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## WEB VERSION: INTRODUCTION

The Lloyds Bank/TSB-sponsored series of small business management reports commenced in 1992, and concluded in 2009. In total, 53 reports were published over a period of 17 years.

Our target audience comprised the owner-managers of independent small businesses, typically employing fewer than 50, and based in mainland UK.

The series originated from a longitudinal study of small business management, undertaken by the Polytechnic of Central London (now University of Westminster), and culminating in: *The Management of Success in 'Growth Corridor' Small Firms*, (Stanworth, Purdy & Kirby, Small Business Research Trust, 1992).

## THEMES

The themes were wide-ranging – including such as entrepreneurship, work & stress, employment strategies, and the environment – a full list is shown overleaf.

## INSIGHT

In addition to asking questions and supplying the respondents with a range of answer options, the corresponding questionnaire was included as an appendix to each report so that readers would know exactly what questions had been put to respondents.

We also sought qualitative information – in the form of verbatim comments about the key theme – to help elaborate on whatever related challenges respondents felt they were facing at the time.

Finally, the findings are primarily intended to be indicative rather than definitive – partly due to the sample size, which is, on average, 111 for the 2003-09 reports.

## PUBLISHING FORMAT

The reports were published in hard copy form, obtainable via subscription. Initially

by the Small Business Research Trust, and from 2003, by the Small Enterprise Research Team (SERTeam), both research charities based at the Open University.

Regrettably, SERTeam ceased operating in 2009, and so in 2010 the authors felt that the more recent reports would find wider interest if they were made freely available in Acrobat format via the Internet – especially with the UK economy set for a protracted journey out of recession, and with the government in turn refocusing on smaller businesses to aid the recovery.

It is worth mentioning that the series commenced as the UK economy emerged from the early 1990s recession.

In 2015, the earlier reports were also converted (1993 to 2003), with the full series made available at Kingston University: <http://business.kingston.ac.uk/sbrc>

## SUPPORTING INFORMATION (WWW)

In later years – as the world-wide-web developed and an increasing number of sources of information became more readily available – suggestions for online sources of related material were included.

N.B. For reports 2003 onwards - where successfully validated, the web links (URLs) were enabled in 2009. And in the case of many invalid web links, an alternative was offered, but not where the organisation appeared defunct and an obvious replacement was not traced.

**John Stanworth, Emeritus Professor,  
University of Westminster**  
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1993 (Vol.1)

- 1 Surviving The Recession .....February 1993
- 2 Using Your Time .....June 1993
- 3 Management Style ..... September 1993
- 4 Financial Management .....December 1993

1994 (Vol.2)

- 1 Purchasing ..... March 1994
- 2 Quality Standards & BS 5750 .....June 1994
- 3 Management Succession.....August 1994
- 4 Customers & Competitors . November 1994

1995 (Vol.3)

- 1 Information Technology..... March 1995
- 2 Holidays.....June 1995
- 3 Company Vehicles.....August 1995
- 4 Pricing Policies..... November 1995

1996 (Vol.4)

- 1 Training ..... March 1996
- 2 A Day In The Life .....June 1996
- 3 Financial Management ..... September 1996
- 4 Tax Compliance .....December 1996

1997/8 (Vol.5)

- 1 'Europe' & Small Businesses ... March 1997
- 2 Employee Recruitment.....July 1997
- 3 Information Technology..... October 1997
- 4 Business Support Agencies.. January 1998

1998/9 (Vol.6)

- 1 Entrepreneurship..... May 1998
- 2 Work & Stress ..... September 1998
- 3 Employment Strategies.....December 1998
- 4 Small Firms & The Environment .. Mar 1999

1999/2000 (Vol.7)

- 1 The Impact of Holidays .....June 1999
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- 4 Exit Routes..... March 2000

2000/01 (Vol.8)

- 1 E-commerce .....June 2000
- 2 Sources of Finance ..... September 2000
- 3 Transport & Government ....December 2000
- 4 Government & Regulations .....April 2001

2001/02 (Vol.9)

- 1 Marketing & Sales.....July 2001
- 2 The Human Side of Enterprise ..... Oct 2001
- 3 Health Issues ..... January 2002
- 4 Premises.....April 2002

2002 (Vol.10)

- 1 Networking in Business .....August 2002
- 2 The Euro .....December 2002

Lloyds TSB & Research Team  
Small Business Management Report  
ISSN 1478-7679

- 3 Crime Against Small Firms ..... June 2003

Lloyds TSB & SERTeam  
Small Enterprise Research Report  
ISSN 1742-9773 No.2 (Vol.1) onwards

2003-04 (Vol.1)

- 1 Small Firms And Politics .....October 2003
- 2 Pensions ..... February 2004
- 3 Work-Life Balance..... July 2004

2004-05 (Vol.2)

- 1 Education & Enterprise .....October 2004
- 2 Made in Britain ..... February 2005
- 3 Management & Gender Differences..... July 2005

2006 (Vol.3)

- 1 Local or Global ?.....January 2006
- 2 Managing IT ..... May 2006
- 3 Networking in Business .... September 2006

2006-07 (Vol.4)

- 1 Owner-Manager Flexible Working..... December 2006
- 2 The Ageing Workforce..... April 2007
- 3 Travel & Transportation..... August 2007

2008-09 (Vol.5)

- 1 The London 2012 Olympic And Paralympic Games..... April 2008
- 2 Competition: Small Firms Under Pressure.....January 2009

## WEB VERSION PUBLISHING

<http://business.kingston.ac.uk/sbrc>

Certain content needed to be re-set, e.g., the figures in the earlier editions, but the report body content is intended to be identical to that in the printed original. This web version - an Acrobat document - is derived from the original DTP text and will permit searching.

## LIABILITY DISCLAIMER

The information and analysis in each report is offered in good faith. However, neither the publishers, the project sponsors, nor the authors, accept any liability for losses or damages which could arise for those who choose to act upon the information or analysis contained herein. Readers tracing web references are advised to ensure they are adequately protected against virus threats.

## HIGHLIGHTS

This is the fifth of a new series of small business management reports based on surveys of a panel of small firms, mainly in manufacturing, retail/distribution and business services. The focus for this survey was **purchasing**.

- *Small firms find their suppliers mainly through personal recommendation (51 per cent) and sales calls (49 per cent, multiple mentions possible). Advertising (19 per cent) and direct mail (18 per cent) are the other principal means for identifying suppliers, though 9 per cent use other methods (research, trade shows).*
- *There are differences in the relative importance of these methods between activity sectors: sales calls are still more important for the distributive trades; firms in business services and in manufacturing rely more on personal recommendations. The smallest firms (four or fewer employees) are more likely than others to respond to direct mail.*
- *The vast majority of firms (81 per cent) do not carry out financial checks on their suppliers, though supplier failure can cause serious problems.*
- *The average small firm has perhaps as many as 80 different suppliers, with firms in manufacturing and distributive trades having most and those in business services least.*
- *Supplier relationships seem to endure a reasonably long time - on average six years, and longer for larger, older firms.*
- *By far the majority of respondents (83 per cent) believe in having few suppliers and close relationships.*
- *79 per cent find there is plenty of choice of suppliers.*
- *55 per cent of firms prefer mainly to buy direct, but 33 per cent prefer mainly to use wholesalers.*
- *There is a two-way flow of advice and information between buyers and suppliers, and 61 per cent find their suppliers an important source of information.*
- *Firms think they get best value from office suppliers and goods for resale, and least from components and raw materials. Firms in the North seem most satisfied with suppliers, and suppliers of financial services attract the most very low ratings (though even then only from a small minority).*
- *Many firms continue to use suppliers which offer, in their opinion, less than average value for money. Good quality (32 per cent) or geographical proximity (also 32 per cent) were the main reasons for this, though 14 per cent stayed because of good credit terms and 9 per cent did not have time to look for new ones.*
- *Respondents' comments emphasise the importance of working closely with suppliers, though the relationship needs to be actively managed and supplier service levels sometimes need improvement.*

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## ACKNOWLEDGEMENTS

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The Trust acknowledges the help provided by Graham Bannock & Partners Ltd, David Purdy, The Open University and The University of Westminster in designing the survey, processing data and analysing the results.

