

Lloyds Bank • Small Business Research Trust

Quarterly

Small

Business

Management

Report

No. 4 Vol. 2 1994

Lloyds Bank/Small Business Research Trust

**Quarterly Small Business
Management Report - Vol.2, No.4**

November 1994

ISSN 0968-6444

£15.00

Customers & Competitors

**Small Business Research Trust,
School of Management,
The Open University,
Walton Hall,
Milton Keynes.
MK7 6AA**

Tel: 0908 655831

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**
<http://www.westminster.ac.uk/schools/business>

**David Purdy, Visiting Fellow,
Kingston University**
<http://business.kingston.ac.uk/sbrc>

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Lloyds Bank/TSB & SBRT
Quarterly Small Business Management Report
ISSN 0968-6444

1993 (Vol.1)

- 1 Surviving The RecessionFebruary 1993
- 2 Using Your TimeJune 1993
- 3 Management Style September 1993
- 4 Financial ManagementDecember 1993

1994 (Vol.2)

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

1995 (Vol.3)

- 1 Information Technology March 1995
- 2 HolidaysJune 1995
- 3 Company VehiclesAugust 1995
- 4 Pricing Policies November 1995

1996 (Vol.4)

- 1 Training March 1996
- 2 A Day In The LifeJune 1996
- 3 Financial Management September 1996
- 4 Tax ComplianceDecember 1996

1997/8 (Vol.5)

- 1 'Europe' & Small Businesses ... March 1997
- 2 Employee RecruitmentJuly 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 StrategiesDecember 1998
- 4 Small Firms & The Environment .. Mar 1999

1999/2000 (Vol.7)

- 1 The Impact of HolidaysJune 1999
- 2 Late Payment September 1999
- 3 Management Development .December 1999
- 4 Exit Routes March 2000

2000/01 (Vol.8)

- 1 E-commerceJune 2000
- 2 Sources of Finance September 2000
- 3 Transport & GovernmentDecember 2000
- 4 Government & RegulationsApril 2001

2001/02 (Vol.9)

- 1 Marketing & SalesJuly 2001
- 2 The Human Side of Enterprise Oct 2001
- 3 Health Issues January 2002
- 4 PremisesApril 2002

2002 (Vol.10)

- 1 Networking in BusinessAugust 2002
- 2 The EuroDecember 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 PoliticsOctober 2003
- 2 Pensions February 2004
- 3 Work-Life Balance July 2004

2004-05 (Vol.2)

- 1 Education & EnterpriseOctober 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 PressureJanuary 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 eighth of a 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 of this survey was on the **Customers and Competitors** of small firms. The principal findings were as follows:

- **Customer base** - Most small businesses supply a relatively large number of customers - typically more than twenty in any one month.
- Larger businesses and those in the retail sector tend to have the largest number of customers. At the other extreme, firms in the business service sector tend to have a relatively small customer base.
- **Dependency on few customers** - Despite the relatively large customer base, many small businesses rely heavily on a small number of large customers for a significant percentage of sales. On average, the smallest businesses (with less than 5 employees) said that over half of all sales revenue was accounted for by their three largest customers. Larger businesses (with more than 50 employees) and businesses in the retail sector are much less reliant on a few customers.
- **Dependency on local customers** - Small businesses tend to rely heavily on customers within their own locality or region. Typically, less than 10 per cent of turnover is exported.
- The larger the business, the more likely it is to be serving a national market, but there are no obvious size-related variations in export activity.
- **National and international markets** - Manufacturing businesses are most likely, and business service firms least likely, to be serving national and international markets.
- **Customer relationships** - Almost without exception, the owner-managers of small businesses maintain a personal relationship with their customers.
- **Competitor dispersion** - There is a wide variation in the number and location of competitors, even between firms in the same sector and/or size band. Businesses appear either to have very few competitors, or to have a large number of competitors.
- **Overseas competition** - Manufacturing businesses face less local competition than firms in other sectors of the economy, but are more likely to face competition from overseas.
- **Competitor strengths** - Respondents felt that price was the most important area in which their competitors were strong - this is particularly so for the larger businesses in the sample.
- Other competitors strengths identified by respondents include product range, technical support and the appearance of products.
- **Competitor relationships** - The majority of respondents described their relationships with competitors as friendly. Less friendly relations are more likely amongst the smaller firms.
- Friendly, positive relations with competitors are most prevalent in business service firms. This was confirmed by the comments made by respondents to an open question on the topic. Most respondents felt that it was unhelpful to knock the competition, and preferred to sell to customers on the basis of positive promotion of the price and/or quality of their own product or service.

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ACKNOWLEDGEMENTS

The Small Business Research Trust wishes to thank all responding firms for their time and effort involved in participation in the production of this Management Report.

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 **customers and competitors**.

