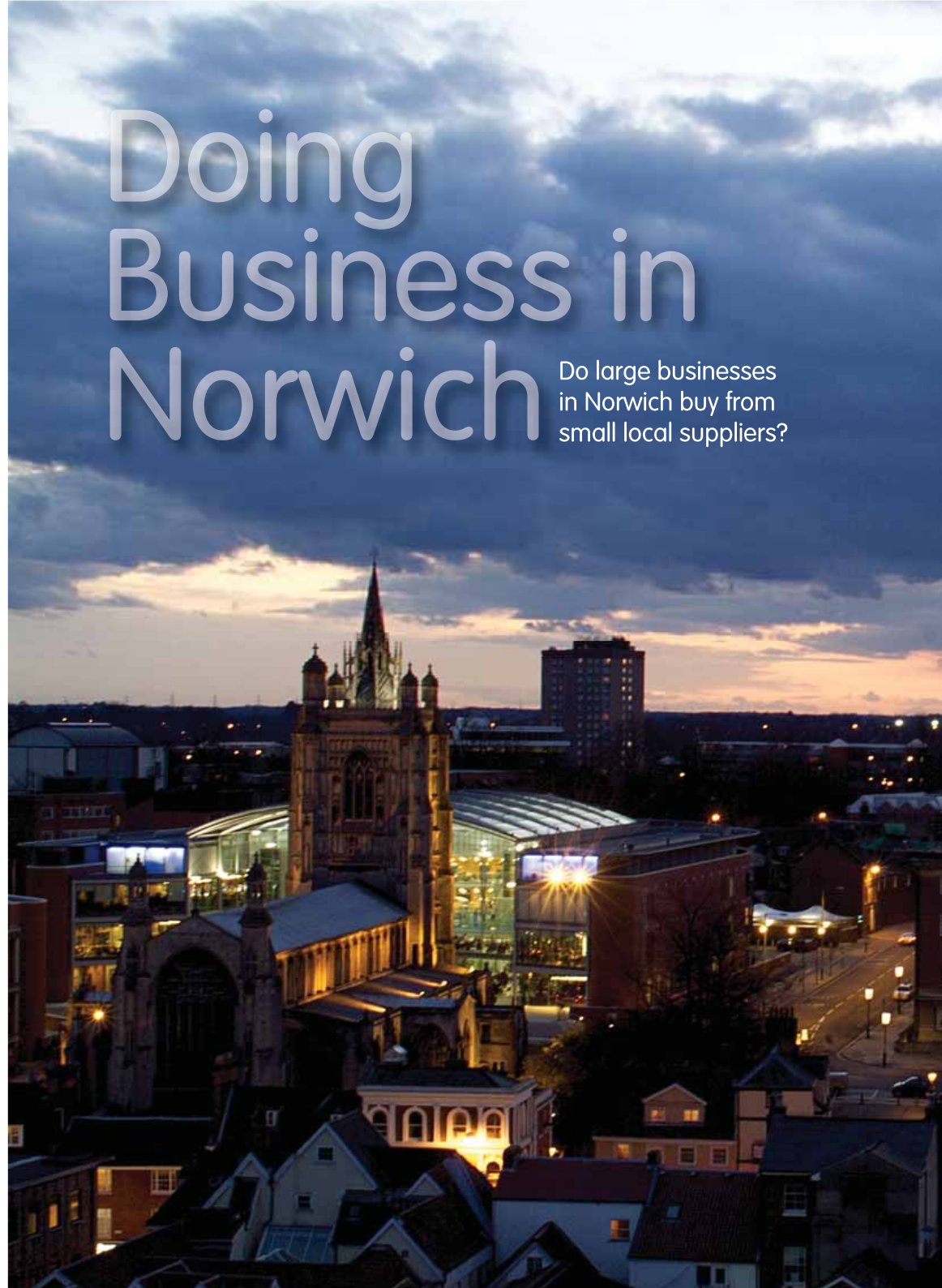


Doing Business in Norwich

Do large businesses
in Norwich buy from
small local suppliers?





