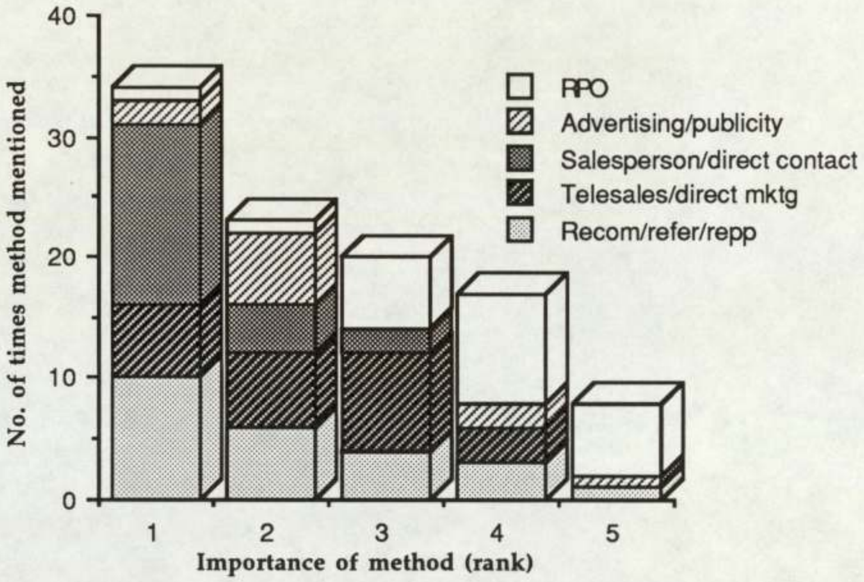
Figure 17.7 The most frequently mentioned methods of locating customers



17.1.10 The relative importance of the five most frequently mentioned methods to locate customers

Although the RPO was a frequently mentioned method from Figure 17.8 it can be seen that it tended to be mentioned as one of the less important methods (rankings three, four and five). However, one company ranked the RPO as the most important method it used to locate customers and another ranked it as the second most important method.

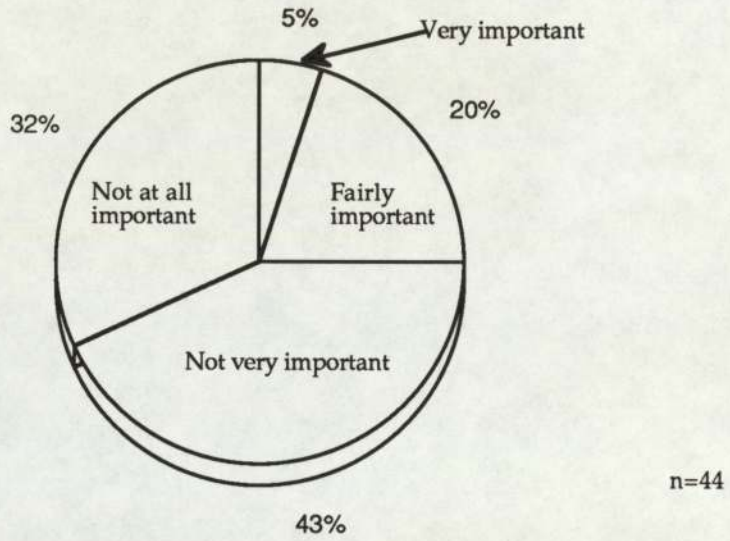
Figure 17.8 The relative importance of the five most frequently mentioned methods to locate customers



17.1.11 The importance of the RPO information in locating customers

The importance of the RPO to the respondents is further indicated by Figure 17.9. From this it can be seen that 25% of respondents feel the RPO has been 'very important', or 'fairly important' to them in identifying potential customers. Six of these eleven companies have obtained orders as a result of the initiative and a further four have gained access to approved supplier and/or tender lists. It is important to remember that the other 75% of respondents do not consider it to be important.

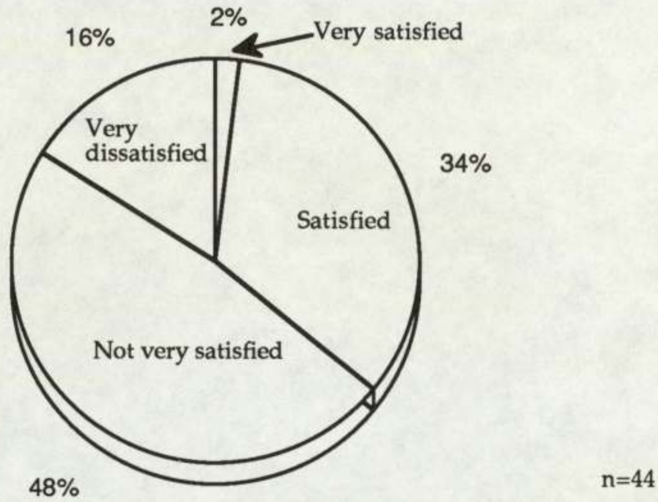
Figure 17.9 Importance of the RPO information in locating customers



17.1.12 Satisfaction with the information provided

It can be seen from Figure 17.10 that 36% of the respondents are either 'satisfied', or very satisfied with the information provided.

Figure 17.10 Satisfaction with the information provided



The chi-square test for association indicates that there is no significant relationship between gaining access to approved supplier and/or tender lists and level of satisfaction with the information provided, at the 5% level. However, the relationship between orders gained and satisfaction is significant at the 5% level. This implies, not surprisingly, that gaining orders causes users to be satisfied with the information, but gaining access to approved supplier and/or tender lists without gaining orders does not. A bigger sample of firms would be required to fully validate this tentative finding.

In view of the related nature of the questions about importance and satisfaction and the similarity of the categories available to record opinions, it is reasonable to expect the responses to these questions to be closely correlated. However, examination of Figures 17.9 and 17.10 reveals that 32% of respondents found the information to be 'not at all important', yet only 16% indicated that they were 'very dissatisfied' with the information. Similarly, 25% of the respondents found the information to be of some importance yet 36% expressed satisfaction with the service. An explanation for these apparent incongruities might be that certain respondents feel that although the information received is of no relevance to them, nevertheless, the RPO are making considerable efforts on their behalf and providing a supplement to their main methods of securing business. An alternative interpretation is that these users have low expectations of locating business through the initiative, but are willing to 'gamble' paying the membership fee in case they win a contract that more than justifies their outlay. As is the case with other members, failure to win any business is likely to lead to disillusionment, although this will be lessened by their initial low expectations.

17.1.13 Strengths of the RPO service

No one facet of the service featured strongly in the answers to this question. Eight of the respondents stated that they liked 'nothing' about the service, with a further ten leaving the question unanswered. Sixteen of these respondents were either 'Not very satisfied', or 'Highly dissatisfied'.

Of those respondents answering positively, six companies mentioned the 'potential' of the initiative or it's ambitious nature. The fact that the scheme provides 'early warning' of impending contracts was mentioned by five of the companies, with a similar number stating that the scheme acts as an extension of their own marketing activities - collecting information they do not have the resources or capability to collect themselves. Other features mentioned by a minority of companies include the helpfulness of the staff, the accessibility of the scheme and the provision of information on local government contracts.

17.1.14 Weaknesses of the service and improvements desired

Ten of the respondents did not name any features they disliked, which in a number of cases was due to the short time they had been a member of the scheme. The most frequent type of complaint made was about the information sent out. Nine companies felt that the information was not adequately matched to their needs:

"I would like to see some efforts made to identify the aspect of the service this client requires"

"No consistency in product (Business opportunities document). At times it is felt that items are used just used as 'fill in' "

"Inability to match our specialism with possible customers.... we get names and addresses but they do not have a specific need for us"

Six of the respondents would like to have more communication between themselves and the RPO, one actually suggested a magazine as a means of achieving this.

"Once contact has been made poor follow up service is made"

"More local knowledge is required along with regular meetings with members"

"More two way communication"

Another commonly made complaint was that the information was out of date, or out of date for the firm's purposes. Five respondents made this point, with comments such as:

"Tender information sheets contain old information"

"Some job leads are out of date for our purposes......by the time we receive them"

"We would like to see more detail about impending projects"

A further two companies felt that they would have found the information provided through their own marketing activities and four companies thought that the scheme had not lived up to it's promise in general.

One respondent recognised the difficulty in running such an ambitious initiative:

"...it is difficult for such a scheme to be close to the market when it covers so many diverse sectors"

Other dislikes and improvements included:

"Better have fast-follow up information such as contact name"

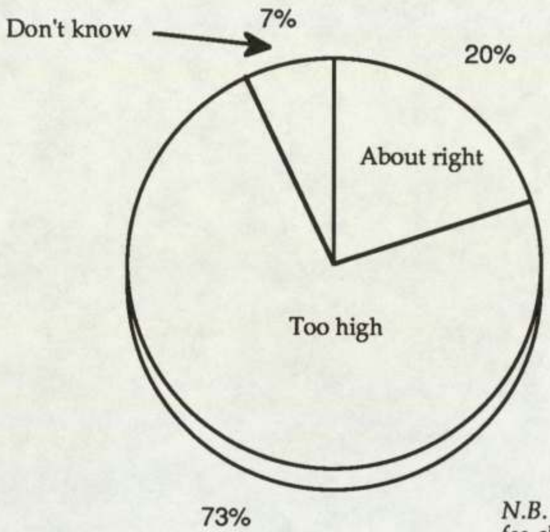
"It is not geared up to advise consultants - more towards contractors and suppliers"

"Led to believe that membership would lead to introductions to overseas clients - this has not happened to our knowledge"

17.1.15 Attitudes towards the membership fee

Figure 17.11 indicates that 73% of the respondents felt that the membership fee was too high. It should be remembered that companies are charged according to their size.

Figure 17.11 Attitudes towards the amount of membership fee charged



n=44

N.B. no companies thought the fee charged was 'not enough'

When asked if they would be willing to pay more for the service if it was improved in line with their suggestions, eight of the respondents indicated that they would be, with a further five indicating that they would prefer the fee to be proportional to the size of business secured.