Past surveys have covered:

First Volume (1993)

No.1 Surviving The Recession

2 Using Your Time

3 Management Style

4 Financial Management

Second Volume (1994)

1 Purchasing

2 Quality Standards & BS 5750

3 Management Succession

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

- Personnel
- Incentives
- Information Technology
- Health & Safety
- Premises

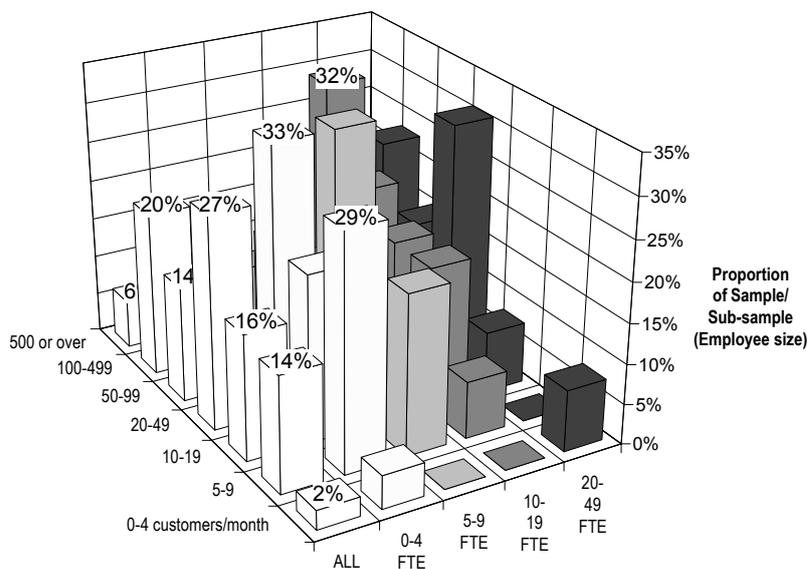
THE SAMPLE

This report is based on responses received from a panel of some 300 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 September/October 1994.

Fig 1 - CUSTOMERS/MONTH: BY EMPLOYEE SIZE



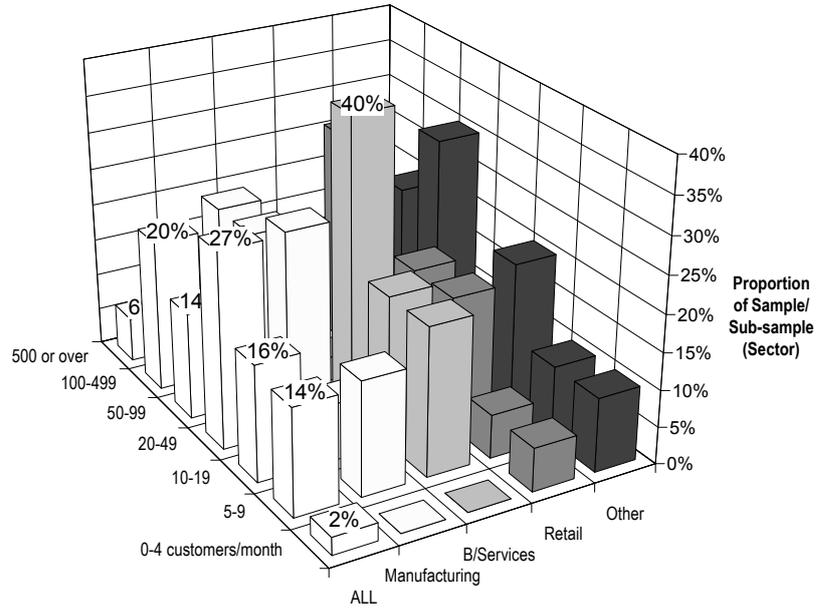
CUSTOMERS AND COMPETITORS

This survey examines the relationship between small business owner-managers and their customers and suppliers. The number, type and location of customers and the relationship between a business and its customers and competitors are issues at the heart of the role played by small enterprises in a modern market economy. For example, to what extent are small businesses contributing to exports? Are too many businesses reliant on one or two main customers? Does competition take place on the basis of price, or are other issues important?

CUSTOMERS

Figure 1 demonstrates that the majority of survey respondents supply more than 20 customers every month. Only two per cent of respondents supplied fewer than five customers. The number of customers increases with the size of the business. Only 8 per cent of businesses with less than 5 employees supplied more than 100 customers in a month, compared with 36 per cent of businesses in the 10-19 employee size band.

Fig 2 - CUSTOMERS/MONTH: BY SECTOR



The number of customers varies, not surprisingly, by the industrial sector of the respondent (**Figure 2**). Firms in the business services sector are much more likely than others to have a small customer base - 80 per cent have fewer than 50 customers each month. At the

other extreme, retail businesses serve a larger number of customers.