Funded through
the Local Enterprise
Growth Initiative
(LEGI)

Research by Ipsos MORI and London South Bank University commissioned to inform Norwich's Local Enterprise Growth Initiative (LEGI) bid in 2006 linked lower than national average levels of business-to-business activity and underdeveloped local markets to large firm dominance in the Norwich area. It was suggested that this structural imbalance contributed to Norwich's lower than average levels of entrepreneurial activity.

As a result of the research and consultation with local businesses, there was a strong drive to develop local business to business activity. This informed the development of one of the eight LEGI workstreams which was set up to stimulate an increase in local business-to-business purchasing. In order to support this, Norwich City Council commissioned The Guild to look into the current level and location of spending by Norwich's largest businesses and assess the potential for harnessing this spending power.

Whether large businesses buy from smaller local businesses is important to the economy because of what the New Economics Foundation calls 'The local multiplier (LM) effect'. A pound coming into the economy can be spent elsewhere and lost to the economy immediately, or circulate within local businesses a number of times, multiplying the benefit of that pound each time it is spent.

This booklet sets out the findings of The Guild's research and identifies ways in which large and small local businesses can better understand their purchasing options.

Map of the research area



54 Norwich-based large businesses with over 200 employees were contacted.

29 of these (54%) agreed to provide information on the extent to which they purchase goods and services locally.

23 of these were private sector organisations (private and public limited companies) and 6 were public sector organisations. They included parent, subsidiary and independent organisations with ownership in the UK and abroad.



A large public sector organisation recently awarded a contract to a small local business which had admitted that they could only partially fulfil the tendered contract on their own, but displayed the initiative to network with other SMEs to be able to present the full package. Under this arrangement the organisation had only one contact, but bought from a number of local SMEs.

One interviewee told of how a local catering provider had won a contract with his company that had originally been held by a national group, because the local SME could provide a better service. The national caterer had been unable to replace sick staff because they did not have access to the recruitment network in the local community. The service provided to the organisation had consequently been so poor they had decided to abandon using the national company and work with a local caterer.

We have deep roots in the local community and local sourcing extends these roots...

This interviewee made it clear that it was important for his company's reputation to source locally. However, this attitude was tempered by other considerations. He said: "wherever we have a large spend category there will always be a credibility gap because of the size and age of the SME". He was concerned that an SME should be able to display a proven track record of delivering on larger contracts and evidence financial stability to show that it would still be around in 3 or 4 years' time. This factor was very important as he didn't want to be forced to find new suppliers because the others had folded or been bought out.

Headline findings

Global market trends mean locality matters less in purchasing. There is a difference between what drives the purchasing of primary and secondary goods and services – while the financial bottom line drives core purchases, secondary goods are more open to ‘added-value’ from local providers.

Public-facing companies have a greater awareness of local purchasing – i.e. 1) those bidding for public contracts 2) PLCs 3) ‘Heritage’ companies well-known to the local community

Local purchasing as an element of CSR is not on the agenda of many of the medium-sized businesses – however, it may be on the horizon as it filters down from larger PLCs.

Awareness of environmental issues is more embedded in business practice now, so aspects of the local purchasing drive speak to this awareness.

A key barrier to large companies and organisations purchasing from smaller local companies is to do with access to information (large companies are not aware of / able to easily contact SMEs). They also need to be reassured of the reliability and track record of the SME to overcome the “credibility gap”.