Of the eight companies willing to pay more, six had indicated that they thought the present fee charged was too high. Only two companies specified how much they would be willing to pay, this being £1000 and 10% extra to what they already paid respectively. Thirty one respondents were unwilling to pay more.

17.1.16 Other benefits of the initiative

Four companies stated that orders gained through the RPO had helped secure workers' jobs. In addition one company had taken on 500 part-time workers, invested in new equipment and developed new products and/or services for customers located through the RPO. Two other respondents had developed new products or services for their RPO customers. Training courses on BS5750 were attended by five employees from three of the responding companies, as a result of their membership of the RPO.

17.1.17 Conclusions on the RPO initiative

Although, ten of the companies responding had won orders worth nearly £87m through their membership of the RPO, one company accounted for £85m of this. Excluding this company, the majority of orders originated from other local firms. This brings into question the level of resources dedicated to locating foreign contracts and is an indication of the difficulty of winning these contracts. However, with the opening up of the European market the RPO presents companies in the North with an excellent resource to help them compete for both public and private sector European contracts.

The fact that 77% of the respondents had not gained orders helps to explain the low levels of satisfaction with the service (64% 'Not very satisfied or 'Very dissatisfied'). A first step to improve this situation would be to identify those members that require more accurately targeted contract information. By gaining a fuller appreciation of the activities of these companies, the information provided to them can be made more relevant to their needs. Another benefit of closer links with the member firms is that the operators would be aware of individual requirements which might companies have e.g. early warning of impending projects.

17.2 The 'Buy From Bradford' members survey

Knowledge gained from the initial interview allowed the formulation of a 'mock' questionnaire which was taken to the follow-up meeting arranged with the Project Manager. As a result of this meeting, amendments were made to the proposed questionnaire and new questions incorporated.

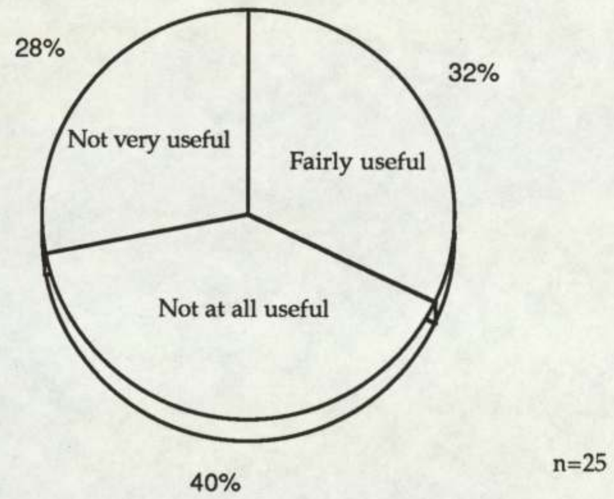
The postal survey format was also chosen for this survey, but in this case the questionnaire had to be longer than that used for the RPO study due to the fact that the companies on the database are able to use it to locate buyers, suppliers, or both. The questionnaire (appendix vii) was piloted with 75 companies, but unfortunately this produced only 7 responses. It was therefore decided to undertake a smaller telephone survey, using a much shortened questionnaire (appendix vii), to bring the total up to 25.

The small size of the sample means that the same restrictions apply with regard to representativeness as for the RPO survey.

17.2.1 How useful has the 'Buy From Bradford' information been to the members?

Figure 17.12 indicates that 8 (32%) of the respondents felt that the information was useful, although none thought it was very useful and 17 (68%) found it to be 'not at all useful', or 'not very useful'.

Figure 17.12 The usefulness of the 'Buy From Bradford' information



17.2.2 Contracts placed and won as a result of the service

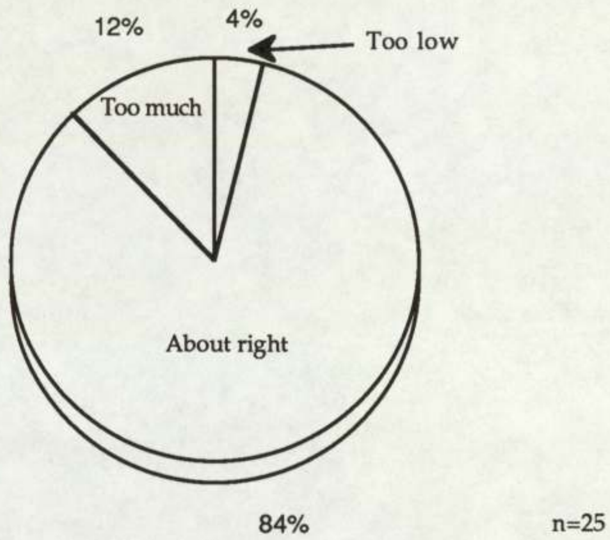
Five (20%) of the respondents indicated that they had successfully used the service specifically to locate buyers, one to locate suppliers and another had used the service for both purposes.

The six companies that had successfully used the service to locate buyers, had won 16 orders, totalling over £16k. The two companies locating suppliers via the system placed four orders that came to £3k.

17.2.3 Attitude towards the membership fee

As Figure 17.13 shows the majority of respondents think that the £25 fee charged is reasonable. This is probably due to it's nominal level rather than the quality of service received. Eleven (44%) of the respondents would be willing to pay more if the service were to be improved in line with their recommendations, with eight giving the Figure of £50. Two companies indicated they would pay £100, while one suggested it should be proportional to turnover or employee numbers.

Figure 17.13 Attitudes towards the amount of membership fee charged



17.2.4 Strengths of the service

Virtually every company felt that the idea of the project and the principle behind it was good i.e. support for local industry and the advantages of local sourcing. Only one of the companies would prefer to telephone for the information as they require it, with the rest happy for it to be sent by post. One respondent felt that the service was particularly useful to newer companies.

Other perceived strengths of the project were that it prompts buyers to consider looking for a local supplier when they have a new buying requirement and also helped them to widen their supplier base. From the point of view of suppliers, having the company name circulated amongst potential customers was seen as a very cost effective method of promotion when compared to advertising.

17.2.4 Analysis of the perceived weaknesses of the service and improvements desired

Four of the respondents felt that the service had no weaknesses. Of those identifying weaknesses, the majority of dissatisfaction centred on the matching lists sent out. Specifically this included:

- the companies are known to them already (four respondents);
- they are matched with competitors (two respondents);
- matches are poorly made, with the companies on the lists being irrelevant to their needs (four respondents).

There is little that can be done about members being informed of companies they are already aware of or competitors, without the database matching programme being written so that there is an option to prevent certain matches being made. Members would be required to inform the operators of those companies they did not wished to be matched with. This would lead to increased satisfaction with the service, but would increase the complexity of running it.

A typical comment about the accuracy of matches was:

"The people collecting the information need to be more knowledgeable about different industries. They want to put ticks in boxes as it gives them answers, but it distorts the picture and has led to them not getting it right"

Refinement of the categorisation of companies so that they are more accurately matched was an improvement desired by six of the respondents. In certain cases the cause of this problem might be that the companies have not been informed that the matchings are purposefully loose in order to encourage the 'forging' of links (see section 10.5) between companies. The conclusion from this is that Business Link operators using a loose 'Matching' system should explain the method of operation to the members so that they understand why they are sent the names of certain companies. However, this should not be used as an excuse for sending names of totally irrelevant companies. The actual assignment of company activity/product codes needs to be carried out by someone with a good knowledge of industry. In those cases where products or activities are difficult to categorise advice should be sought from the company, rather than make an informed guess.

Although only three companies stated that there was no supplier of their requirements in Bradford and this forced them to look further afield for supply sources, a total of seven of the respondents suggested that the scheme should be expanded geographically so that some new matches are created for them. One of the companies suggested the West Yorkshire county as a suitable size for the scheme. This indicates that 'Matching' Business Links need to grow to be useful to their members. This can be achieved firstly by increasing their coverage in the chosen operating area and secondly by increasing the size of the operating area. The lack of growth of the Bradford project is likely to be the reason for the low rate of re-registration. The majority of companies that do re-register do so more out of loyalty and habit than to obtain useful information.

Four respondents suggested that the profile of the scheme needs to be raised, presumably to attract those Bradford companies that are unaware of it. However, enticing companies to join the scheme is now going to be difficult as 900 of the 1200 companies that initially registered with the scheme are apparently no longer willing to do so. Assuming that Rogers' Diffusion of Innovation theory is applicable to local purchasing schemes the original 1200 companies were the 'Innovators', 'Early Adopters' and a few of the 'Early Majority'. These are the companies that are willing to adopt an innovation before the majority of companies. The others prefer to see the success of a new idea proven before using it. If a large proportion of the 'Innovators', 'Early Adopters' and some of the 'Early Majority' have discontinued use of the service, as is the case in Bradford, persuading the remainder of the companies to join the scheme will be extremely arduous. This indicates that it is critical to the long term success of all initiatives using databases to ensure that a high proportion of those companies joining the project in it's formative stages re-register. One of the ways in which this can be achieved is by monitoring satisfaction levels with the service and incorporating suggested improvements.

Two respondents felt that the presentation of the lists should be improved, as they are unimpressive and invited being "*...put in a draw and forgotten about*". This is not a great cause for concern as the majority of companies are more interested in the content of the lists rather than the way they look.

A general feeling from the respondents was that they kept up their membership of the scheme more out of loyalty to the town than for any commercial opportunities it may present. As the current recession continues these altruistic attitudes are likely to be eroded.

17.2.5 Overall conclusions on the 'Buy From Bradford' initiative

The 'Buy from Bradford' initiative is a more modest affair than that of the RPO. This is reflected by the £25 membership fee and the size of the contracts won (£16,000 by five firms). Having said that the scheme has great potential if developed and expanded within and beyond Bradford.