Regional variations in the size of the customer base are illustrated in **Figure 3**. Businesses located in the South of England supply a greater number of

Fig 3 - CUSTOMERS/MONTH: BY REGION

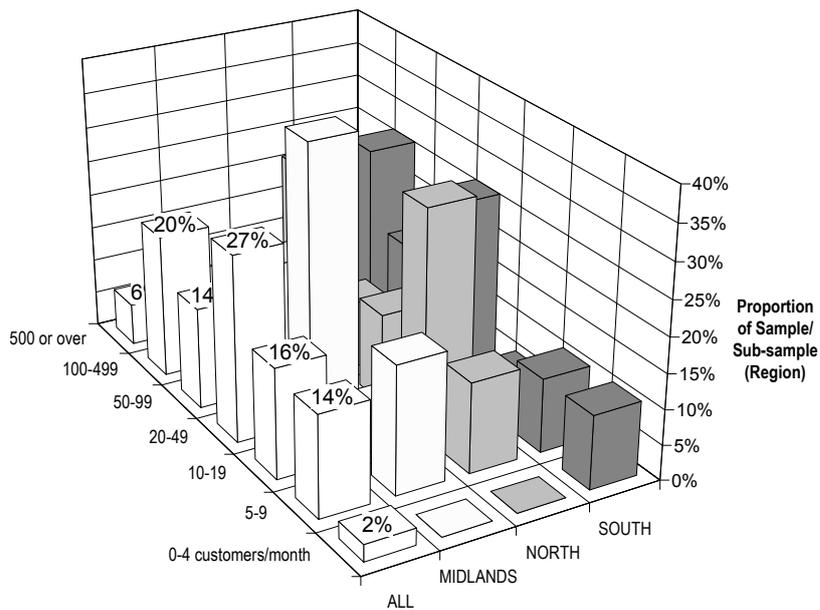
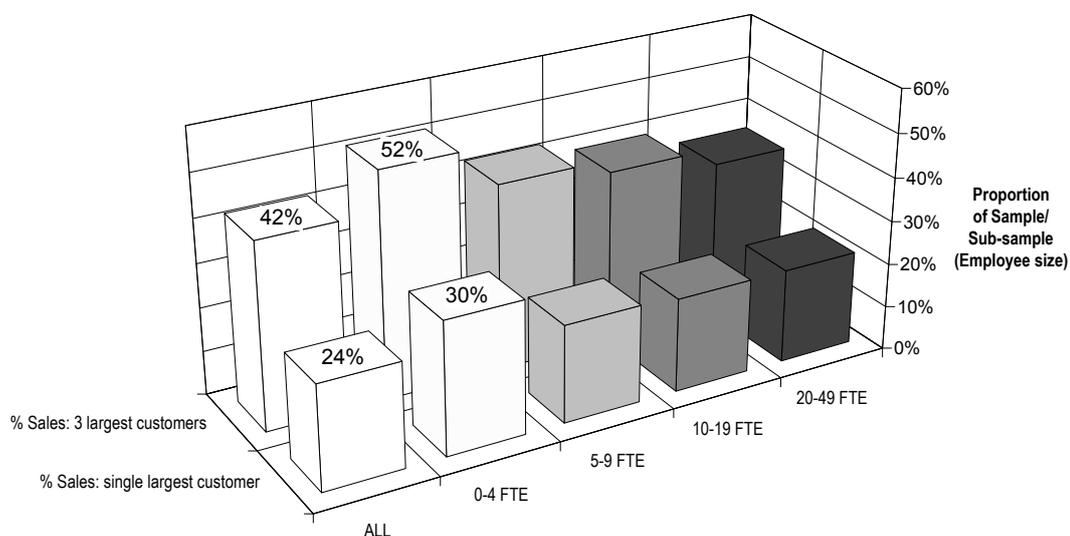


Fig 4 - CUSTOMER DEPENDENCY: BY EMPLOYEE SIZE

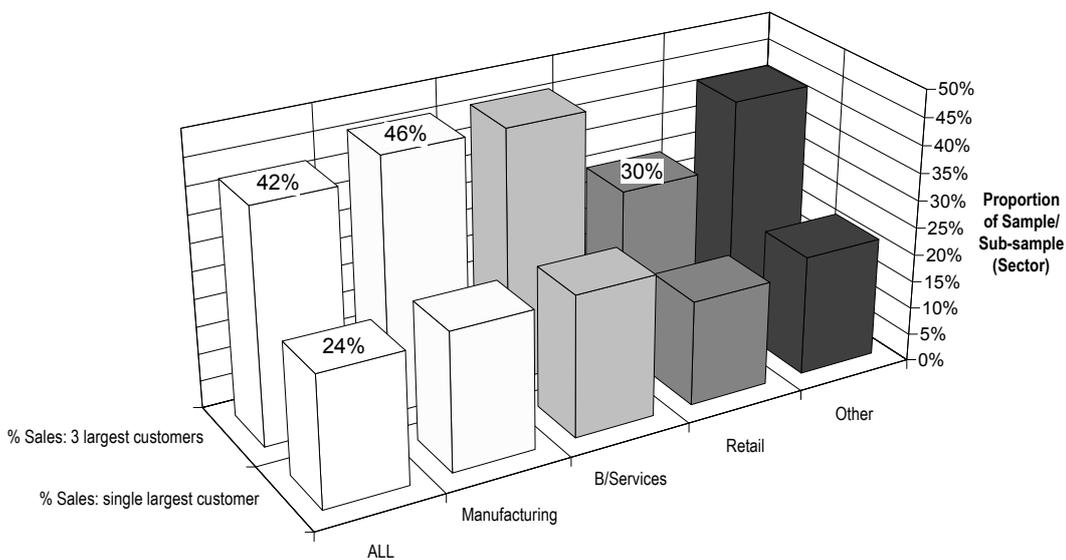


customers than their counterparts in the North and Midlands.