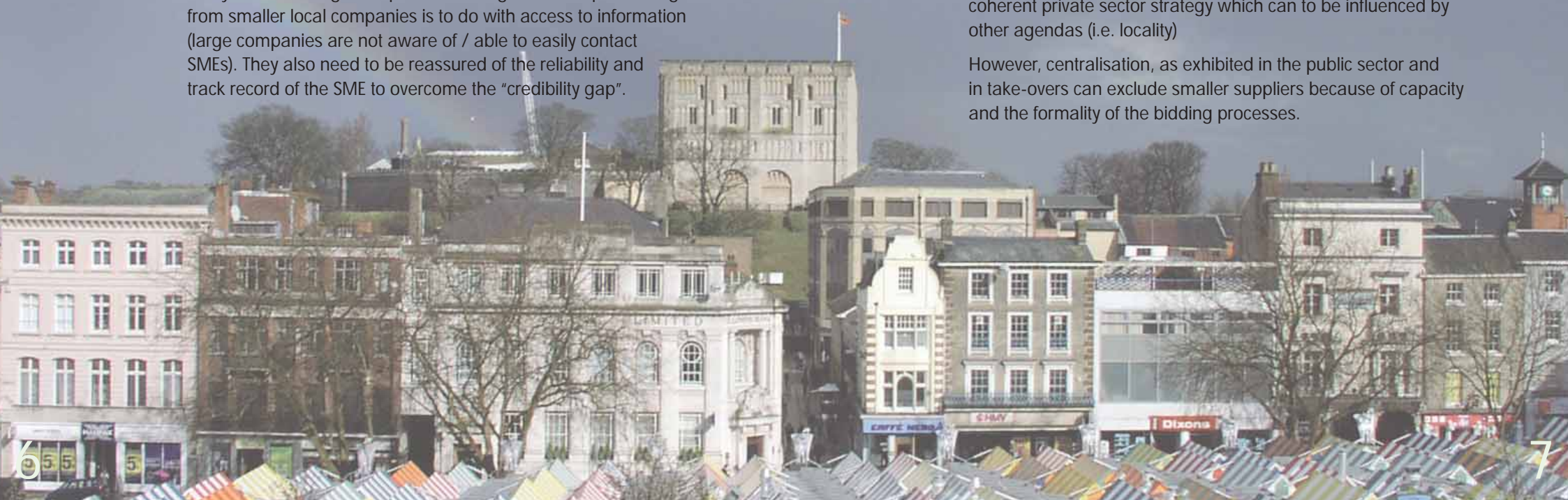
There is a possible duplication of SME support activities – who is best placed to raise awareness of local purchasing and local SMEs? Awareness amongst big business of these support activities is currently not high.

There is a difficulty in defining ‘local’ – e.g. local branches of national organisations vs. businesses owned and run locally. There is little difference in perception for a number of the purchasers – most of the benefits they cite could be the same for a well-run local branch of a national or international company.

There is little or no awareness of the benefits of the LM effect.

Few of the businesses are totally restricted by central purchasing policies, even when they initially think they are (for instance, central purchasing may be strict on core items, but there is still scope for local purchasing of secondary services) – purchasing in the private sector differs from business to business, there is no coherent private sector strategy which can to be influenced by other agendas (i.e. locality)

However, centralisation, as exhibited in the public sector and in take-overs can exclude smaller suppliers because of capacity and the formality of the bidding processes.