'Matching' Business Link initiatives require a high proportion of the firms in a reasonably diversified local economy to register with them in order to generate the necessary number of links to retain their members. The Bradford Operators can achieve this by expanding the geographical boundaries of the project to include other areas of West Yorkshire, such as Leeds. This expanded operating area would encompass many more potential members and also attract those Bradford companies that did not join, or allowed their membership to lapse, due to the limited number of links they could make with other Bradford companies. This major expansion of the initiative would require the assistance and co-operation of agencies from the areas to be incorporated. Alternatively, with an initiative of this scale it may be judicious to pass the responsibility to an organisation whose remit covers the whole of the proposed area, e.g. West Yorkshire County Council. If this growth option is not adopted the 'Buy From Bradford' initiative will lose those members that it has managed to retain.

17.3 Research carried out by the Rotherham Operators after their 1992 'Meet the Buyer' event

This event was organised by a consortium of the local enterprise agency, Training and Enterprise Council, Chamber of Commerce and Borough Council, with the TEC providing the funding. The 'Meet the Buyer' approach was specifically chosen as a relatively rapid and low-cost means of exploring the potential of local purchasing in Rotherham.

A month after the event research was carried out with all 15 of the Buyers that attended and a sample of the suppliers (69 responses from 100 questionnaires sent out). The results of this research give an indication of what both sets of users think about this initiative and the amount of business that it had generated within a month.

17.3.1 Attitudes towards the event

57% of the surveyed suppliers found the event either very useful or useful, 27% did not find it useful and 16% did not know. However, 94% of them would be willing to attend a future event, although some added the proviso that they would do so only if buyers of interest to them were present. The desired frequency of future events produced a contrast between the two user groups, with 44% of suppliers keen for them to occur every 3-6 months, but the Buyers suggesting that an annual event would be adequate, with some recommending bi-ennial. It would be interesting to see if the desired frequency of events lengthens after several years of suppliers seeing the same Buyers and vice-versa.

Of the Buyers, all but one had their objectives met or surpassed and would attend a future event. The event did not change their attitude towards local purchasing, as they claimed to opt for this whenever a suitable supplier is available. A number of the Buyers expressed disappointment at the low proportion of manufacturing and engineering suppliers that attended.

17.3.2 Statistics of the event

Total number of delegates seen by Buyers	665
Total number of subsequent meetings arranged	37
Total number of orders placed	12

It is important to remember that this research was conducted only a few weeks after the event. Evidence that the full effects of a 'Meet the Buyer' event take time to manifest themselves is given by the fact that of the 69 suppliers attending, 62% expected to receive further orders, enquiries or arrange additional meetings.

Other benefits which suppliers derived from the event included raising their confidence in dealing with larger organisations and discovering who the purchasing decision makers are within the large organisations attending.

17.4 Main conclusions from user surveys

The surveys of the users of the RPO and Bradford initiatives indicate low levels of satisfaction with the services. These are undoubtedly caused by the small proportion of users that have actually won or placed orders as a result of their membership. Action is required both on behalf of the initiative operators and members. The former need to adapt their services to meet the needs of their users by providing more relevant information and the latter need to raise their marketing standards in order to take full advantage of the opportunities that they are made aware of.

18.0 DECISION MODEL FOR LOCAL PURCHASING INITIATIVES

Drawing on the experience of the selected initiatives this chapter presents a decision model for Local Purchasing Initiatives. The process for the development of an Local Purchasing Initiative has been broken down into 11 steps. These are further subdivided into Issues, Options and Alternatives, as appropriate. The implications of the different choices available are written in italics.

Step 1 Arrange a meeting for potentially interested parties

The first activity of the initiator should be to arrange a meeting with all those agencies in the locality that might be interested in co-operating on a Local Purchasing Initiative and/or companies database. This is likely to include the local TEC, Enterprise Agency, Local Authority, Chamber of Commerce and Business Library. The range of issues which should be explored at this meeting include:

Issue 1 Is there a need for a Local Purchasing Initiative in the locality?
Is it felt that companies need to be made more aware of the opportunities to buy and sell locally?

Issue 2 What type of companies would benefit from such an initiative?
Past projects have not included retail outlets as they tend to have few linkages within a local economy. In the case of services, evidence suggests that companies tend to source them locally as a matter of course (Gripiaos, 1984). This may justify their exclusion of service companies from an initiative.
Problems that excluding suppliers could potentially cause include backlash from service companies and causing irritation to buyers who wish to use the scheme for all their purchasing requirements. If a comprehensive database of local companies is desired then service companies will have to be included.

Issue 3 What benefits do the various parties believe will be accrued as the result of an initiative and what is their expected magnitude?
This includes the number of contracts placed and their size; the number of jobs secured and/or created; the number of training courses attended and any increases in the diversity of the local economic base.

The results of the user surveys suggest that Local Purchasing Initiative's are unlikely to be major sources of customers for companies.

Issue 4 Which of the parties are willing to participate in an initiative?

The more agencies that are involved in the scheme the greater will be it's credibility to the potential users and members.

Issue 5 Which parties could make use of a database of companies?

Not all of the agencies may be interested in participating in the local purchasing scheme. However, if a database of companies is to be created they may wish to be involved with this. The experience of other initiatives suggests that a database has the greatest chance of surviving and flourishing if it is integrated into the activities of as many hosts as possible.

Issue 6 What resources already exist - is there a database of local companies already in existence which could be used for an initiative, or used as the basis and extended?

This will reduce costs of certain types of initiative and allow them to be implemented more rapidly.

Step 2 Assess the locality

The next step is to assess the characteristics of the locality as these will affect the choice and effectiveness of an initiative.

Issue1 What are the attitudes of local companies to a local purchasing initiative?

The majority of companies are likely to be in favour of such a scheme in theory, as the benefits of supplying and sourcing locally are well recognised.

Those areas that have a strong sense of regional identity are more likely to witness large companies turning these positive attitudes into actual business for local suppliers. This is because they tend to believe more strongly in the regional self-help ethos than firms in those areas where there is less regional identity.

Issue 2 What is the ability of larger companies to source locally?

Large companies are constrained in their ability to source locally by the availability of suppliers that can provide the products/services required. Those that are able to supply what is required do not always have the *ability to supply at the desired level of quality, quantity, delivery frequency etc., or may not have the stability sought.*

Local purchasing schemes appear to have the greatest potential of success if they concentrate on encouraging inter-trading between firms of all sizes, but especially those with 15-50 employees.

Step 3 Resource Audit

The level of resources that the participating agencies are willing to devote to the scheme will also influence the type of initiative which is capable of being undertaken and it's effectiveness.

Issue 1 Staff provision

If the participating agencies are willing to contribute personnel to the initiative direct running costs will be lower than if staff have to be recruited externally. This may liberate funds, allowing a more resource intensive type of initiative to be attempted than would otherwise be possible.

Issue 2 Funding

The level and timescale of funding provided for an initiative (along with any income generated) are critical factors in deciding which local purchasing approach to select.

Generally speaking, those types of project which can be operated on a 'one-off' basis (like 'Meet the Buyer', Directories and REGAIN) are more suitable for operators with limited budgets and/or funding timescales. Operators with access to longer term and higher levels of funding may consider ongoing approaches (Contact Services, Sourcing Service and Business Links). If resources permit, the operators of the ongoing initiatives may supplement their main activities with targeted "one-off" initiatives e.g. a Directory of small engineering firms. Experience suggests that projects that adopt this all encompassing approach will generate the most links between companies.

It should be noted that the cost of an initiative is not necessarily analogous with it's effectiveness. It may be that well planned 'Meet the Buyer' events and Directories will stimulate more local purchasing than approaches which require higher levels of funding. The decision to use one of the more expensive methods should be based on the expectation of *it generating a higher level of trade between local companies, or the accrual of other benefits. One of these benefits is that Business Links and Sourcing Services can such act as a foot in the door for other small firm services provided by the participating agencies.*

If the decision has been made to go ahead with a local purchasing project it should not be attempted on a "shoestring" budget, as a critical mass of resources is necessary to fully appraise the potential of local purchasing in a locality. This is also true for pilot schemes.

Step 4 Decide on the scale of the initiative

The geographical scale of the initiative will be influenced by a number of factors:

Factor 1 How many companies are in the chosen operating area?

The chosen operating area should contain enough companies of all sizes for there to be sufficient potential for forging new links between them.

Factor 2 What do the users consider to be 'local'?

To maximise the attractiveness of the initiative, Operators should try to ensure that their projects' geographical boundaries reflect what the users consider to be 'local'. For instance, an initiative covering only East Birmingham is likely to be less attractive to users than one which encompasses the whole of the city. This is because users are likely to consider all of Birmingham as local in the context of a Local Purchasing Initiative. They will want to be made aware of firms throughout the city, not just from such a tightly defined area.

Factor 3 What is acceptable to the participating agencies?

If a number of agencies with different operating areas become involved in the initiative, compromises will have to be reached.

Factor 4 What is financially feasible?

For 'Phone-in' and 'Matching' Business Links the number of companies to be included will be related to the geographical size of the project. The more companies which are included the greater will be the costs to survey them, resulting in the scale of the project being constrained by the size of the project budget.

Factor 5 Could the initiative be designed to grow in stages ?

'Phone-in' and 'Matching' Business Links could start in a particular locality with the intention of expanding as potential links are made, successes are recorded and more funds become available.

Step 5 Choose the approach to be used

Now that the operating parameters have been established the approach to be adopted can be decided. As already mentioned the options available are:

One off and/or limited budget initiatives such as:

(i) 'Meet the Buyer';

(ii) Directories;

(iii) REGAIN.

Ongoing and/or more highly funded initiatives such as:

(iv) Contact Service;

(v) Sourcing Service;

(vi) Business Link ('Phone-in', 'Matching' or 'Contract scanning').

(i) Meet the Buyer

There are three alternatives available:

Alternative1 Single company events, where suppliers meet the buying staff from one large local company.