Despite the relatively large customer base of the majority of surveyed businesses, it is clear that many businesses are reliant on a small number of customers for a significant proportion of sales revenue. Respondents were asked to estimate the percentage of sales attributable to their single largest customer and their three largest customers. Their responses are summarised in Figures 4 and 5.

Figure 4 shows that, as the business grows larger, it becomes less dependent upon a small number of customers. On average, the smallest businesses (with less than 5 employees) said that over half of all sales were accounted for by their three largest customers. This figure declines to 36 per cent for businesses with 20-49 employees.

Fig 5 - CUSTOMER DEPENDENCY: BY SECTOR



Sector is another important factor influencing the extent of dependency on a small number of customers (**Figure 5**). In particular, retail businesses are much less reliant on their largest customers than those in manufacturing or business services. There are no discernible

regional variations in these figures.

Figures 6 - 8 explore the geographic distribution of respondents' customer base, using average turnover levels for the responses analysed. This confirms that many small businesses are reliant on

Fig 6 - % TURNOVER FROM AREA: BY EMPLOYEE SIZE

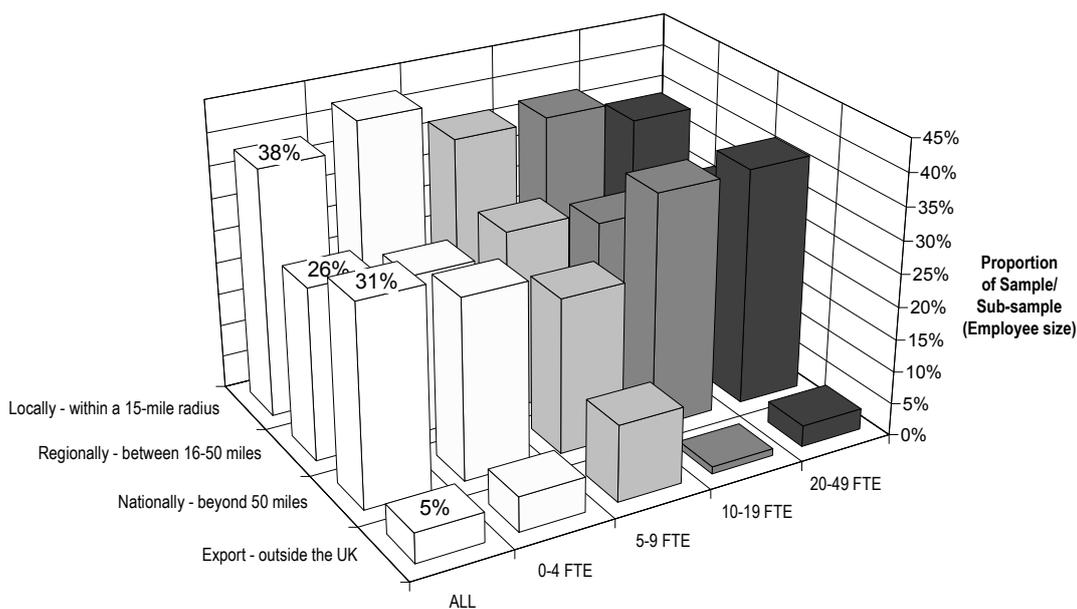
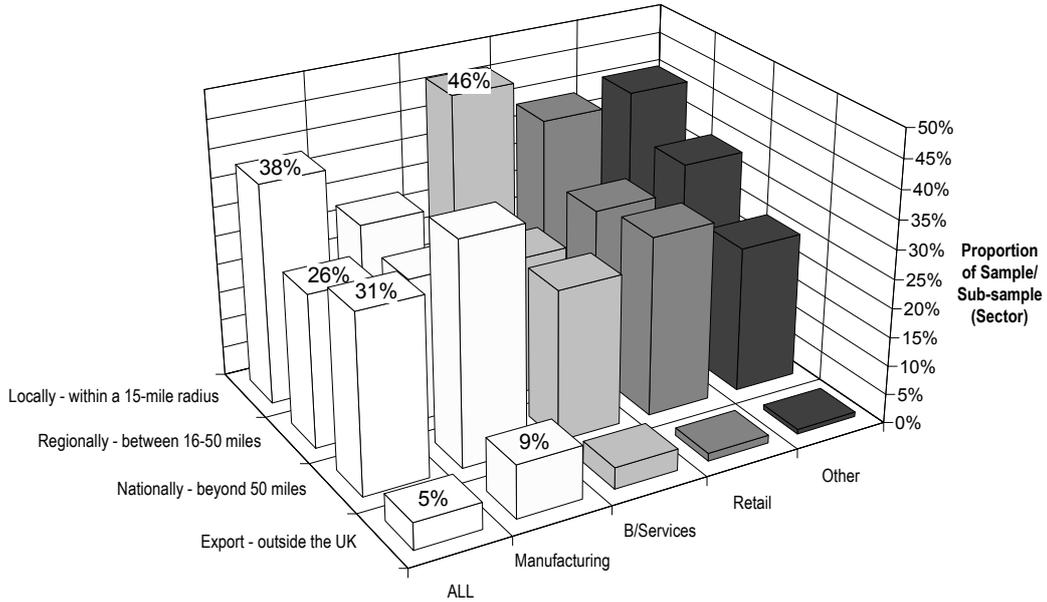