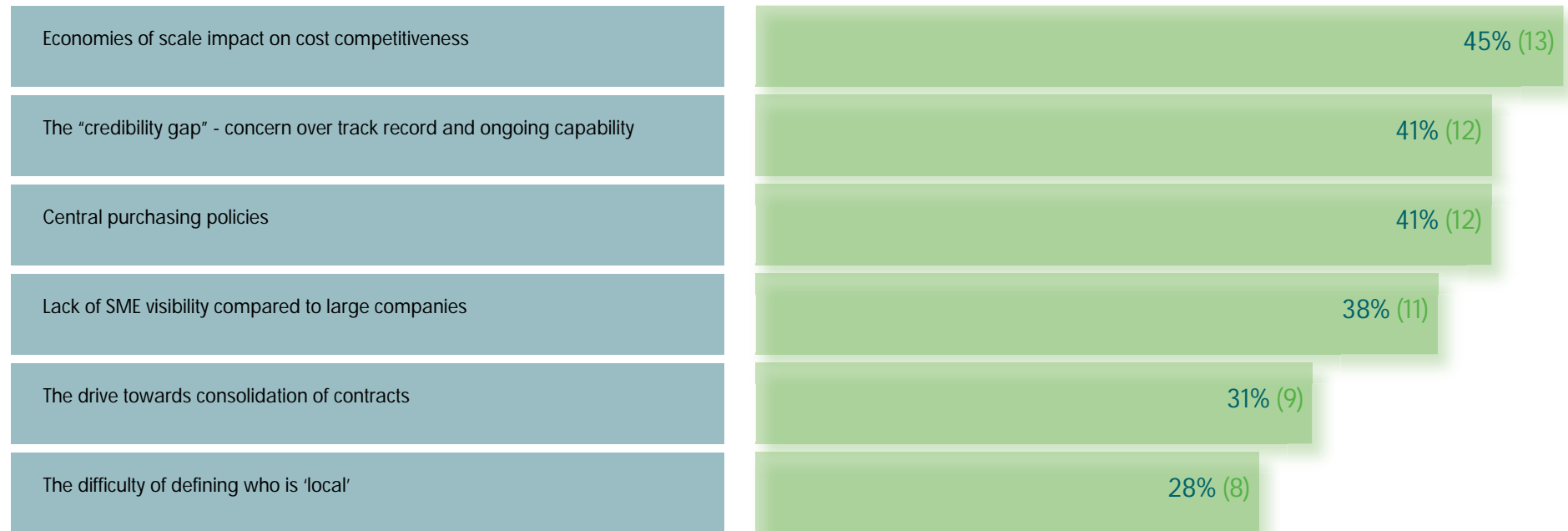
Barriers

We asked large businesses:

“What do you see as the main barriers that smaller, local suppliers face in working with large companies in the area?”

The answers which came up most often were:

Barriers to local purchasing for large Norwich businesses



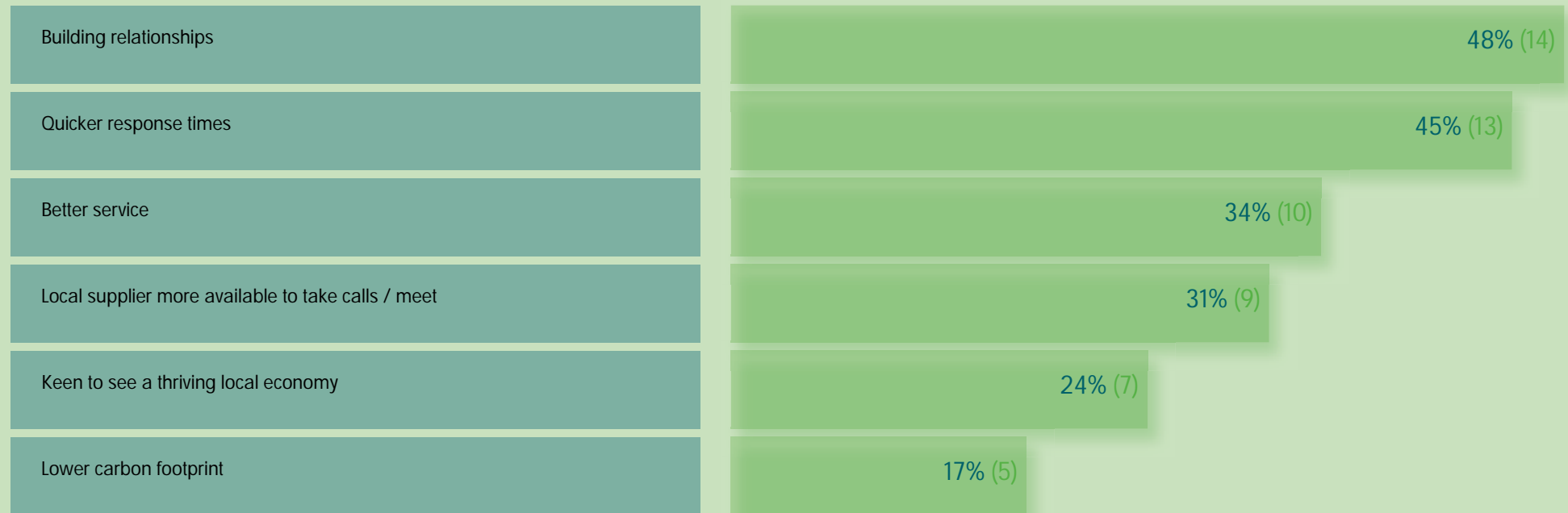
All of the 6 businesses we interviewed with between 200 and 249 employees reported that they used local catering services in comparison to none of the 6 private businesses with over 1000 employees.