This event is usually hosted by the large company and allows them to talk in general about their requirements to the suppliers present before having individual meetings. An alternative approach is for the buying staff from a large company from outside the locality to be invited to meet with suppliers of a particular product from the locality.

Alternative 2 Industrial sector events, or a series of such events, where suppliers meet the buying staff from local companies in a particular area of industry.

In common with the single company event the focused nature of the industrial sector 'Meet the Buyer' is preferred by certain operators, as it allows the initiative to develop incrementally. It also allows the prioritisation of industry sectors according to their importance to the local economy.

Alternative 3 Multi-company events, where suppliers meet the buying staff of local companies from all sectors of industry.

This type of 'Meet the Buyer' event is likely to have the most buyers present. The scale of the event usually necessitates the use of specialist accommodation such as hotel conference centres, resulting in these being the most expensive type of event to organise.

(ii) General Directory

This is the approach that involves least contact with the participating companies. They tend to provide less detailed information than Business Links.

This means that they are able to achieve a relatively high response rate from postal surveys as they only need to ask a small number of questions.

(iii) REGAIN

This type of initiative provides a great deal of information about the extent of foreign product penetration of the industrial sector investigated.

It is suitable for those operators that have a fairly large budget; are seeking to replace foreign imports rather than supplies met from other parts of the country; wish to target particular sectors of industry and; want the project to have a finite life.

(iv) Contact Service

Projects that operate this service are providing a computerised version of a paper Directory, but usually with the capacity to hold far more information.

This is suitable for operators that desire little contact with the users, but are willing to undertake the fairly extensive costs involved. These are mostly caused by the need for constant updating and the provision of staff to answer telephone and postal enquiries.

(v) Sourcing Service

This type of initiative involves working with the staff of large firms to identify products and/or services that the firm is buying from outside the locality. Research is then carried out to see if a suitable local supplier exists to replace the external source.

This provides a means of exploring the potential for local sourcing in a locality without the commitment of creating a database. Contact with large companies allows the staff to gauge their ability to source from local suppliers. After a reasonable period of operation the viability of a database system can be decided.

(vi) Business Links

The key activity of a Business Link scheme is the construction of a database of companies in the locality.

This involves heavy fixed costs and results in the lead time between starting the project and making companies aware of each other being longer than with other approaches.

Issue 1 The alternative Business Link variations available

The research undertaken has revealed that a number of individual variations have been developed within the general Business Link approach.

Alternative 1 'Contract scanning'

This requires extensive resources to track down available contracts at local and/or regional and/or national and/or international levels.

The high level of funding required is necessary throughout the lifetime of the initiative.

Alternatives 2&3 'Matching' and 'Phone-in'

With these types of Business Links the operators first have to decide the details of the initiative's structure. For example, membership could be offered to all firms in the operating area and they could be stratified by their size into 'only buyers' and 'only suppliers', with information being collected exclusively on that activity.

For a 'Matching' Business Link operation this limits the number of links that can be made.

Alternatively, information could be collected on both activities from each firm.

This enables the 'Matching' service to make more links and the 'Phone-in' service to provide more information. There is a risk with this system that smaller firms will include details of purchases that are of limited financial value. Therefore, it may be necessary to indicate that only purchases over a certain amount should be listed.

Another option is for the database to have information on small/medium size supplier firms only.

The database is then only used to locate suppliers either by other companies on the database or larger companies not on it.

Issue 2 Whether or not to maximise the number of companies on the database?

'Matching' systems need to recruit as many companies as possible to the database, irrespective of their quality, in order to generate sufficient links to justify the approach. For 'Phone-in' projects the higher the coverage that a project achieves the more likely it is that people will value and use it.

Instead of trying to maximise the number of companies on the database the operator may decide to operate a quality threshold for suppliers. Only those of a certain standard and stability would be allowed onto the database.

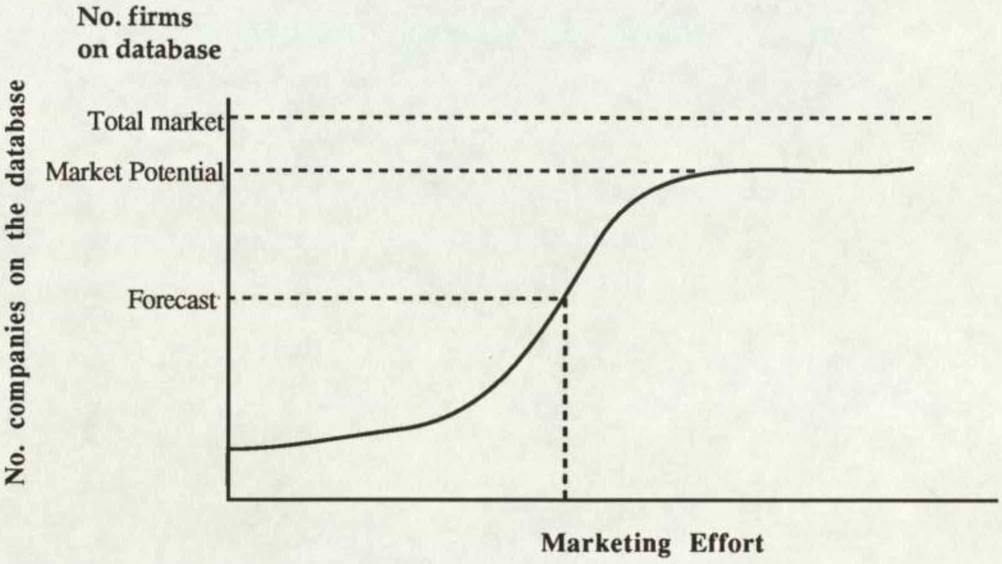
This approach helps to create a differential advantage for the initiative. As well as informing buyers of local companies producing a product or service the initiative has completed the initial filtering of suppliers for them. This results in buyers that use the service feeling more confident that they will be able to use the suppliers they are put in contact with.

Issue 3 If a maximisation strategy is pursued, what is a reasonable penetration level for the operators to expect?

Cleveland have reached a high level of penetration with 4000 companies on their database, representing approximately 67% of all goods and service producers in the county. All companies relevant to the initiative have been visited, indicating that 33% of companies in the operating area are not interested in joining the scheme. As Cleveland offer companies the opportunity to be entered on their database free of charge, it may be assumed that the number of firms registering with the scheme has not been affected by any price considerations. Thus, this project gives an indication of the size of the 'potential' market for such initiatives, i.e. "those people who express an interest in the offer" (Kotler 1987). Applying these findings to a hypothetical initiative with 10,000 relevant companies in it's operating area it might be expected that just over 6500 of them would be willing to register, providing that there was the option of joining the scheme for free.

Another factor which will affect the level and speed of penetration of the initiative is the amount of marketing support that the project receives. Figure 18.1 indicates how increasing marketing support might be expected to influence the number of companies registering with a scheme.

Figure 18.1 The affect of marketing activities on the number of firms registering with the scheme



The final factor that will influence the penetration level of the initiative is the perceived value of being a member of a scheme. If the perceived value is high then a scheme will recruit more companies than if it has a low perceived value.

To summarise, the number of companies joining a scheme will be directly proportional to the size of the potential market; marketing effort; perceived value of joining; and inversely proportional to the cost of joining.

Issue 4 Are buyers going to be furnished with information on suppliers from outside the database?

A decision has to be taken on the level of service that buyers are to receive from the initiative. If the resources are available it is advisable that buyers whose requirements cannot be met by companies on the database should be informed of companies outside the database that can. The search for the supplier of a product or service might be effected by 'focusing out' from the project's location until a suitable firm is encountered, so that the supplier is as local as possible. Standard sources of information, such as directories and other databases can be used for this. This approach helps to ensure that buyers use the service in future and are less likely to become disenchanted with it's failure to identify a local supplier.

Step 6 Decide on the location of the service

This will be influenced by the type of initiative chosen and the participating agencies.

Alternative 1 The location of 'one-off' initiatives is less important than for ongoing ones due to the nature of their operation and limited lifespan. This makes enterprise agencies and development agencies attractive locations for this type of project.

Unfortunately, research has concluded that development agencies and local authorities are not perceived as being useful sources of business information (Cohen 1991). In recognition of this possibility it may be preferable to locate an initiative in a more credible host, such as the local Chamber of Commerce.

Alternative 2 Contact Service initiatives lend themselves to location in local Business Libraries, as they involve no more than providing names and addresses and are used to handling requests of this type. Academic or public libraries are equally suitable.

If a library is chosen as the location there is a risk that the information gathered will not be used to it's full potential as co-ordination with other possible beneficiaries may not be strong. To overcome this problem the availability of the information should be promoted and access to it maximised, so that bodies such as the Economic Development Unit of the local authority can use it.

Alternative 3 If sufficient funds are available premises may be bought or leased specifically to host the initiative.

This makes the scheme more accessible to it's members and users.

Step 7 Decide how to locate and interview companies and update the information

These issues will be determined by the approach adopted and the resources available.

Issue 1 How are companies in the area going to be located?

Alternative 1 Press promotion to "pull-in" enquiries

Local press coverage can usually be obtained free of charge, but there is not total control over the message given to potential members/users.

Alternative 2 Mailshots from directories, Yellow Pages, Chamber of Commerce etc.

With this method there is a risk that many of the companies asked to confirm their existence and interest in the scheme will not be sufficiently motivated to reply, or will forget to do so.

Alternative 3 Visit known areas of commerce on foot

Although, this ensures a high level of coverage it is a time consuming process.

Alternative 4 Commission a survey

If the project has sufficient financial resources this is an attractive method of gaining awareness of local companies, although it is probably more cost effective to have the survey team also carry out interviews with them. A disadvantage of this approach is that the operators do not get to establish a relationship with the members/user, which is a valuable benefit if the personal interview method of gaining company information is to be used.

Issue 2 How to gain information on the companies located?