Fig 7 - % TURNOVER FROM AREA: BY SECTOR



local or regional markets, with only a relatively small proportion of turnover being exported. Larger businesses are marginally more likely than those with less than 10 employees to be serving a national market, but there are no obvious size-related patterns to export activity.

Manufacturing businesses are most likely, and firms in the business service sector least likely to be involved in national and international markets (Figure 7). Figure 8 suggests that local markets are more important to firms located in the South of England. This probably reflects the fact

Fig 8 - % TURNOVER FROM AREA: BY REGION

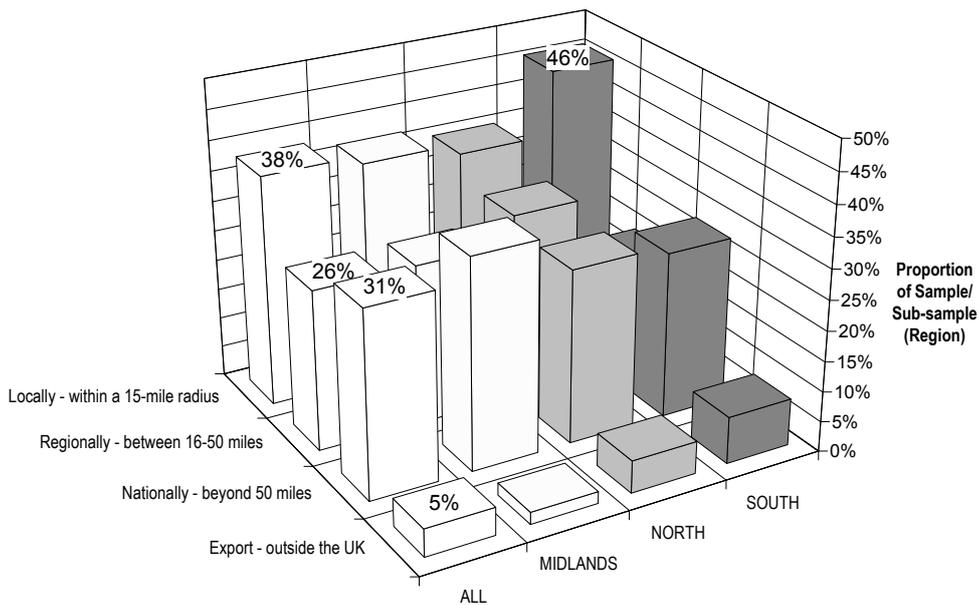
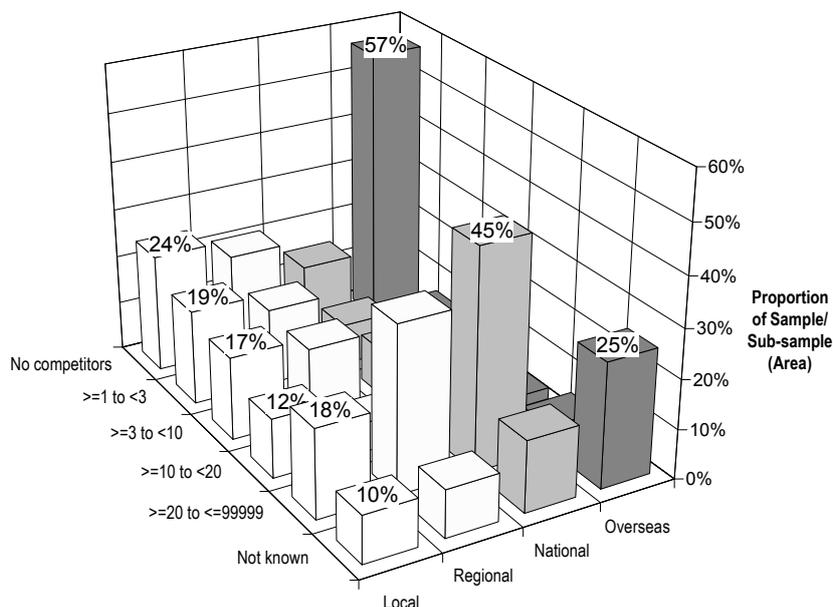