Benefits

We asked large businesses:
“What do you see as the advantages of working with local suppliers?”

The top 6 responses are detailed below:

Benefits to local purchasing for large Norwich businesses



A greater proportion (71%) of the responding parent companies mentioned SMEs’ lack of visibility than subsidiaries (27%) and independents (29%).

Secondary services

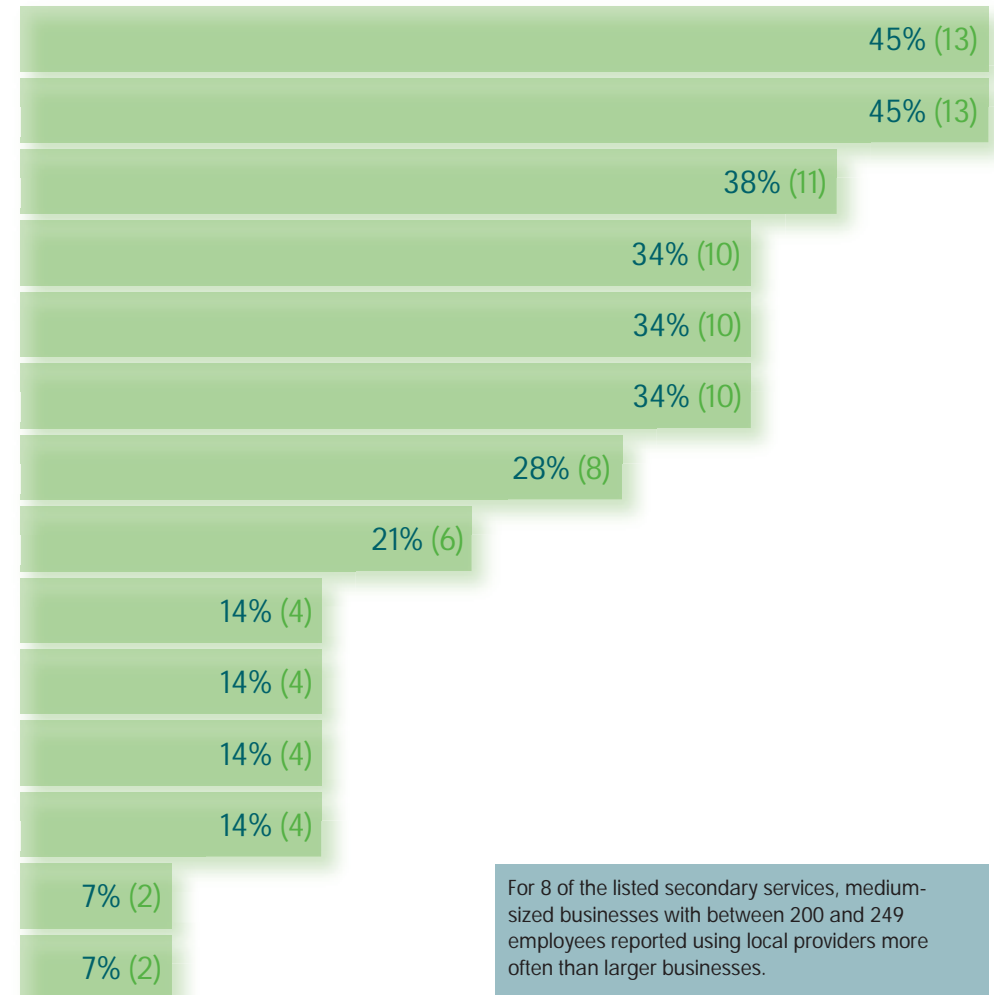
We asked large businesses in Norwich which of the following secondary goods and services they bought from businesses within Norfolk.