Alternative 1 The personal interview

This method requires a high commitment of resources and time. However, it enables the project to establish a rapport with the companies registering, which is important as it removes the barrier of making contact with the initiative for the first time. This alternative also allows the interviewers to obtain a 'feel' for the companies' activities and ensure that the questionnaires are correctly filled in.

Alternative 2 Telephone interviews

This is quicker than personal interviews, but does not convey the professionalism of the scheme as effectively as a personal interview. It is an unsuitable method for gaining sensitive information, such as principal customers or financial data.

Alternative 3 Postal surveys

These have been shown to have a poor response rate and are incapable of collecting sensitive information. However, they are acceptable for 'hands off' approaches such as directories and Contact Services.

Issue 3 How is the information to be updated ?

The methods most suitable for achieving this are by telephone or by sending out company records and asking if any changes have occurred.

Preferably the burden of updating the company records would be spread throughout the year. Providing out of date information to users will undermine the credibility of the project. The result of this will be a poor renewal rate and bad 'word of mouth' recommendations. Updating is likely to represent a considerable running cost of the initiative.

Those participating agencies that have uses for a personal copy of the database can have it updated via a modem link with the central database at suitable intervals.

Step 8 Decision relating to the construction of a database

Issue 1 What information is to be included?

The more information that is required and the greater the sensitivity of this information, the fewer companies will be willing to co-operate.

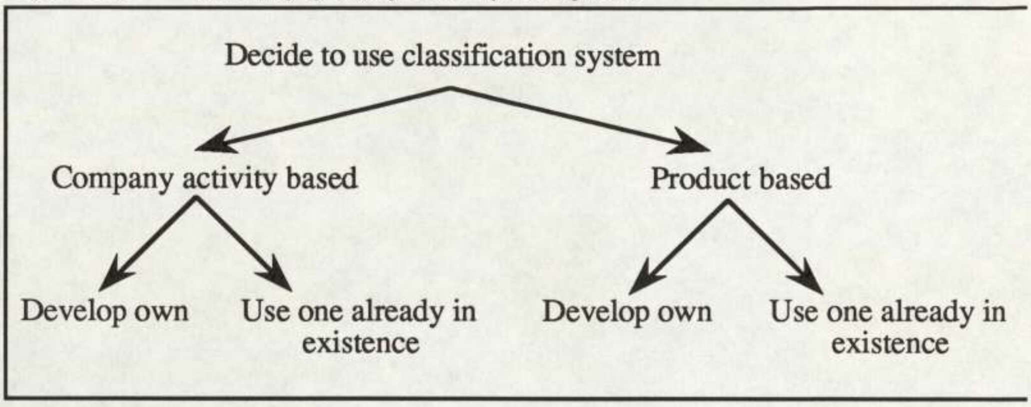
By including information on what companies buy the initiative is able to provide detailed sales leads to suppliers.

Issue 2 Which classification system should be used?

The project operators have to decide if a classification system is required for the companies on the database, or if a description in words is sufficient.

'Matching' Business Links and other Business Links with large numbers of companies on the database (>250) will definitely require such systems. Figure 18.2 summarises the choices available to initiative operators deciding to use a classification system.

Figure 18.2 Summary of classification system options



Past projects have found that product based systems are preferable as they are more specific. Creating a tailored classification system is an unattractive proposition as it involves a great deal of time and effort. A more pragmatic alternative is to use one of the industry standard systems or purchase a suitable one, perhaps from an existing project.

It is particularly useful if the database can be searched for broad matches. This involves putting a buyer in contact with a company that might be able to supply the required item, but does not do so at that point in time. If the classification system is hierarchical this can be accomplished by searching using only the first few digits of a full product code. An alternative would be to have only a limited number of company activity codes.

Step 9 Decide on the provision of additional products and services

Initiatives can 'add-value' to their basic product (company information) by providing 'add-on' products and services. These will increase the perceived value of an initiative to members and potential members and may also provide additional sources of income. The following are five 'add-on' products that existing initiatives provide.

Option 1 Mailing lists on adhesive labels

Providing enquirers with company names and addresses on adhesive labels increases the 'user friendliness' of the service.

Option 2 Information on floppy disks

For 'Matching' Business Link initiatives certain companies will have a large number of matches for their products or services e.g. stationary suppliers. Providing their matching lists on floppy disk will greatly reduce paper and mailing costs of the operators, while allowing companies to purchase the basic information of all the firms on the database can provide an additional source of income.

Option 3a Directories (derived from a database)

Producing a Directory from a database of companies is a simple process and provides a means of ensuring that the information about the opportunities to buy and sell locally has maximum dispersal.

Option 3b Directories listing only the activities of the companies on the database

By producing a basic Directory that only gives details of the activities of companies on the database and not their names, enquirers are forced to contact the initiative operators to get the names and addresses of the firms they are interested in. This allows monitoring of the business generated by the service. It also helps to prevent firms being pestered by sales-people, as can happen when the normal type of directories are published.

Option 4 Business Clubs

These can be organised for, or preferably by, purchasing staff from the companies in the locality. Whether the attendees are mainly from large or small firms, a business club would provide a forum for discussing means of increasing the levels of local purchasing. Additional activities could include the education of small and medium company staff.

Option 5 Magazines

It is important that members of a scheme have some form of regular contact with the operators to inform them of any changes to the service and remind them to make use of it. A magazine provides a medium for achieving this.

Step 10 Decide on the pricing strategy to be used

Buyers, suppliers, inquirers or a combination could be charged. The main pricing alternatives are:

Alternative 1 Free of charge

This will probably maximise the number of firms becoming members of and using the scheme. At the commencement of a project it may be wise to provide the scheme free of charge. After the project has had sufficient time to prove it's value pricing can be introduced.

Alternative 2 Non-banded, fixed fee

This type of pricing does not maximise the revenue potential of an initiative, as the price has to be set low enough so that it is not a disincentive to small companies.

Alternative 3 Banded, fixed fee

This method provides a fair and efficient means of earning revenue for an initiative.

Alternative 4 Size of contract secured

This approach is only suitable if the method of operation allows the operators to be aware of all potential transactions being negotiated. Hence, it is most suitable for Sourcing Service initiatives.

Initiatives using this method may be accused of having a financial interest in the transactions occurring and this may be damaging to their image. Also if suppliers are to be charged, they will have to take into account the commission when setting their tender bids. This subjects them to extra costs above those of their rivals. Policing this pricing alternative may present a problem to the operators as inevitably certain companies will try to avoid paying the operators. This will not only deprive the operators of income, but also prevent them from being informed of successful links created by the initiative.

Alternative 5 Usage rate of the service

Charging via this method will act as a deterrent to the casual use of the service, in the same way that BT's introduction of charges for Directory Enquiries has.

Step 11 Design a monitoring programme

Integral to the design of the initiative should be a means of monitoring the outcome of it's activities. Objective criteria are necessary to measure the progress of the initiative. The following performance indicators are suitable for Business Link initiatives:

For each member of the initiative

- Number of potential suppliers and/or potential customers informed of?
- Number of approved supplier/tender lists gained access to?
- Number of contracts awarded and/or won?
- Number and type of training courses attended?
- Investment in plant and machinery undertaken?
- Number of jobs secured and created?

18.1 Conclusions on choices available

The preceding section signposted the major decisions that have to be made by anyone developing a Local Purchasing Initiative and the choices available to them. Wherever possible these choices should be tailored to meet local circumstances as closely as possible.

BIBLIOGRAPHY AND REFERENCES

Arnold-McCulloch, R.S. and Lewis, J. (1985) 'Standards of Financial Management in the Younger Enterprise', Paper presented at the Eighth National Small Firms Policy and Research Conference, 1985.

Bannock, G. (1980) *The Promotion of Small Business: A Seven Country Study*, London: Shell U.K.

Bedford-Visser, S.(1988) 'Promoting a Business Information Service', *Scottish Libraries*, vol. 12, , 3-5

Bennett, R. (1983) '*Business Databases in the UK a Preliminary Survey*', CPI

Burge, K (1991) 'Purchasing and Supply in The North East', *Business Review North*

Capital Planning Information (1986) '*The Information Needs of the Smaller Business*', Proceedings of a Seminar Organised by CPI and HERTIS Information for Industry, Edinburgh: CPI

Cmnd 4811 (1971) *Report of the Committee of Inquiry into Small Firms*, (Bolton), London: HMSO

Cohen, J. (1991) *The information requirements of Buyers*, Better Made In Britain, London

Cunningham, M.T. and White, J.G. (1974) 'The behaviour of individual buyers in their search for suppliers of machine tools', *Journal of Management Studies,* May 115-28

England, J. (1986) 'Developing A Cleveland Industrial Database', *Burisa Newsletter*, September, 2-4

Forster, W.A., Hodgett, A.E., Miller, D.E., and Morris, K.M. (1984) 'Hertis Experience in the Development and Publication of a Business Databank' *Program,* vol. 18, no 4, 321-333

Forrester, J and West, T. (1985) *Defence Sector Procurement: Opportunities for High Technology Small Firms*, Small Business Research Trust, London: HMSO

Gripiaos, P. (1984) *Manufacturing Industry in Devon and Cornwall: An Analysis of Decision Taking, Industrial Linkages and Locational Perception,* South West Economy Unit, Plymouth Polytechnic

Gibb, A. (1990) *Purchasing in the North- East of England,* Durham Business School, Durham University

Harlow, C. (1983) *Commercial Interdependence: Public Corporations and Private Industry,* London: Policy Studies Institute

Hartley, K. and Hutton, J. (1989) 'Large Purchasers', in Barber J, Metcalfe J, Porteous, M. (eds.), *Barriers to Growth in Small Firms,* London: Routledge.

Hitchens, D. and O'Farrell, P., '*Inter-Regional Comparisons of Small Firm Performance: The Case of Northern Ireland and South-East England*', Paper presented at the Eighth National Small Firms Policy and Research Conference, 1985.