Fig 9 - NUMBER OF COMPETITORS: BY AREA



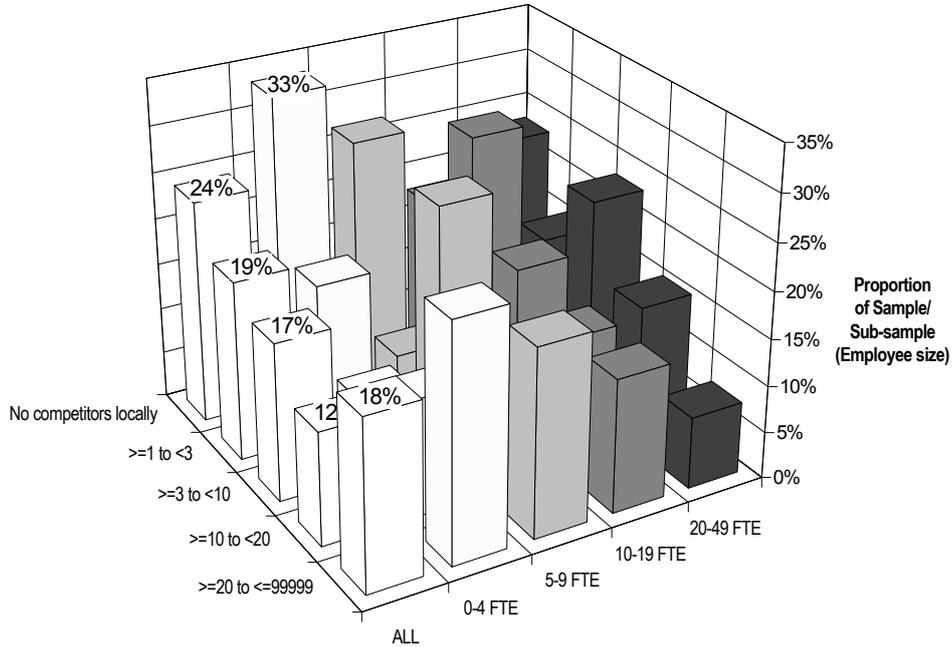
that population density and business activity is higher in the South (particularly around London) than in other areas of the country.

Almost without exception, respondents to the questionnaire stated that they have personal contact with their customers. This confirms one of the key features of the smaller business, namely a very close personal relationship with the marketplace on the part of the owner/manager of the business.

COMPETITORS

The number and location of the competitors of responding firms varies considerably, as illustrated by **Figure 9**. 24 per cent of respondents said that they had no local competitors, and 14 per cent had no competitors in the UK. At the other end of the scale, 18 per cent faced competition from more than 20 other businesses in their local area and 45 per cent had more than 20 competitors nationwide. The majority of respondents felt that they faced no competition from abroad.

Fig 10 - NUMBER OF LOCAL COMPETITORS: BY EMPLOYEE SIZE



The very smallest businesses seem to be either operating in highly competitive market conditions or in local 'niche' markets with very little, if any, local competition (**Figure 10**). The pattern of competition becomes more complex as the firm grows larger.

Respondents were asked to identify up to two main areas where they felt that their competitors were strongest. The replies are summarised in Figures 11-13.

Manufacturing businesses face less local competition than firms in other sectors of the economy, but are much more likely to face competition from overseas. 31 per cent of manufacturers said they had no overseas competitors, compared with 83 per cent of business service firms.

Fig 11 - COMPETITORS' STRONGEST POINTS: BY EMPLOYEE SIZE

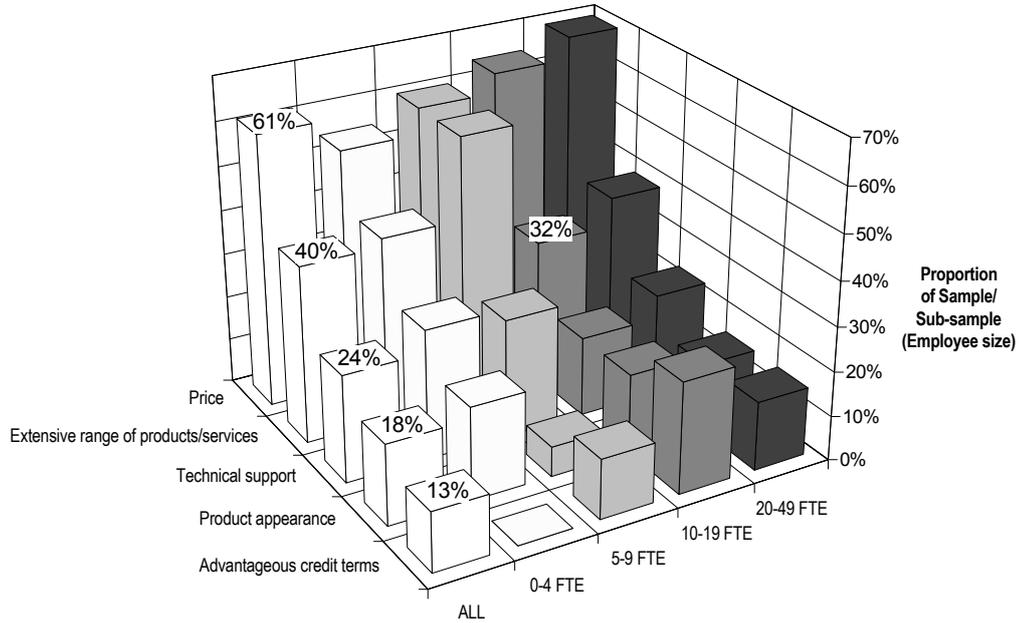


Figure 11 illustrates that the larger the business, the more likely it is to feel that competitors are relatively strong on price. The smallest businesses, on the other hand, tend to worry that competitors may be more attractive than they are in terms

of factors such as range of products, technical support and product appearance.