Services purchasing locally by large Norwich businesses

Catering services
Office furniture & equipment
Waste disposal
Stationary
Print services
Maintenance
Recruitment support
Cleaning
Training
Security services
Marketing support
Health & safety equipment
IT support
IT equipment

The list of services was determined after the pilot interviews for this project. While many businesses did not at first distinguish between businesses which were locally owned and which were branches of national or international companies, the interviewers made every effort to differentiate the truly locally-owned suppliers and record them – where this was possible.

Respondents sourcing services locally % of total respondents



For 8 of the listed secondary services, medium-sized businesses with between 200 and 249 employees reported using local providers more often than larger businesses.

Messages for big businesses



Think about buying from local suppliers

Small suppliers can be flexible and responsive

You can build relationships with local suppliers – and with the person who runs the business, not just the sales team

Small suppliers will often go that extra mile for your business

Don't assume that small businesses won't have the capacity to supply your business

Find out who can help you to get in touch with local suppliers (see p 18) and let them know you would like to be informed about future 'meet the buyer' events, networking opportunities etc.

If you have an environmental policy or a corporate social responsibility policy, think how it can affect who and where you buy from (buying locally can help reduce your carbon footprint)

Will your customers and their customers be interested in where you source goods and services, now or in the future?

Smaller organisations might have lower overheads – and lower prices

Personal relationships still matter and local suppliers are more responsive. It is dispiriting to get lost in the call centres of large businesses and be unable to talk to the person you need immediately."

When asked about the advantages of purchasing locally, this respondent stressed the importance of knowing you could speak to the most appropriate person for your needs and build a relationship with them. Another source backed this up by saying: "I don't want to waste time on half a dozen switchboards before I can talk to someone."

Messages for small businesses

Don't assume that big businesses have formal purchasing policies throughout the organisation

Big businesses are more likely to think about buying secondary services such as catering and office supplies from local businesses

Every business will be different in terms of where their purchasing decisions are made – do your homework before you make an approach

Think about joining business groups, trade associations, buying groups and co-operatives/consortia to find out what is going on, reduce costs and access bigger markets

Build relationships with big business clients – they value this

Be flexible and respond quickly – promote this to your clients

Show them how you can help keep more money in the local economy and reduce their carbon footprint



The big savings can be made in our core area...

We have more flexibility with secondary or discretionary expenditure because it concerns small amounts...

We don't need to squeeze local suppliers.

What matters is their speed and reliability.

This source stated plainly the distinction drawn by a number of our respondents: while the financial bottom line drives purchasing for core materials, there is room for businesses to recognise 'added-value' when purchasing secondary goods and services. This added-value includes quality, speed of response, the opportunity to build a valued business relationship, and "being part of the fabric of the local community".

Local support available

These organisations can help put big businesses and small businesses in touch with each other:

Buy Local – A network of businesses that aim to increase local purchasing to help keep money in the Norfolk economy

Tel: 01603 419900

<http://www.buylocalnorfolk.org.uk>

Norfolk Chamber of Commerce

Tel: 01603 625977

<http://www.norfolkchambernetwork.co.uk/>

East Anglian Region of the Federation of Small Businesses

Tel: 01953 498915 (regional organiser)

Mid-Norfolk Branch of the Federation of Small Businesses

Tel: 01603 700474 (chairman) / 01379 852221 (vice-chairman)

Produced in Norfolk – A producers' co-operative founded in 2005 to promote and support local producers that are genuinely making their products within the County of Norfolk

Tel: 0845 895 1096

<http://www.producedinnorfolk.com>

Red Orange – Formed in 1983 by six like minded local retailers, to offer independent retailers the best possible opportunities in an ever more competitive market.

Tel: 01508 578614

<http://www.redorange.ltd.uk>

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