The Small Business Research Trust is particularly pleased to acknowledge the generous support provided by Lloyds Bank plc in sponsoring the research, analysis and presentation of this report. However, it is important to note that any opinions expressed in this publication are not necessarily those of Lloyds Bank plc.

## MANAGEMENT ISSUES

The emphasis of our Quarterly Management Reports is on monitoring the key management problems and practices of smaller business, with an emphasis on survival and success. Accordingly, each issue of the Lloyds Bank/Small Business Research Trust Management Report will address one or more highly topical small business management issues. In this survey we focus on ***purchasing***.

Past surveys have covered:

- No.1 Surviving The Recession***
- 2 Using Your Time***
- 3 Management Style***
- 4 Financial Management***

It is planned to cover the following management issues in future:

- ***Ownership Succession***
- ***Marketing & Sales***
- ***Personnel***

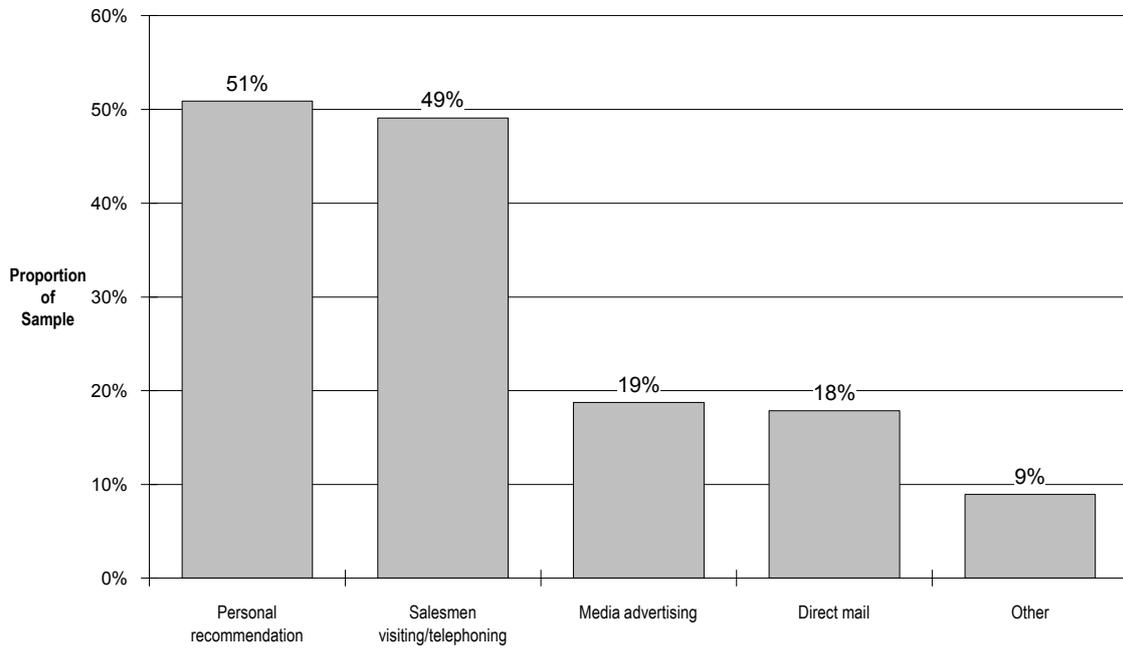
## THE SAMPLE

This report is based on responses received from a panel of 350 small businesses situated in the Northern, Midland and South-Eastern regions of Britain. Respondents are predominantly small firms with fewer than 50 employees, drawn mainly from the manufacturing, business services, and retail/distribution sectors of the economy. Over half of the participating firms employ fewer than 10 people and over one-third of the firms are less than 5 years old.

## RESULTS

The questionnaire completed by sample firms appears at the end of this report as an appendix. This survey was carried out during January 1994.

**Fig 1 - MAIN METHODS OF LEARNING ABOUT NEW SUPPLIERS**

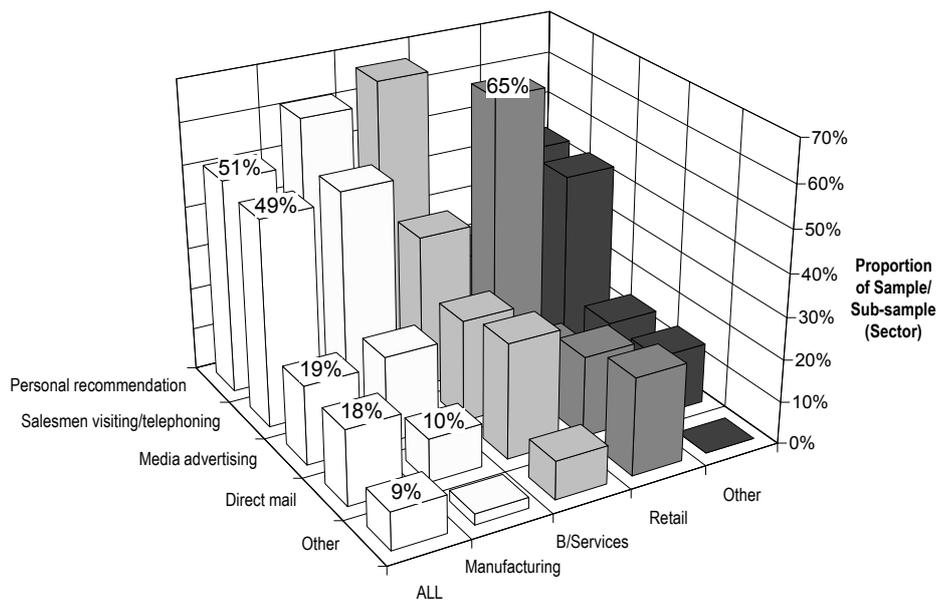


**IDENTIFYING SUPPLIERS**

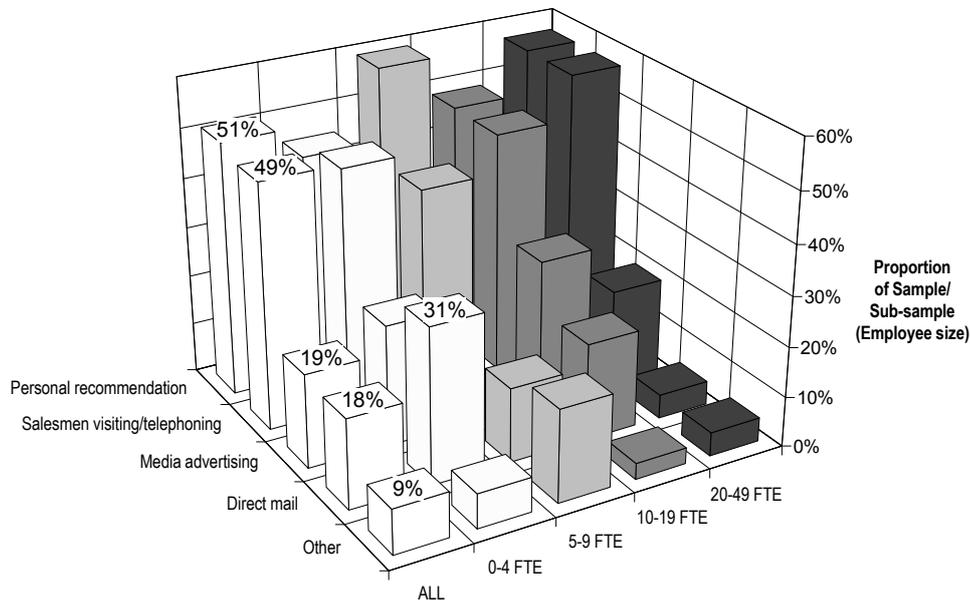
All businesses have suppliers, if only for office stationery, as well as customers. The most common sources of information

about sources of supply are personal recommendation (used by 51 per cent) and telephone enquiries or visits from travelling salesmen (49 per cent, Figure 1).