Figure 12 suggests that the relative importance of price to the competitive

Fig 12 - COMPETITORS' STRONGEST POINTS: BY SECTOR

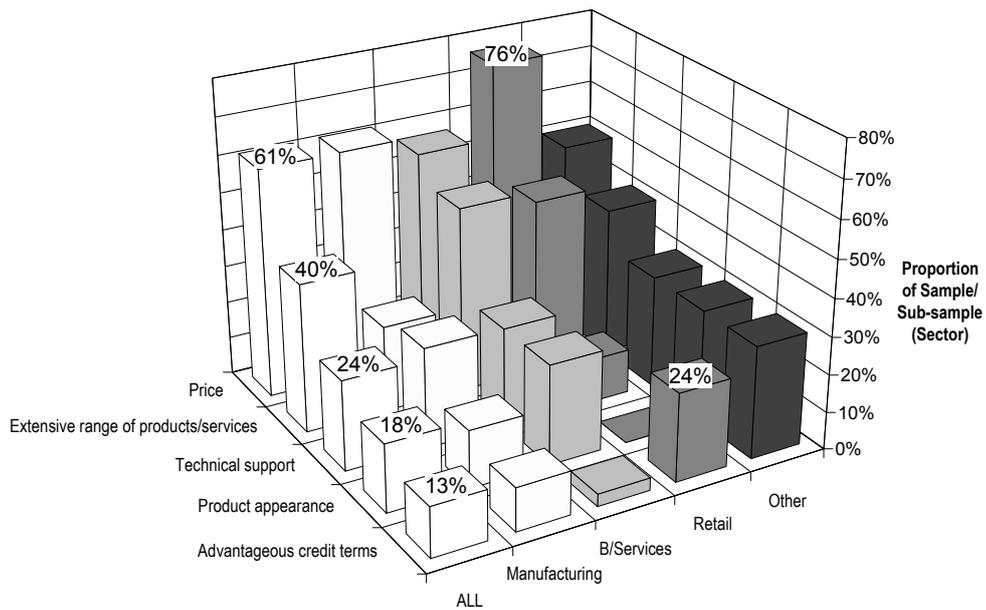
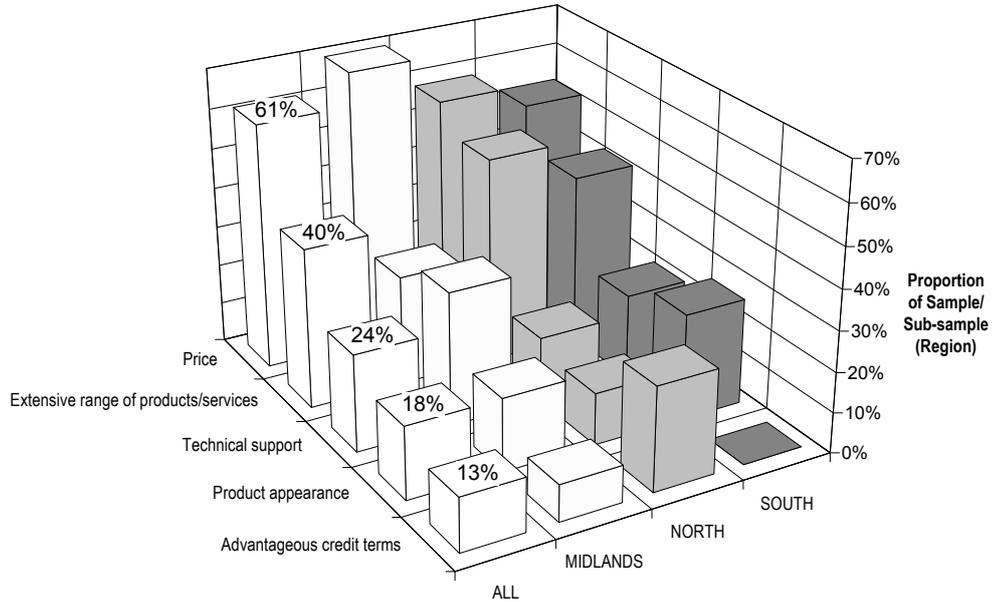