Johnson, S. (1987) 'Small Firms in the Local Economy', *Northern Economic Review,* Summer, 9-19

LEDIS Initiatives F29, A365, A54, A87, E46,

Johnstone, D. (1985) in McCreadie, J. (ed), *Enterprise Agencies and Local Economic Development,* Glasgow: Planning Exchange

O'Neill,K., D'Arcy, J.A., and D'Arcy, J.M. (1986) 'Small Firms Selling to Large Firms - Obstacles Faced in Northern Ireland', in Rosa, P. (ed.), *The Role and Contribution of Small Business Research,* Newcastle Upon Tyne: Avebury.

Peck, F. (1990) 'Nissan in the North East: the Multiplier Effects', *Geography,* 354-357

Probst, A. and Gibbons, G. (1987) 'Oregon Marketplace - Building Local Markets, *Commentary,* Winter, 3-7

Rednall, R. (1990) '*Springboard for Growth*', Business in the Community

Robinson, T. (1990) *Partners In Providing The Goods: The Changing Relationship Between Large Companies and Their Small Suppliers,* London: 3i

Sellgren, J. (1990) 'Local Economic Development Partnerships - An Assessment of Local Authority Economic Development Initiatives', *Local Government Studies,* July/August, 57-77

White, B., Bennett, R. and Shipsey, R. (1982) *Information and the Small Manufacturing Firm,* Edinburgh: Capital Planning Information

APPENDIX (i)
Glasgow District Council's Purchasing Policy

In 1982 a survey of the council's purchasing patterns revealed that 18% of council expenditure was spent on goods and services from companies outside Glasgow. In one department 90% of the goods sourced from Glasgow companies originated outside the area. This situation spurred the council to take measures to increase their proportion of local suppliers.

Their first local purchasing policy was to offer any Glasgow firm a particular supply contract if they came within 2% of the lowest quote and had the second lowest offer overall. However, the offer was subject to them completing the contract at the lowest received quote.

As a result of the above policy £300,000 of Council expenditure was transferred to local companies, in the first year. This was equivalent to 24 jobs. The success of the scheme prompted the Council to alter the rules. They scrapped the requirement of having the second lowest quote and raised the level to 5% within the lowest quote. They estimated that local companies would receive £1.5m in extra orders, the equivalent of 126 jobs.

Other steps the Council took included adopting a policy of breaking down large contracts, wherever possible, to create more opportunities for small businesses. They also held a conference and exhibition to make small companies aware of Council contracts and tendering procedures and developed a sub-contractors register.

APPENDIX (ii)

Summary of advantages and disadvantages of Partnership Sourcing

Advantages:

1. Purchasing Company

(i) Increase in quality due to
- investment in equipment and training by supplier;
- supplier designing a better component;

(ii) Decrease in cost due to
- suppliers design being cheaper to make;
- no checking of goods;
- reduced inventory;
- less has to be spent on servicing faulty goods which have reached the market.,

2. Supplier Company

(i) Bigger orders;

(ii) Investment made in new equipment and training will increase the competitiveness of the company for other trade;

(iii) Liaison with the purchasing company will lead to technology transfer;

(iv) Optimum payment arrangements will be received as the buyer will be unwilling to exert credit pressures on a supplier it relies upon.

Disadvantages:

1. Purchasing Company

(i) Dependency - what if the supplier ceases trading ?

(ii) Adequacy of supplier firm management to manage a complex interface which operates on so many levels, not just sales.

2. Supplier Company

(i) Dependency - may come to rely on one company, whose success they depend on;

(ii) Effort and cost to meet required quality standards - will this be worth it?

(iii) Wariness about opening books to customers - in Partnership Sourcing relationships the buyer often likes to know the costs of it's suppliers, which could be used to cut their margins;

(iv) Power imbalance - is it a true partnership or do buyers dictate all terms to their suppliers;

(v) For suppliers in general it will be increasingly difficult to break into the supply chain, due to the inconvenience for firms in changing suppliers.

APPENDIX (iii)

Summary of the Hertfordshire County Council Business Info Survey 1991

The purpose of this survey was to discover how county councils go about providing business information services. Responses were gained from 40 authorities.

(i) Methods used to compile databases:

Method used	% using
• Survey	60%
• External database	12.5%
• published directories	10%
• Census of employment	10%
• Local press	7.5%

(ii) Services available from councils providing Contact Services:

Service	No. providing
• business information enquiry service	32
• fact packs	31
• commercial Property Register	30
• address labelling service	26
• on-line search facility	15
• price lists	14
• others	12
• mailmerge	5

(iii) Pricing of the various products available from the Contact Services:

Product	Ave. Price (£)	Price range (£)
• directories	12	5-50
• printouts	11	10-90
• mailshot labels	14	10-90
• listings to requirements	3.80 / list	-
• disks	7.50 / disk	13-40

The average income generated by the 12 authorities that answered the question was £12k

(iv) Marketing methods used:

	Method	No. using
•	Newspapers	16
•	Publishers	16
•	Other media	15
•	leaflets	14
•	exhibitions	14
•	radio	3

APPENDIX (iv)

Phase 1 interview schedule

SECTION 1 - BACKGROUND

1.1	Project history
1.2	Originators and operators
1.3	Management structure
1.4	Aims & objectives

SECTION 2 - TECHNICAL

2.1	Services available and access methods
2.2	Modus Operandi
2.3	Alternative set-ups considered
2.4	Computer hardware used
2.5	Computer software used
2.6	Information held
2.7	Number of companies in database
2.8	Classification system used for company type
2.9	Procedure for collecting initial information
2.10	Updating procedures
2.11	Updating frequency achieved / desired
2.12	Coverage of system (by business area)

SECTION 3 - MARKETING

3.1	Channels used
3.2	Marketing Message
3.3	Monitoring system

SECTION 4 - COSTS & INCOME

4.1	Project cost
4.2	Sources of funding
4.3	Non financial support
4.4	Pricing policy and income generated

SECTION 5 - EVALUATION OF BENEFITS

5.1	Trends in usage
5.2	Current volume of usage
5.3	User profile (inc. size of company and industry)
5.4	Number of contracts closed as a result of the project
5.5	Value of the contracts closed as a result of the project
5.6	Assessment of effectiveness in meeting each objective

5.7	Lessons learnt
5.8	Any other benefits of the database
5.9	Future developments
5.10	Other LPI projects known about or consulted
6.0	Contact person and telephone no.

APPENDIX (V) THE REGAIN QUESTIONNAIRE

4.4.5 <u>The Questionnaire Document</u>

Form Reference: ____________

Company Name: ______________________________

Contact & Position: ______________________________

Company Address: ______________________________

____

____

Telephone No(s): ______________________________

Interviewer's Name: ______________________________

Date of Interview(s): i) ____________________

ii) ____________________

iii) ____________________

iv) ____________________

Total Time of Interview(s): ____________________

<u>Comments</u>:

PURCHASING DETAILS (SHEET 1.)

Sources of supply for Raw Materials and components incorporated in the end product

A. Raw Materials & Components from overseas (incl. UK Stockists)	B. Annual Cost £'s	C. Country of origin	D. Name of Distributor or Stockist used	E. Last DATE when goods were sourced in UK & brief reason for change	F. What is main benefit associated with importing

PURCHASING DETAILS (SHEET 2.)

Sources of supply for Raw Materials, Components, Hardware, Tooling etc. used in the Manufacturing Process

A. Materials Components, Hardware, Tooling etc used in the manufacturing process	B. Annual Cost £'s	C. Country of origin	D. Name of Supplier, Distributor or Stockist used	E. Last DATE when goods were sourced in UK & brief reason for change	F. What is main benefit associated with importing

ANSWERS : PLEASE TICK

BUYING PROCEDURE

1. Where are purchasing decisions made?

   [1] On this site?
   On a different site:
   [2] HQ
   [3] Parent
   [4] Other

2. How many staff spend the majority of their time on the purchasing function? (i) _________ (ii) Not stated

3. Are Production/Technical staff involved in the selection of suppliers?

   [5] All the time
   [6] Most of the time
   [7] Some of the time
   [8] None of the time
   [ ] Not stated

   NB: At this stage, you should complete the two following forms. The first one is for items incorporated or used in manufacturing the end product and the second one for items required in the manufacturing process but <u>not</u> appearing in the end product.

ASSESSMENT OF SUPPLIERS

4. When one considers a change in suppliers, can you rank the following in order of importance (1-6)?

   [ ] Reliability of delivery [ ] Quality
   [ ] Price [ ] Flexibility
   [ ] Guarantee/Warranty support [ ] After sales service

   Any other? Please state, with ranking: ____________________

   ____

   ____

5. How often are existing procurement contracts reviewed?

   [9] Very regularly
   [10] Fairly regularly
   [11] Rarely
   [ ] Not stated

6. **What sort of relationship do you have with your suppliers?**

[12] Very close
[13] Quite close
[14] Not very close
[15] None
[ ] Not stated

7. How does your company get information on alternative sources of supply?

[ ] Visits by representatives
[ ] Through trade journals and publications
[ ] Attendance at trade fairs and exhibitions
[ ] From trade associations and development authorities
[ ] Personal recommendations
[ ] Other, please specify: ____________________

8. How confident are you of your current suppliers ability to meet your needs?

	Overseas	*UK*
Very confident	[16]	[16]
Quite confident	[17]	[17]
Fairly confident	[18]	[18]
Not confident	[19]	[19]
Not stated	[ ]	[ ]

9. Are any of the following areas of concern when importing or considering importing goods?

[ ] Exchange rates
[ ] Customs
[ ] Delivery
[ ] Political factors
[ ] Others, please specify:

____

10. Does your company try to purchase locally when a local competitive source is available? YES / NO

11. How much in-depth knowledge do your buyers have of potential UK/Local suppliers?

[20] A lot
[21] Some
[22] Little
[23] None
[ ] Not stated

COMPANY DETAILS

12. **Name of Company:** ________________________________

13. **Company's Principal Business:** ________________________

____

14. **Please list the Company's principal product range:**

% turnover

i) ________________________________

ii) ________________________________

iii) ________________________________

iv) ________________________________

v) ________________________________

15. **Brief location of other manufacturing site(s):**

____

____

16. **Company ownership:**

i) [24] Public
[25] Private

ii) [26] Independent
[27] Subsidiary
[28] Joint venture

17. Company turnover, last Financial Year: (please specify)

[29] <£1 million
[30] £1-5 million
[31] £5-10 million
[32] £10-20 million
[33] >£20 million

Estimated raw materials/components purchased as percentage of turnover?