**Fig 2 - MAIN METHODS OF LEARNING ABOUT NEW SUPPLIERS: BY SECTOR**



**Fig 3 - MAIN METHODS OF LEARNING ABOUT NEW SUPPLIERS:  
BY EMPLOYEE SIZE**

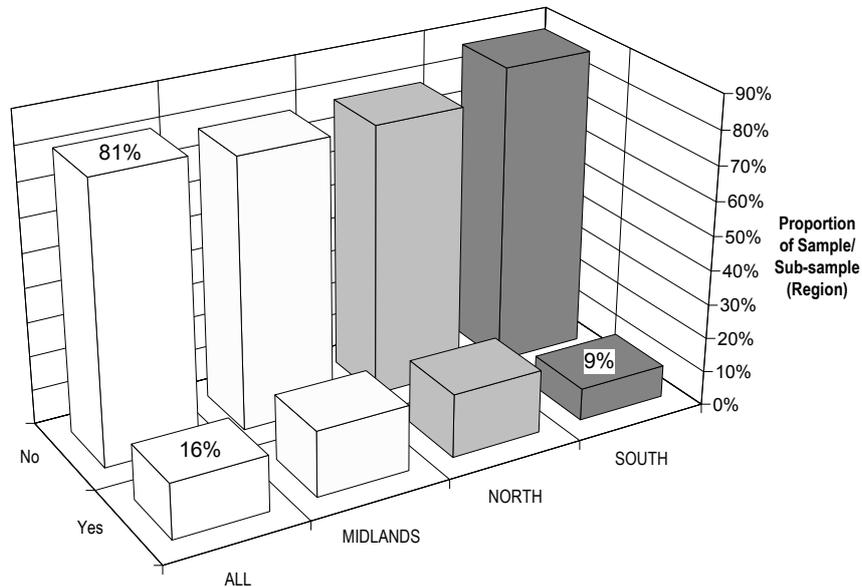


Supplier advertising in newspapers and other media was a source used by only 19 per cent of respondents, and direct mail (leaflets and letters by post) by 18 per cent. 'Other' sources used by 9 per cent of responses included trade shows and reference books.

Retailers and wholesalers rely to a greater extent than others on visits by salesmen (mentioned by 65 per cent compared with the average of 49 per cent, Figure 2). Firms in business services and manufacturing were more likely to rely on personal recommendation than those in other sectors, while firms in business services seem most susceptible to direct mail approaches.

It is interesting that the smallest firms (0-4 employees), who are probably the most difficult to target by mail campaigns, are in fact much more likely to identify suppliers from that source: 31 per cent of respondents in that size band mentioned direct mail, compared with 19 per cent in the 10-19 employee size band and only 5 per cent in the 20-49 employee band (Figure 3).

**Fig 4 - CHECKING OF SUPPLIER FINANCIAL STATUS:  
BY REGION**

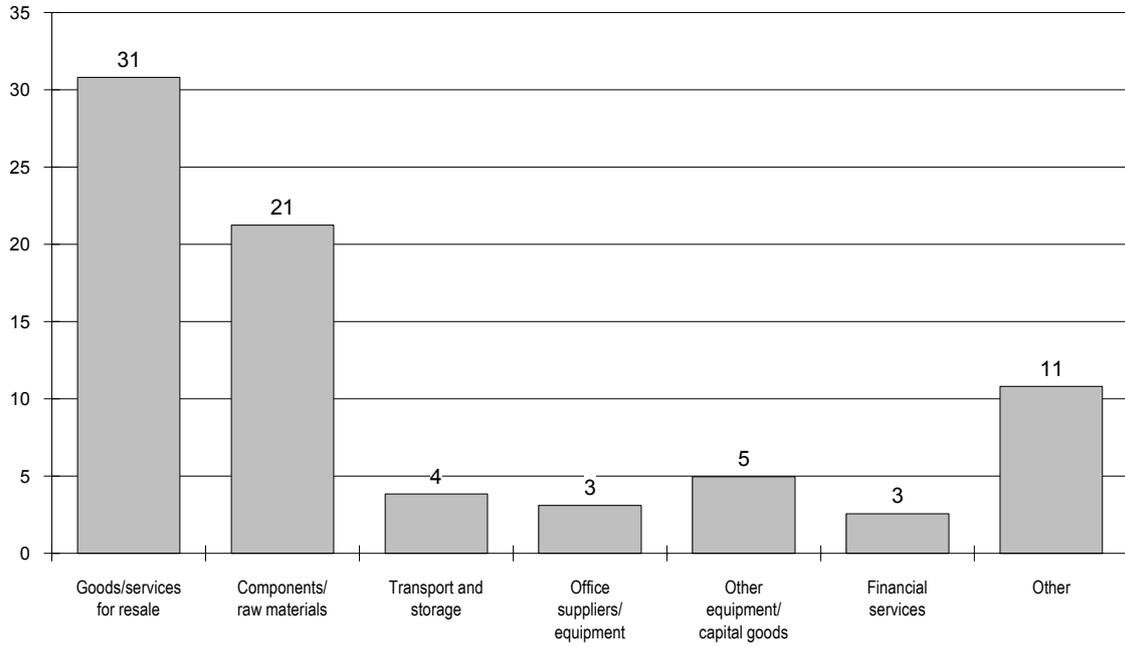


**FINANCIAL STATUS**

Considerable inconvenience, delay and possibly loss of orders to the purchaser can result from the failure of a supplier, especially of goods and services with a long lead-time. Suppliers can be checked by taking a reference from a credit status agency such as Dun & Bradstreet, or a bank. Few firms, however, take the trouble to vet the financial status of their suppliers.

Overall only 16 per cent of respondents checked supplier status. There were few significant differences in this result by firm size, but respondents in the South of the country seem less likely to check supplier status than those located elsewhere (Figure 4).