(i) ________% (ii) Not stated

18. Total number of workforce: (please specify)

[34] 0-10
[35] 10-50
[36] 50-100
[37] 100-250
[38] >250

19. What percentage of output does your Company export?

[39] 0-20
[40] 20-40
[41] 40-60
[42] 60-80
[43] 80-100

20. Would you consider that the overall trend in your particular UK industry is one of:

[44] Growth
[45] Maturity
[46] Decline
[ ] Not stated

21. Overall, do you feel that your Company is:

[47] Expanding
[48] Consolidating
[49] Contracting
[ ] Not stated

in this market sector of its activities?

Appendix (vi) The RPO Questionnaire

ASTON BUSINESS SCHOOL

SURVEY OF NORTHERN DEVELOPMENT COMPANY *REGIONAL PROCUREMENT OFFICE* MEMBERS

Dear member,

this survey forms part of a nationwide study looking at the effectiveness of procurement schemes, and is being carried out by Aston Business School in conjunction with the Northern Development Company Regional Procurement Office. The research has three goals:

(i) To discover how effective the Northern Development Company Regional Procurement Office's service is as a means of identifying supply opportunities for member firms;

(ii) To find out how the service could be improved;

(iii) To follow up previous research on the 1992 'Great North Meets the Buyer in Cumbria' event.

This questionnaire is being completed by all members of the scheme in order that a comprehensive assessment can be made.

In answering many of the questions you will simply need to tick a box.

EXAMPLE

Are you supplying more as a result of the Northern Development Company Regional Procurement Office?

Yes ☑ **No** ☐

Naturally all answers will be treated in strict confidence. In any subsequent reports no individual companies will be identified. This information will play an invaluable role in helping to improve the Northern Development Company Regional Procurement Office's service and discovering how valuable it has been to companies in the region.

If you have any difficulties with any of the questions please do not hesitate to contact Mark Webb on 021 - 359 - 3611 ext. 5301 or 4610

It would be especially helpful if you could return the completed questionnaire in the enclosed FREEPOST envelope by **Friday 28th August 1992.**

We look forward to hearing from you.

Thank you for your help.

THE QUESTIONNAIRE HAS THREE SECTIONS. SECTIONS 1 & 3 ARE APPLICABLE TO ALL MEMBERS. SECTION 2 REFERS TO THE 1992 GREAT NORTH MEETS THE BUYER IN CUMBRIA EVENT AND IS INTENDED *ONLY* FOR THOSE MEMBERS WHO ATTENDED.

Section 1

1. **How did you first become aware of the Northern Development Company Regional Procurement Office?**

   Local press ☐ Mailshot ☐
   Contacted by telephone ☐ Other (please specify)
   Visit by RPO staff ☐ ....

2. **What prompted your firm to join the scheme?**

   ....
   ....

3. **How important has the Northern Development Company Regional Procurement Office service been in identifying customers for your firm?**

Very important	Fairly important	Not very important	Not at all important
☐	☐	☐	☐

4. **Please rank the methods you use to locate customers in order of importance (including the Northern Development Company Regional Procurement Office and Great North Meets the Buyer, if applicable)**

   1. ....
   2. ....
   3. ....
   4. ....
   5. ....

5. How satisfied are you with the information provided by the Northern Development Company Regional Procurement Office?

Very satisfied	Satisfied	Not very satisfied	Very dissatisfied
☐	☐	☐	☐

---

6. Approximately how many potential customers have you been *made aware of* by the Northern Development Company Regional Procurement Office scheme?

0 ☐ 1- 10 ☐ 11 - 20 ☐ 21 - 40 ☐ 41 - 60 ☐ more than 60 ☐

0 → **PLEASE GO TO QUESTION 16**

---

7. Roughly, how many appoved supplier and tender lists have you got on as a result of the Northern Development Company Regional Procurement Office scheme?

0 ☐ 1-10 ☐ 11-20 ☐ 21-40 ☐ 41-60 ☐ more than 60 ☐

0 → **PLEASE GO TO QUESTION 16**

---

8. Roughly, how many orders have you *received* from these firms?

0 ☐ 1-5 ☐ 6-10 ☐ 11-20 ☐ 21-40 ☐ more than 40 ☐

0 → **PLEASE GO TO QUESTION 16**

9. Roughly, of these orders how many have been in the following value categories?

£1 - 1000	£1001 - £5000	£5001 - £10 000	£10 001 - £20 000
....	....	....	....

For orders of more than £20 000 (please specify individual values)

£ .... £ ....

£ .... £ ....

10. Approximate total value of orders received as a result of the Northern Development Company Regional Procurement Office?

£.........................

11. Roughly, what percentage of these orders have come from organisations from the following geographical locations..........

(i) Local, Northern Region? ....%

(ii) Other UK? ....%

(iii) Europe? ....%

(iv) Rest of the world? ....%

N.B. Please count branches of foreign owned multinationals as local or 'other UK' as appropriate. For example, an order from Nissan at Sunderland would be included in section (i) - Local, Northern Region, organisations.

12. What do you particularly like about the Northern Development Company Regional Procurement Office scheme?

....

....

....

....

....

....

13. What do you particularly *dislike* about the Northern Development Company Regional Procurement Office scheme, and what *improvements* would you like to see made?

....

....

....

....

....

....

....

---

14. Is the fee charged at present......

Too low? ☐ About right? ☐ Too high? ☐ Don't know? ☐

---

15. If the service was improved in the way you suggest would you be willing to pay more?

Yes ☐ No ☐

If yes, how much?

£.............................

---

16. Did your company attend the 1992 Great North Meets The Buyer in Cumbria event?

Yes ☐ No ☐ → **PLEASE GO TO QUESTION 23**

PLEASE CONTINUE WITH QUESTION 17

Section 2

17. **Roughly, how many appoved supplier and tender lists have you got on as a result of the 1992 Great North Meets The Buyer in Cumbria event?**

0 ☐ 1-10 ☐ 11-20 ☐ 21-40 ☐ 41-60 ☐ more than 60 ☐

→ **PLEASE GO TO QUESTION 23.**

---

18. **Roughly, how many orders have you *received* from these firms?**

0 ☐ 1-5 ☐ 6-10 ☐ 11-20 ☐ 21-40 ☐ more than 40 ☐

→ **PLEASE GO TO QUESTION 23.**

---

19. **Roughly, of these orders how many have been in the following value categories?**

£1 - 1000	£1001 - £5000	£5001 - £10 000	£10 001 - £20 000
....	....	....	....

For orders of more than £20 000 (please specify individual values)

£ .... £ ....

£ .... £ ....

---

20. **Approximately, what is the total value of orders your company received as a result of the 1992 Great North Meets The Buyer in Cumbria event?**

£..........................

21. **What did you particularly *like* about the 1992 Great North Meets the Buyer in Cumbria**

....

....

....

....

---

22. **What did you particularly *dislike* about the 1992 Great North Meets the Buyer in Cumbria, and what improvements would you like to see made for the 1993 event?**

....

....

....

....

....

....

....

THE FOLLOWING QUESTIONS ARE INTENDED FOR COMPANIES WHO HAVE OBTAINED ORDERS AS A RESULT OF THE NORTHERN DEVELOPMENT COMPANY REGIONAL PROCUREMENT OFFICE *AND/OR* THE 1992 GREAT NORTH MEETS THE BUYER IN CUMBRIA

Section 3

23. **What effect , if any, have these orders had on your firm's employment?**

None ☐ Taken on extra workers ☐ If yes → How many?

Helped secure jobs ☐ Other (please specify)

full time......

part time.....

....

....

24. Has your firm invested in new equipment or premises to cope with these orders?

Yes ☐ No ☐

→ **What is the approximate value of this investment? £.........................**

---

25. Has your firm developed any new products or services to meet the needs of these new customers?

No ☐ Yes ☐

Please provide brief details

....

....

....

....

---

26. Have any members of your company been on a training course (e.g. BS 5750, or marketing etc.) as a result of the Northern Development Company Regional Procurement Office scheme or 1992 Great North Meets the Buyer in Cumbria?

No ☐ Yes ☐

Type of course	No. attending
(i)	....
(ii)	....
(iii)	....
(iv)	....

THANK YOU VERY MUCH FOR YOUR HELP

PLEASE RETURN THE COMPLETED QUESTIONNAIRE IN THE REPLY PAID ENVELOPE

Appendix (VII) The Buy From Bradford Postal Questionnaire

BUY FROM BRADFORD

ASTON
BUSINESS
SCHOOL

SURVEY OF *'BUY FROM BRADFORD'* MEMBERS

Dear member,

This survey forms part of a nationwide study looking at the effectiveness of local purchasing schemes, and is being carried out by Aston Business School in conjunction with 'Buy From Bradford'. The research has two goals:

(i) To discover how effective the 'Buy from Bradford'scheme is as a means of increasing orders for firms in Bradford;

(ii) To find out how the service could be improved.

This questionnaire is being completed by a sample of 300 firms on the 'Buy From Bradford' database. The sample has been carefully selected to ensure that firms of all types and sizes are represented.

To enable you to move through the questionnaire as rapidly as possible there are separate questions for those companies which use the service *only* to locate potential suppliers and those who use it *only* to find new customers. Those companies which use it for both purposes should answer both sets of questions.

In answering many of the questions you will simply need to tick a box.