**Fig 5 - AVERAGE NUMBER OF SUPPLIERS**



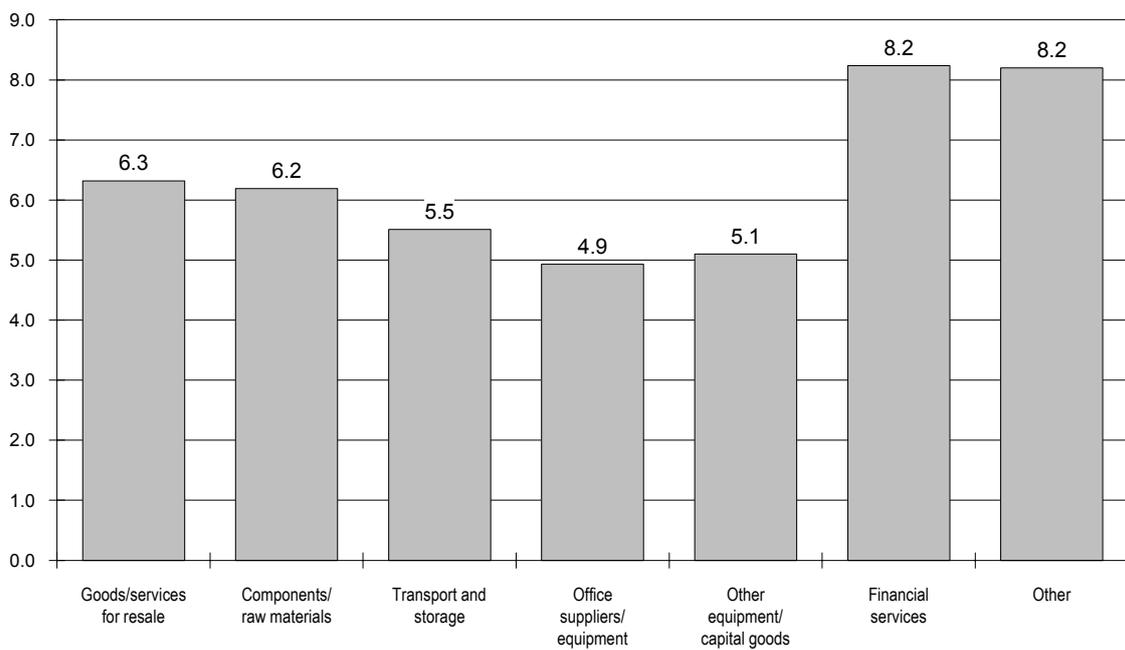
**NUMBER OF SUPPLIERS & LENGTH OF RELATIONSHIP**

Respondents were asked to say how many suppliers they had for each type of

purchase, and on average the length of time they had been buying from their suppliers (Figures 5 and 6).

The average small firm seems to have a

**Fig 6 - AVERAGE NUMBER OF YEARS WITH SUPPLIERS**



surprisingly large number of suppliers, perhaps as high as 80 different sources. Retailers and wholesalers have the most suppliers: an average of 53 for goods purchased for resale alone. Even the smallest firms (0-4 employees) have an average of 15 suppliers of goods for resale, but that number increases with firm size, levelling off beyond 20 employees (perhaps the largest firms are more likely to use wholesalers). There may be some overlap between sources of supply - for example, the same supplier may provide goods for resale as well as office supplies, but this probably does not inflate the figures very much.

Manufacturers inevitably tend to have large numbers of suppliers of components and materials - an average of 29 suppliers of these, and only 17 for goods for resale. Firms in business services have relatively few suppliers, perhaps 50 or so in total, compared with over 70 for retailers and manufacturers.

For non-office equipment and capital goods our respondents had an average of five suppliers. There was an average of four suppliers of transport (only two in retailing and business services), three suppliers of office supplies (retailers had the fewest of these) and three for financial services - perhaps typically a bank, hire purchase company and insurance broker.

Supplier relationships seem to endure a reasonably long time: the average was about six years, but for larger, older firms, it was much longer than that. Over a third of respondents said that their average supplier relationship had lasted more than five years. For financial services the average length of relationship was significantly longer: an average of eight years, with 25 per cent claiming relationships of over 7.5 years. For 'other' types of supplier such as printers and subcontractors, relationships also tended to last longer.

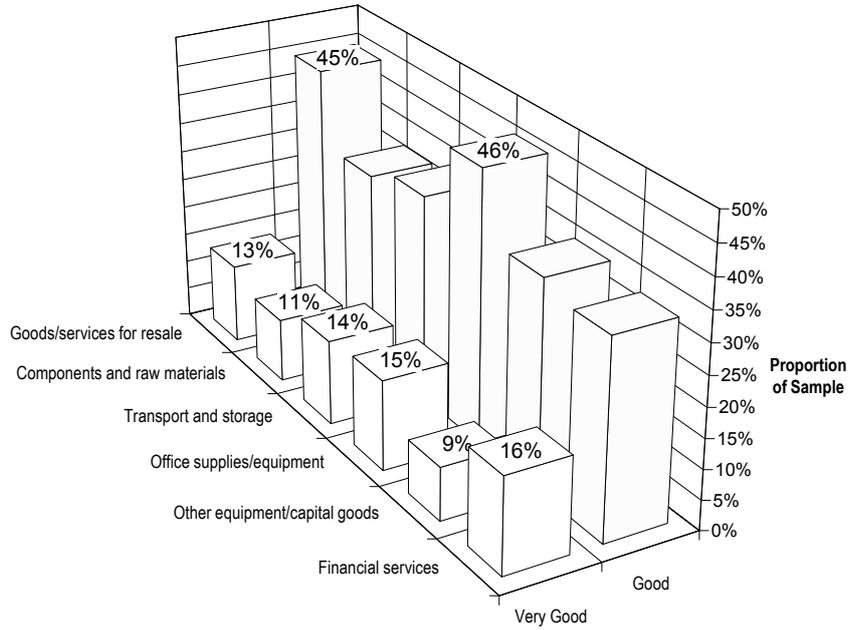
Firms seem to change their sources of office suppliers most frequently, especially in the business services sector where the average was less than five years for 51 per cent of respondents.

## **THE NATURE OF THE SUPPLIER RELATIONSHIP**

The vast majority of respondents (83 per cent) believe in having few suppliers and close relationships. Only 13 per cent prefer many suppliers at arm's length. There seems little lack of competition amongst suppliers: only 19 per cent complained that there was little choice, 79 per cent agreed with the statement "there is plenty of choice of supplier". There was a higher degree of dissent about the use of wholesalers: while 55 per cent of respondents prefer to buy direct, a substantial minority of 33 per cent preferred to use wholesalers.

There appears to be a two-way flow of advice and information between buyers and suppliers. No less than 61 per cent of respondents agreed with the following statement as coming closest to their view: "my suppliers are an important source of information/advice to my business", though 32 per cent selected: "on balance, I provide help and guidance to my suppliers".

**Fig 7 - SUPPLIERS AND VALUE FOR MONEY**



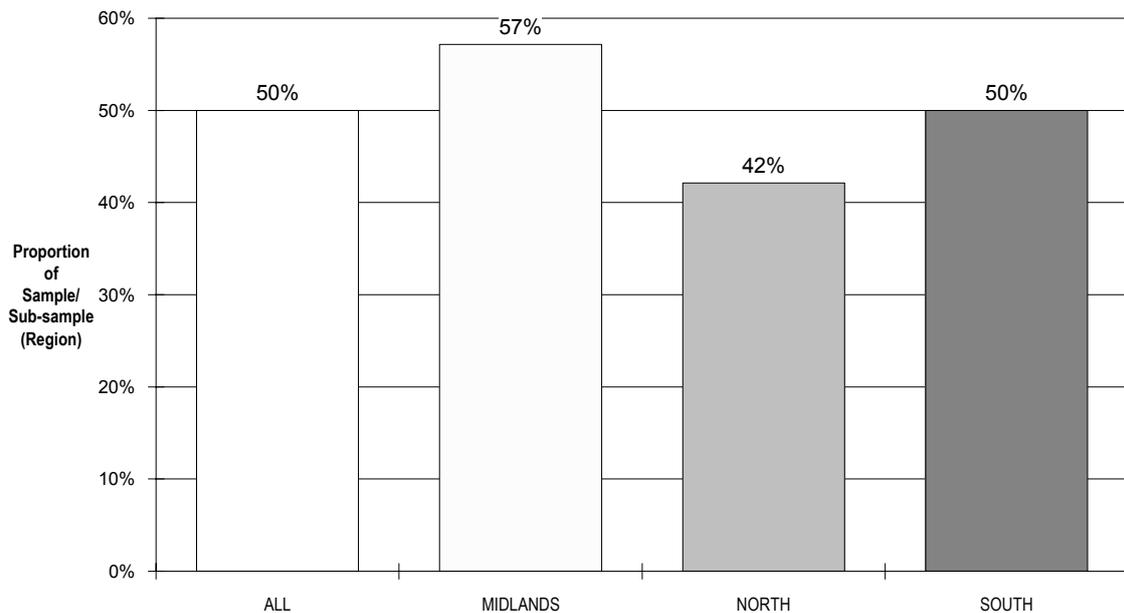
**VALUE FOR MONEY**

Judging by the percentage of respondents rating their suppliers as 'very good' and 'good', firms think they get best value

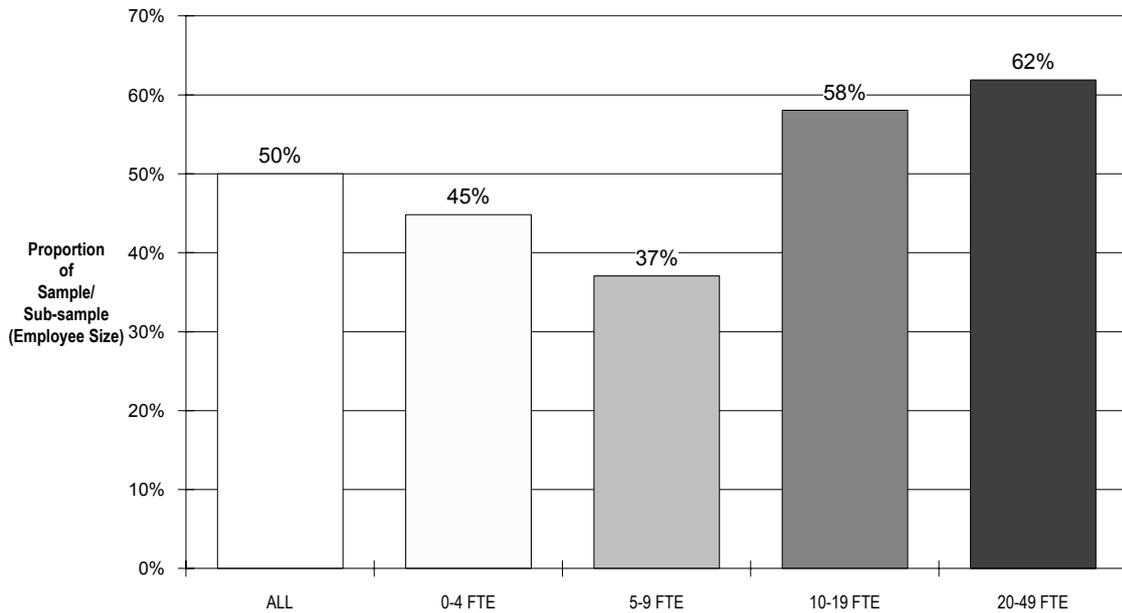
from office supplies and goods for resale, and least from components and raw materials (Figure 7).

Financial services attracted the most

**Fig 8 - SUPPLIERS RATED AS AVERAGE, POOR OR VERY POOR: BY REGION**



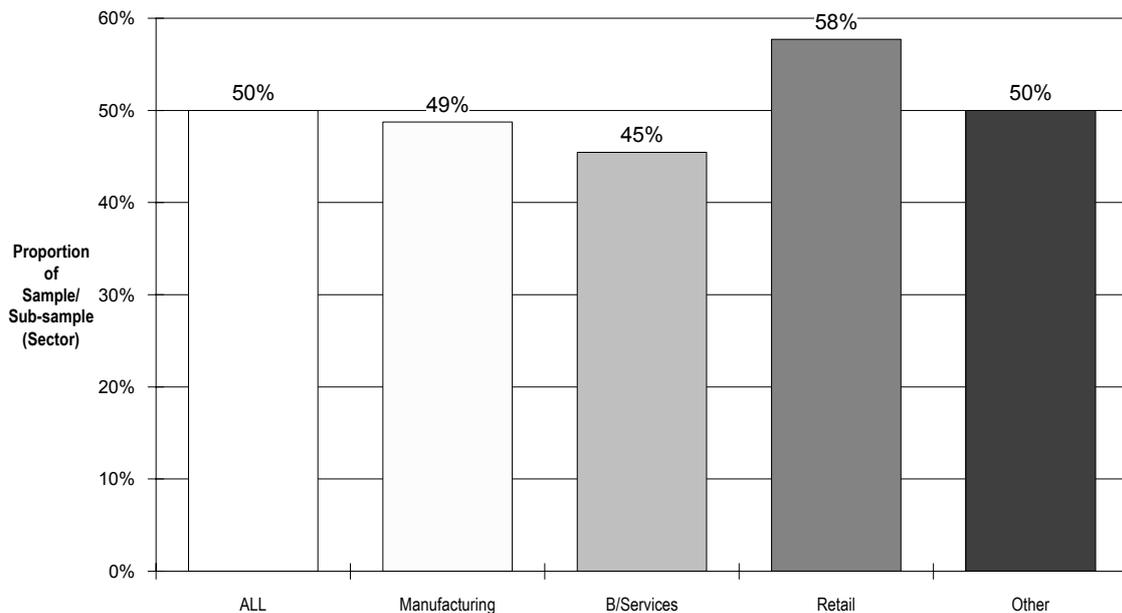
**Fig 9 - SUPPLIERS RATED AS AVERAGE, POOR OR VERY POOR:  
BY EMPLOYEE SIZE**



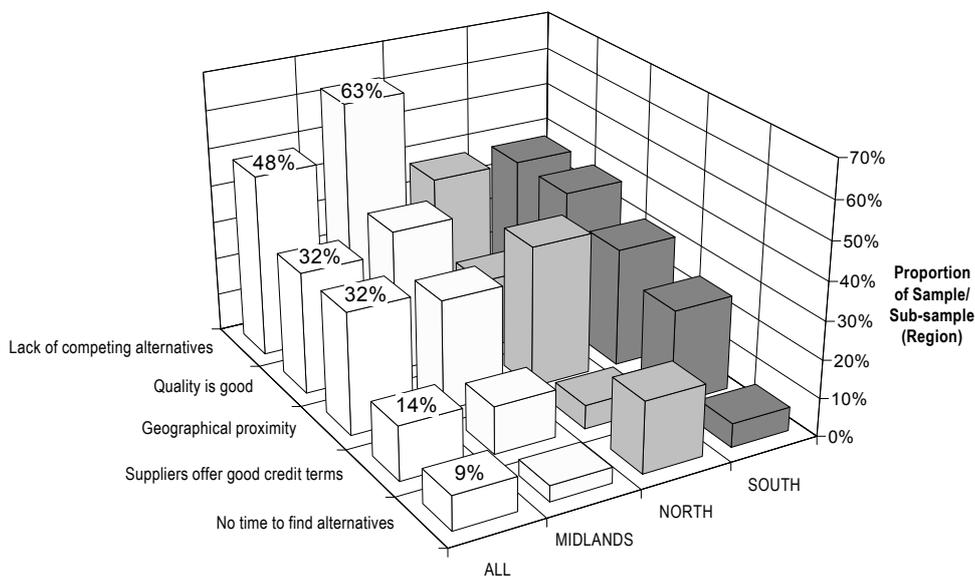
respondents (9 per cent) rating value for money as 'poor' and 'very poor', compared with an average for most sectors of two per cent or less.