EXAMPLE

Does your company have a preference for local sourcing whenever this is possible?

Yes ☑ **No** ☐

Naturally all answers will be treated in strict confidence. In any subsequent reports no individual companies will be identified. This information will play an invaluable role in helping to improve the 'Buy From Bradford' service and discovering how valuable it has been to local companies.

If you have any difficulties with any of the questions please do not hesitate to contact us on 0274 - 734359

It would be especially helpful if you could return the completed questionnaire in the enclosed FREEPOST envelope by **Friday 28th August 1992.**

We look forward to hearing from you.

Thank you for your help.

A1. How did you first become aware of 'Buy From Bradford'?

Local press ☐ Mailshot ☐

Contacted by telephone ☐ Other (please specify)

....

A2. What prompted your firm to join the initiative?

....

....

....

A3. Have you used the 'Buy From Bradford' information.....

To identify both potential *customers* and potential *suppliers*?	To identify potential *suppliers* only?	To identify potential *customers* only?	Neither?
☐	☐	☐	☐
		PLEASE GO TO QUESTION C1	**PLEASE GO TO QUESTIONS B17 & C18 - D4 *ONLY***

B1. How important has the 'Buy From Bradford' service been in identifying local suppliers for your firm?

Very important	Fairly important	Not very important	Not at all important
☐	☐	☐	☐

B2. Please rank the methods you use to locate suppliers in order of importance (including the 'Buy From Bradford' scheme)

1. ....
2. ....
3. ....
4. ....
5. ....

B3. How satisfied are you with the information provided by the 'Buy From Bradford' service?

Very satisfied	Satisfied	Not very satisfied	Very dissatisfied
☐	☐	☐	☐

B4. In general, what do you think of the quality of the suppliers you have identified through the 'Buy From Bradford' scheme?

Excellent	Good	Average	Poor	Very poor.
☐	☐	☐	☐	☐

B5. Since joining the 'Buy From Bradford' scheme how have you tended to use the service?

Tended to wait for suppliers to approach us ☐

Tended to actively search for new suppliers ☐

Both ☐

B6. Does your company have a preference for local sourcing whenever this is possible?

Yes ☐ No ☐

B7. Has your experience of the 'Buy From Bradford' service changed your attitudes to local sourcing?

Yes ☐ No ☐

In what way?

....

....

....

B8. Are you purchasing more locally as a result of the 'Buy From Bradford' initiative?

Yes ☐ No ☐

B9. Since joining the 'Buy From Bradford' scheme approximately how many potential suppliers have you been *made aware of* ?

0 ☐ 1-10 ☐ 11 - 20 ☐ 21 - 40 ☐ 41 - 60 ☐ more than 60 ☐

PLEASE GO TO QUESTION B15

B10. Roughly, how many potential suppliers have you *contacted* , *or been contacted by* as a result of the 'Buy From Bradford' scheme?

0 ☐ 1-10 ☐ 11 - 20 ☐ 21 - 40 ☐ 41 - 60 ☐ more than 60 ☐

PLEASE GO TO QUESTION B15

B11. Roughly, how many orders have you *placed* locally as a result of the 'Buy From Bradford' initiative?

0 ☐ 1-5 ☐ 6 - 10 ☐ 11 - 20 ☐ 21 - 40 ☐ more than 40 ☐

(0) → **PLEASE GO TO QUESTION B15**

B12. Roughly, of these orders how many have been in the following value categories?

£1 - 1000 .... £1001 - £5000 .... £5001 - £10 000 ....

£10 001 - £20 000 .... More than £20 000 (please specify values)

£ ....

£ ....

£ ....

£ ....

B13. Since joining the scheme what is the approximate total value of orders placed locally by your company as a result of 'Buy From Bradford'?

£..................................

B14. Have any of the suppliers you identified through the "Buy from Bradford' scheme developed a new product or service specifically to meet your requirements?

No ☐ Yes ☐

Please provide brief details

....

....

....

....

B15. As a purchaser, what do you particularly like about the 'Buy From Bradford' initiative?

....

....

....

....

....

....

....

B16. As a purchaser, what do you particularly dislike about the 'Buy From Bradford' initiative?

....

....

....

....

....

....

....

B17. As a purchaser, what improvements would encourage you to use the system more?

....

....

....

....

....

....

....

....

....

C1. Has your firm used the 'Buy From Bradford' service to identify potential local *CUSTOMERS?*

Yes ☐ No ☐ → **PLEASE GO TO QUESTION D4**

C2. How important has the 'Buy From Bradford' service been in identifying local customers for your firm?

Very important	Fairly important	Not very important	Not at all important
☐	☐	☐	☐

C3. Please rank the methods you use to locate customers in order of importance (including the 'Buy From Bradford' scheme)

1. ....
2. ....
3. ....
4. ....
5. ....

C4. Since joining the 'Buy From Bradford' scheme how have you tended to use the service?

Tended to wait for buyers to approach us ☐ Tended to actively search for new sales opportunities ☐ Both ☐

C5. How satisfied are you with the information provided by the 'Buy From Bradford' service?

Very satisfied	Satisfied	Not very satisfied	Very dissatisfied
☐	☐	☐	☐

C6. Are you supplying more locally as a result of the 'Buy From Bradford' initiative?

Yes ☐ No ☐

C7. Since joining the 'Buy From Bradford' scheme approximately how many potential customers have you been *made aware of* ?

0 ☐ 1- 10 ☐ 11 - 20 ☐ 21 - 40 ☐ 41 - 60 ☐ more than 60 ☐

→ **PLEASE GO TO QUESTION C16**

C8. Roughly, how many potential customers have you *contacted* , or been contacted by, as a result of the 'Buy From Bradford' scheme?

0 ☐ 1-10 ☐ 11-20 ☐ 21-40 ☐ 41-60 ☐ more than 60 ☐

→ **PLEASE GO TO QUESTION C16**

C9. Roughly, how many orders have you *received* from these firms?

0 ☐ 1-5 ☐ 6-10 ☐ 11-20 ☐ 21-40 ☐ more than 40 ☐

→ **PLEASE GO TO QUESTION C16**

C10. Roughly, of these orders how many have been in the following value categories?

£1 - 1000 .... £1001 - £5000 .... £5001 - £10 000 ....

£10 001 - £20 000 .... More than £20 000 (please specify values)

£ .... £ ....

£ .... £ ....

C11. Approximate iotal value of orders received?

£...........................

C12. What effect, if any, have these orders had on your firm's employment?

None ☐

Helped secure jobs ☐

Taken on extra workers ☐ If yes → How many?

full time......

part time.....

Other (please specify) ☐

C13. Has your firm invested in new equipment or premises to cope with these orders?

Yes ☐ No ☐

→ **What is the approximate total of this investment?**

£...............................

C14. Has your firm developed any new products or services to meet the needs of your 'Buy From Bradford' customers?

No ☐ Yes ☐

Please provide brief details

....

....

....

....

C15. Have any members of your company been on a training course (e.g. BS 5750, or marketing etc.) as a result of the 'Buy From Bradford' initiative?

No ☐ Yes ☐

	Type of course	No. attending
(i)	....	....
(ii)	....	....
(iii)	....	....
(iv)	....	....

C16. As a supplier, what do you particularly like about the 'Buy From Bradford' initiative?

....

....

....

....

....

C17. As a supplier, what do you particularly dislike about the 'Buy From Bradford' initiative?

....

....

....

....

....

C18. As a supplier, what improvements would you encourage you to use the system more?

....

....

....

....

....

....

QUESTIONS D1 -D4 TO BE ANSWERED BY ALL

D1. Is the fee charged at present......

Too low? ☐ About right? ☐ Too high? ☐ Don't know? ☐

D2. If the service was improved in the way you suggest would you be willing to pay more?

Yes ☐ No ☐

→ If yes, how much?

£..............................

D3. **Do you find it useful to have the information sent to you by post, or would you prefer to telephone for it as required?**

By Telephone ☐ By Post ☐

Less often ☐

At the current frequency ☐

More often ☐

D4. **What is the name of your company?**

....

THANK YOU VERY MUCH FOR YOUR HELP

PLEASE RETURN THE COMPLETED QUESTIONNAIRE IN THE FREEPOST ENVELOPE TO:

'Buy From Bradford' Members survey
Bradford Enterprise Agency
Commerce House
Cheapside
Bradford
West Yorkshire BD1 4JZ

Appendix (viii) The Buy From Bradford Telephone Questionnaire

Q1. Have You found the information provided by 'Buy from Bradford' useful, or not?

YES ☐

Very useful ☐

Fairly useful ☐

NO ☐

Not at all useful ☐

Not very useful ☐

GO TO Q4

Q2. In what ways has it been useful?

To locate 'potential' suppliers ☐

To locate 'potential' suppliers and 'potential' buyers ☐

To locate 'potential buyers ☐

Q3a. How many ~~'potential'~~ suppliers have you located due to the BFB service?

....

Q3b. Roughly what is the total value of orders placed with these suppliers?

....

Q3c. How many tender/ approved supplier lists have you gained access to due to the information provided by BFB?

....

Q3d. How many contracts/orders have you obtained as a result of the BFB service?

....

Q3e. Roughly, what is the total value of orders you have obtained due to BFB?

....

Q4. Do you find the 'matching' lists you are sent useful, or would you prefer to telephone for the information as required?

....

....

....

....

....

Q5. Do you think the BFB service has any particular strengths? ☐ Yes ☐ No ☐ Don't know

....

....

....

....

....

Q6. Do you think the BFB service has any particular weaknesses? ☐ Yes ☐ No ☐ Don't know

....

....

....

....

....

Q7. In what way do you think the BFB service could be improved?

....

....

....

....

....

Q8. Is the fee charged for the service...... Too low ☐ About right ☐ Too much ☐

Q9. If the service was improved in the way you suggest, would you be willing to pay more?

Yes ☐ No ☐

Q10. What do you think would be a reasonable charge? £............