In general, firms in the North of the county seemed to be most happy with the value for money obtained from suppliers. Only 42 per cent of respondents in the North rated any supplier as average, poor or

**Fig 10 - SUPPLIERS RATED AS AVERAGE, POOR OR VERY POOR:  
BY SECTOR**



**Fig 11 - REASONS FOR CONTINUING WITH 'AVERAGE' OR WORSE VALUE FOR MONEY SUPPLIERS: BY REGION**

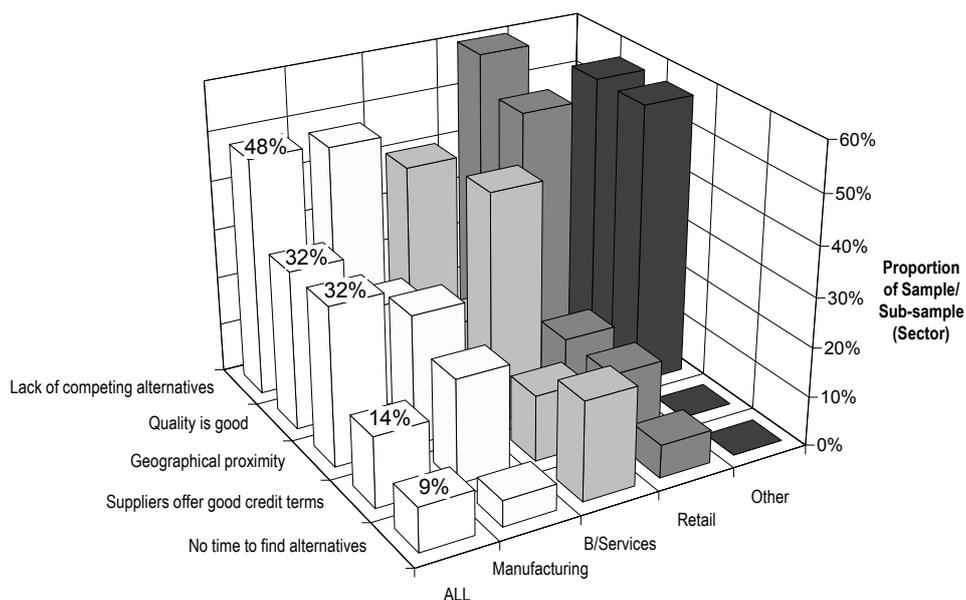


very poor value compared with the average of 50 per cent (Figure 8). There was a fairly clear tendency for larger firms to be less satisfied with value for money (Figure 9). More retailers than firms in other sectors gave any supplier a

low rating (Figure 10).

Despite generally high levels of satisfaction with suppliers, inevitably 50 per cent of respondents had given value for money ratings below the average for

**Fig 12 - REASONS FOR CONTINUING WITH 'AVERAGE' OR WORSE VALUE FOR MONEY SUPPLIERS: BY SECTOR**



at least one supplier.

It seems that whilst in general respondents think that there is ample competition among suppliers, lack of alternative sources of supply was the most common reason given (by 48 per cent) for continued use of a supplier where low ratings were given for value for money (Figure 11). Good quality (32 per cent) or geographical proximity (32 per cent) were also given as reasons for continued loyalty to suppliers offering less than average value for money. Lack of time to seek out and consider new alternatives was mentioned by only 9 per cent of respondents, and good credit terms by 14 per cent. It will be recalled that financial services and capital goods were the types of service for which poor or very poor ratings were most likely.

Although the number of respondents is too low to be statistically significant, the data suggest that more retailers are concerned with lack of competing alternatives than firms in other sectors. A higher proportion of retailers also say they remain with suppliers because quality is good, suggesting that it is price competitiveness which is their main concern (Figure 12).

## RESPONDENTS' COMMENTS

Some observers believe that many businesses, small or large, do not devote enough attention to purchasing, which can have a major impact on profitability, quality and other crucial aspects of performance. Certainly fewer respondents than usual chose to respond to our invitation to make general comments; and of those that did, few exhibited really strong or controversial opinions on the subject. An exception to this was late payment by respondents' customers, which needed to be speeded up so that they could pay their suppliers faster.

The most common theme of commentators was the need to work closely with suppliers:

*"A combination of close links but with a measure of detachment helps to develop a long-lasting and fruitful supplier/customer relationship. Always shopping around for the 'best deal' can be a false economy."*

Several mentioned the need to treat suppliers as customers ("we are all suppliers"), to understand their difficulties and to recognise mutual dependence.

There was inevitably criticism:

*"...British companies, in general, provide a poor to average service. We have a lot to learn from the Americans about service and [a] positive approach to clients."*

*"[A lack of] Speed of answering telephone can be a serious frustration."*

*"First-class staff training would be of enormous benefit to almost all of our suppliers."*

*"Underfunding of wholesalers who do not carry stock, slows down retail*

*sales..."*

Of course, suppliers need to be controlled and communication is important:

*"Suppliers are as good or as bad as you allow them to be."*

*"Interaction is important if the supplier is to understand the requirements of my particular business."*

One respondent wrote that:

*"Everybody's standards, including those of my customers as well as my own, have increased tremendously. It is exceptionally difficult for any suppliers, including my own company, to get better than average rating for their efforts."*

The comments offered, grouped by industrial sector, are shown overleaf.

## MANUFACTURING

Cash Register Ribbons and Stationery	<i>"Our manufacturing industry would be given a real boost if the government offered real incentives to buy capital machinery - rather than taxing them as they do now."</i>
Equipment Maintenance. Garage Equipment Supply and Maintenance	<i>"Suppliers should pay more attention to their clients' needs and endeavour to work for joint success, rather than just concentrating on their own needs."</i>
Manufacture of Iron Castings	<i>"We use pig iron, only suppliers being overseas - Government NOW put an anti-dumping tax on which raises our costs and benefits no-one - 10 years too late."</i>
Manufacturing	<i>"I have a strong character, and voice my opinions quite loud, it isn't often I have problems."</i>
Manufacturing of Assembly Automation	<i>"Understanding in connection with payment terms i.e. mutual support. Due to lack of legislation enforcing specifically larger customers to honour payment terms."</i>
Outdoor Furniture, Timber and Timber Products	<i>"It is important to have a close relationship with your main suppliers."</i>
Printing	<i>"We have a very good business relationship with our suppliers/outworkers, this is common in our trade (printing)."</i>
Publishing	<i>"Good supplier relationships very important - often overrides small swings in charging."</i>
Special Purpose Machine Design & Manufacture	<i>"Some steels are difficult to obtain, due to low stocks."</i>
Toys/Educational Products	<i>"Need to establish a genuine relationship between each other with a good knowledge of mutual requirements and direction. Very much not a 'master-servant' relationship."</i>

## BUSINESS SERVICES

Accountancy, Audit, Tax & Management Consultancy	<i>"If supplier does not meet my requirements I am quick to respond by telephone, fax or letter as appropriate, to outline problems."</i>
Conference/Event Organisers	<i>"I have managed to find good suppliers within my industry but I am <b>constantly</b> horrified by bad supplier/customer attitudes. Too many do not understand 'service'."</i>
Design Consultancy	<i>"It is vital to have a diverse range of suppliers who understand the pressures our clients place on us and who can then respond with occasional lower prices, faster turnround times or longer credit terms. We also need to understand the suppliers' potential problems and build up a trust so that we understand and recognise legitimate delays etc. in supply."</i>
Farm Management Consultancy	<i>"We avoid relationships with suppliers, it is easier to regulate business transactions when carried out at 'arm's length'."</i>
Food Technology & Quality Consultant	<i>"[A lack of] Speed of answering telephone can be a serious frustration."</i>
Legal and Debt Recovery Services	<i>"Banks are usually unhelpful and would seem to be interested only in short-term gains for themselves."</i>

Market Research	<i>"Everybody's standards, including those of my customers as well as my own, have increased tremendously. It is exceptionally difficult for any supplier, including my own company, to get better than average rating for their efforts. Effective suppliers don't get noticed !"</i>
Office Space Planning and Supply of Furniture	<i>"We are all customers and it is essential to treat your suppliers as you would expect to be treated by your customer."</i>
Public Relations	<i>"We are dependent for our own credibility and success on the performance of certain supplies in terms of quality, turnround and price."</i>
Public Relations and Marketing Consultancy	<i>"I believe that close partnerships help the supplier/customer relationship but they do a require a high degree of trust."</i>
Telephone Marketing and Telephone Sales Company	<i>"Being in a service industry, I realise the importance of service and communication. British companies, in general, provide a poor to average service. We have a lot to learn from the Americans about service and positive approach to clients."</i>
Textile Marketing	<i>"Our purchasing is a relatively small aspect of our business as we are a service agency. In the main we are very satisfied with our suppliers which we have selected with care."</i>

## RETAIL AND DISTRIBUTION

Computer Data Communications Solutions in PC/Mainframe Environment	<i>"Very difficult to find sources of financial support from Government/EC despite their projections to the contrary."</i>
Delicatessen Retailer	<i>"First class staff training would be of enormous benefit to almost all of our suppliers."</i>
Discount Audio Equipment	<i>"I find that most of the manufacturers don't like supplying new businesses until they have been trading at least two years, even if I pay C.O.D. They also won't supply if there are other dealers in the same area."</i>
Electrical Distributors	<i>"Close relationship with suppliers is required to develop the business, suppliers are as important to us as our customers."</i>
Greetings Cards Wholesale and Retail	<i>"Suppliers are as good or as bad as you allow them to be."</i>
Musical Equipment Retail	<i>"Underfunding of wholesalers who do not carry stock, slows down retail sales through non-availability and slows down the progress out of the recession."</i>
Stockists of Iron Bars	<i>"It is essential to have a good relationship with suppliers and to understand their difficulties as well as your own (after all - you are also a supplier) - so that when you need help quickly, they respond and pull out all the stops to help you."</i>
Suppliers of Hygiene Chemicals Equipment	<i>"Staying loyal to main manufacturers as long term benefits e.g. special prices, promotions, staff incentives etc."</i>

## OTHER

Broadcast & Corporate TV Production & Provision of Technical Facilities	<i>"Interaction is important if the supplier is to understand the requirements of my particular business."</i>
Daily Cleaning Service to Business and Commerce	<i>"A combination of 'close links' but with a measure of detachment helps to develop a long-lasting and fruitful supplier/customer relationship. Always shopping around for the 'best deal' can be a false economy."</i>
International Freight Forwarding Services	<i>"We carefully vet all our suppliers, the success of our company depends upon it. We strive to build a relationship that is to our mutual benefit."</i>
Plumbers & Heating Eng.	<i>"Most suppliers are now controlled by credit control section. Legislation required to ensure that we are paid so that we can pay our suppliers."</i>
Training and Development Services	<i>"We have very few suppliers as we sell on expertise and skill, so questionnaire is rather useless."</i>
Training of Engineering Skills	<i>"Due to the nature of the business, i.e. Training in Engineering, we are forced to use certain lead bodies for supplies and services. All competitiveness is lost and the service costly, this is not always appreciated by Government and other organisations that control the finances."</i>

**ADDENDUM - ADDITIONAL INFORMATION**

As an aid to the interpretation of the various figures (histograms), we have included some further information about the firms responding to this survey, No.5.

The analyses involve key variables, and **industry sector, region and employee size** are those most frequently used as they are reasonably reliable indicators and less prone to misinterpretation.

**Industrial sectors** - based on the descriptions supplied by respondents, each firm is coded according to the Standard Industrial Classification (SIC 1980). Firms are then grouped accordingly into manufacturing, retail/distribution, business services and 'other' bands.

**Regions** - firms are also classified according to their physical location, namely, North, Midlands and the South.

**Employee size** - finally, firms are placed in bands according to the number of employees. Each part-time employee is

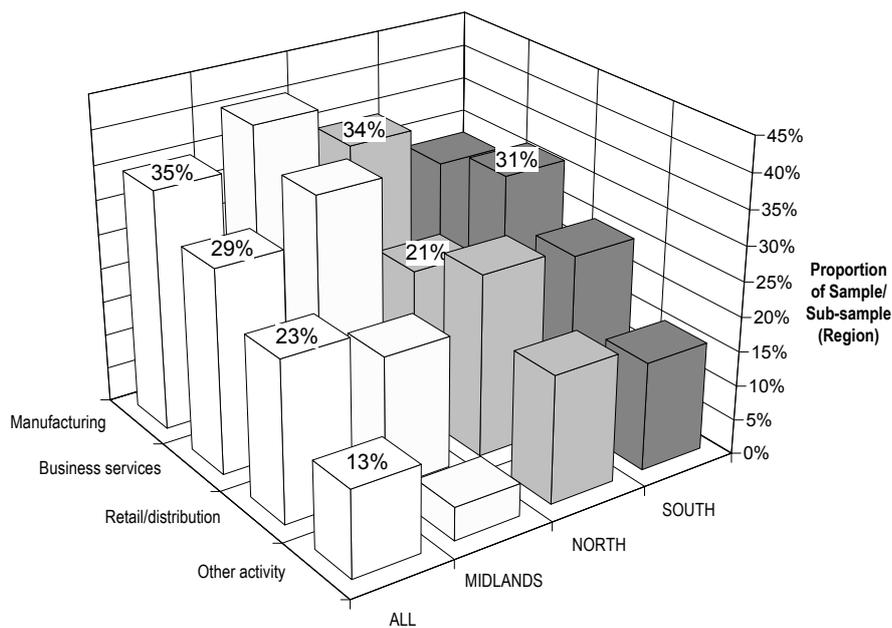
assumed to be equivalent to 40 per cent of a full-time employee (FTE, full-time equivalent).

**DISTRIBUTION OF FIRMS**

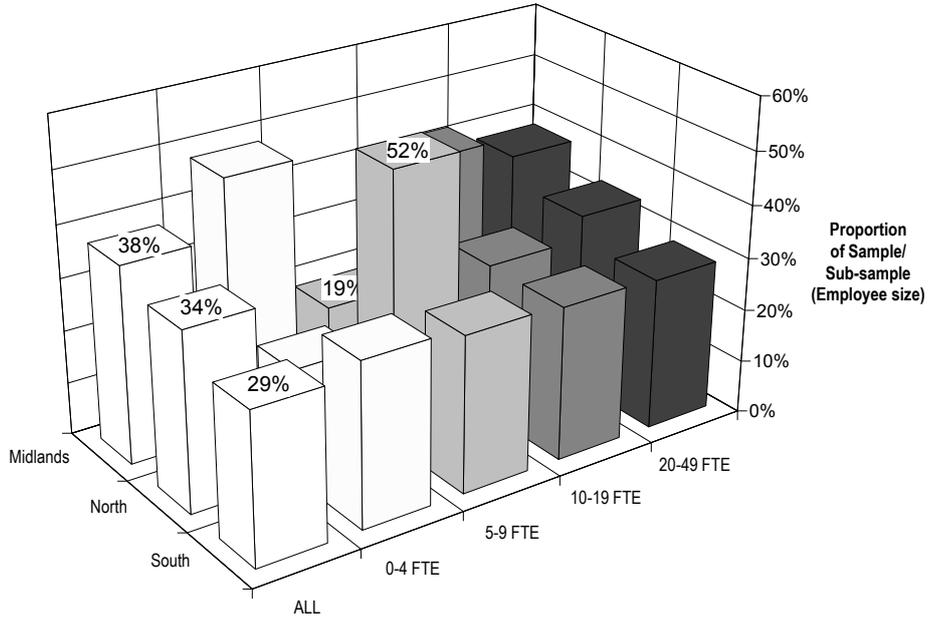
For this survey, there is a slightly higher concentration in manufacturing (35 per cent) compared to business services (29 per cent - both stood at 32 per cent in the previous survey), with another 23 per cent in retail/distribution and 13 per cent engaged in other activities (Figure 13). The latter two sectors are largely unchanged.

Regionally, the bias towards firms engaged in **business services** in the **South** has reduced for this survey (31 per cent compared to 37 per cent previously). **Manufacturing**, this time, is most predominant in the **Midlands**.

**Fig 13 - INDUSTRIAL SECTOR: BY REGION**



**Fig 14 - REGION: BY EMPLOYEE SIZE**

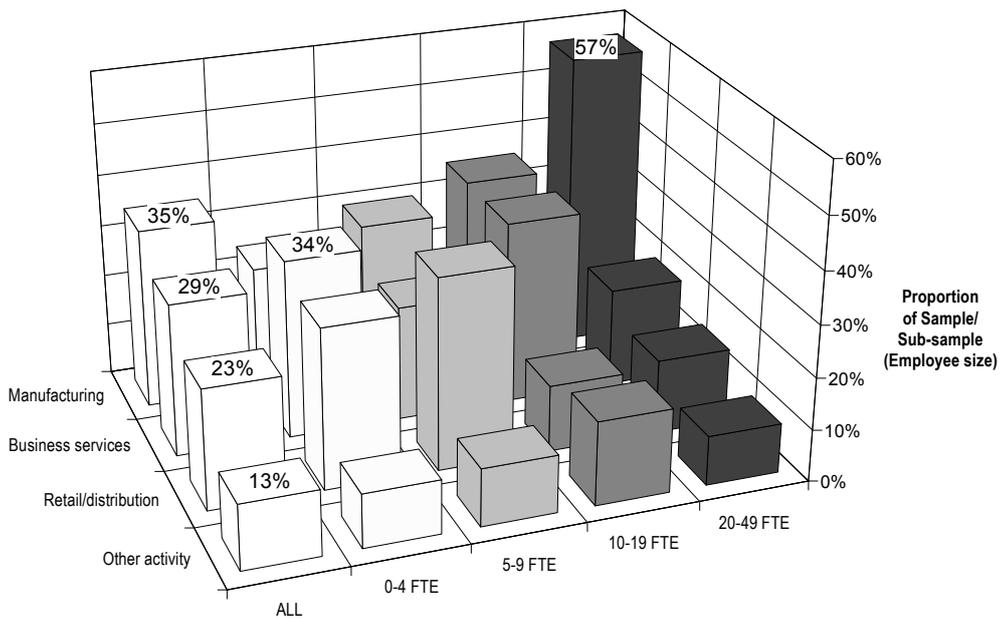


In the previous survey, the sub-sample in the **South** had a greater proportion of **smaller firms** (especially in the 5-9 employee band), whereas the emphasis in the North was towards the larger, 20-49, size band businesses. However, the emphasis this time has changed with just

over half (52 per cent) of the firms in the Northern sub-sample falling in the 5-9 employee size band (Figure 14). Also, the distribution in the South is reasonably even in the latest survey.

Figure 15 illustrates that the

**Fig 15 - INDUSTRIAL SECTOR: BY EMPLOYEE SIZE**



**manufacturing** firms in the sample tend to be **larger**, in terms of employees, and just as before, whereas the **business services** and the firms in **retailing/distribution** tend to have **fewer full-time equivalent employees**.

A more detailed explanation of the **presentation of data**, and also of the **implications for owners/managers of businesses** may be found in the Addendum accompanying the previous survey, Survey No.4.



# Lloyds Bank

## Lloyds Bank/Small Business Research Trust Quarterly Small Business Management Report - No.5

This questionnaire will take approximately 5 minutes to complete - most answers require only a single tick. All information received will be treated in complete confidence. **PLEASE DESPATCH AS SOON AS POSSIBLE.**

- 1** How many people work in your business (including yourself) ?
- Full-time \_\_\_\_\_ A
- Part-time (16 hours/wk or less) \_\_\_\_\_ B

### MANAGEMENT ISSUE No.5: Purchasing

- 2** New suppliers - how do you mainly learn about supplier availability ?
- Personal recommendation.....  A
- Media advertising.....  B
- Direct mail .....  C
- Salesmen visiting/telephoning .....  D
- Other (please state):  E
- \_\_\_\_\_

- 3** Do you normally check the financial status of new suppliers ?
- Yes.....  A
- No .....  B

- 4** Suppliers - how many do you have and how long, on average, have you been buying from them ?
- |                               | Number of suppliers | Average number of years |   |
|-------------------------------|---------------------|-------------------------|---|
| Goods/services for resale     |                     |                         | A |
| Components and raw materials  |                     |                         | B |
| Transport and storage         |                     |                         | C |
| Office supplies/equipment     |                     |                         | D |
| Other equipment/capital goods |                     |                         | E |
| Financial services            |                     |                         | F |
| Other (please state)          |                     |                         | G |
- Omit utilities, professional advisers*
- \_\_\_\_\_

5

**Generalising about suppliers - For EACH PAIR of statements, select the one CLOSEST to your own view**

*Just one ✓ for each pair*

- There is relatively little choice of supplier for my business  A
- OR** There is plenty of choice of supplier  B
- 
- My suppliers are an important source of information/advice to my business  C
- OR** On balance, I provide help and guidance to my suppliers  D
- 
- I believe in few suppliers and close relationships  E
- OR** I prefer many suppliers at arm's length  F
- 
- I prefer to buy direct from the manufacturer  G
- OR** I prefer to use wholesalers/retailers  H

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**Suppliers - value for money: on average, how do you rate them ?**

*Just one ✓ for each row*

	<i>Very Good</i>	<i>Good</i>	<i>Average</i>	<i>Poor</i>	<i>Very Poor</i>
Goods/services for resale.....	<input type="checkbox"/> A				
Components and raw materials.....	<input type="checkbox"/> B				
Transport and storage.....	<input type="checkbox"/> C				
Office supplies/equipment.....	<input type="checkbox"/> D				
Other equipment/capital goods.....	<input type="checkbox"/> E				
Financial services .....	<input type="checkbox"/> F				
Other (please state) <i>Omit utilities, professional advisers</i>	<input type="checkbox"/> G				
	1	2	3	4	5

7

**a) Do you rate any supplier as AVERAGE, POOR or VERY POOR ?**

- Yes.....  A
- No.....  B

**b) If 'yes' (skip, if 'no') - why do you buy from them ?**

*Up to two ✓*

- Quality is good.....  A
- Lack of competing alternatives.....  B
- No time to find alternatives.....  C
- Geographical proximity.....  D
- Suppliers offer good credit terms.....  E

8

**Supplier relationships - If you have any strong views about these, especially if you feel that any aspect is not fully appreciated by important sections of the business community (such as the government help agencies or the financial services), then please comment**

\_\_\_\_\_

\_\_\_\_\_

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