Fig 13 - COMPETITORS' STRONGEST POINTS: BY REGION



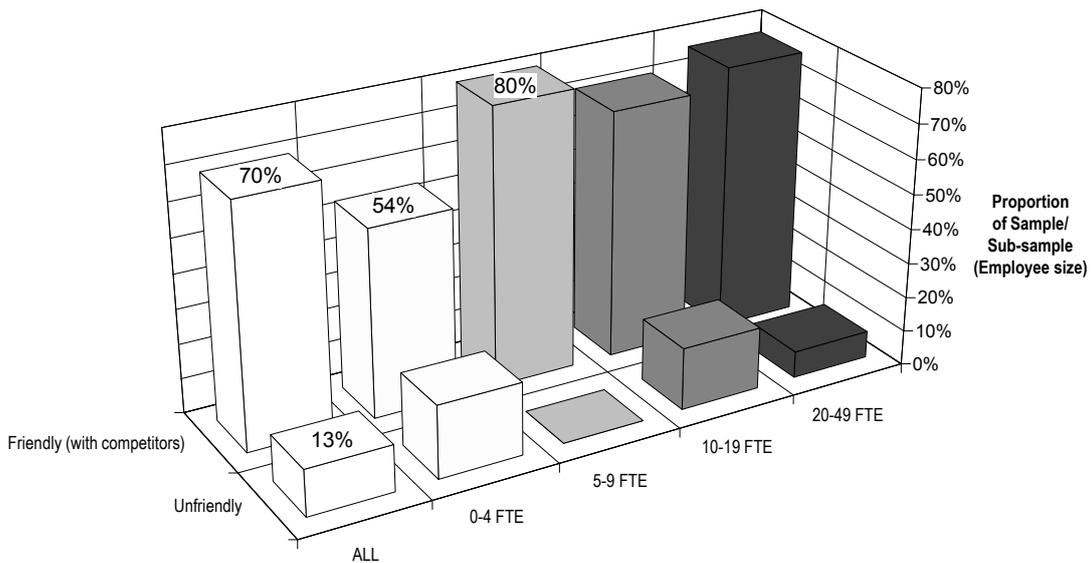
process is much higher for retail businesses than it is for manufacturers or providers of business services.

Some interesting regional variations are revealed in **Figure 13**, which suggests that Midlands-based firms are particularly

concerned about price competition whereas firms in the North are more likely to emphasise product range and advantageous credit terms as key strengths of competitors.

The survey asked respondents to give

Fig 14 - RELATIONSHIPS WITH COMPETITORS: BY EMPLOYEE SIZE



some indication of the nature of their relationships with competitors. This revealed that, for the most part, relations with competitors are "friendly". In total, 86 per cent of respondents said that they knew at least one competitor personally, with personal relationships being less common amongst manufacturing businesses and those located in the North.

70 per cent of respondents described their relationship with competitors as being "friendly". However, the smallest firms are more likely than others to be involved in less friendly forms of rivalry, including 'knocking' advertising (**Figure 14**). Business service firms are more likely to describe their relations with competitors as being "friendly".

RESPONDENTS' COMMENTS

Further insight into the nature of relationships between competing small businesses may be gained from the replies to the final question, which asked respondents to elaborate on their response to the question of whether relations with competitors were friendly or unfriendly. These comments are reproduced in full below. Many comments emphasise the opinion that 'knocking' competition is not usually a helpful way to behave:

"It is in nobody's interest to knock the competition. By differentiating ourselves from each other, we can have friendly helpful relations and thus provide the best possible service to our mutual customers." (Computer hardware and software manufacturer).

"I would neither refer customers to competition nor would I use knocking advertising. I would generally point out the advantages of buying from me." (Staircase manufacturer).

"... rubbishing the opposition reflects badly on yourself." (Management consultancy).

Positive co-operation between competitors is particularly evident in the business service sector, where exchange of ideas and strategic alliances are relatively common. For example, a research company states that "...the spin-offs from friendly relations are always more positive than the outcomes from 'knocking'".

Some respondents did feel that their competitors sometimes indulged in negative tactics, such as price wars or 'knocking' advertising.

MANUFACTURING

Cash Register Ribbons and Stationery	<i>"Our relationship is friendly but we do not refer customers. Sometimes we even sell to and buy from them."</i>
Computer Hardware and Software	<i>"It is in nobody's interest to knock the competition. By differentiating ourselves from each other, we can have friendly, helpful relations and thus provide the best possible service to our mutual customers."</i>
Electric Motor Repairs	<i>"We are always helpful."</i>
Equipment Installation	<i>"I have no relationship with competitors as I have very little contact with them - only in passing."</i>
Fibrous Plasterers	<i>"Generally good relationship. Customers are never referred to competitors."</i>
Machinery for the Tufted Carpet Industry	<i>"Relationship is non-existent. Our delivery response coupled with competitive pricing speaks for itself. We have no need to 'knock'."</i>
Manufacture of Products for Protection and Cleaning of Fabrics	<i>"Some of our competitors tend to knock our service but we don't bother to respond. [The] relation with most of our competitors is friendly."</i>
Manufacturers of Fireplace Components	<i>"The 'unfriendly' relationship is mainly confined to some of our competitors who endeavour to price us out of the market."</i>
Manufacturing	<i>"We refer customers if our machines can't cope with job wanted doing."</i>
Mechanical Installation and Maintenance Service	<i>"As all our employees (max. 45 during busy seasonal periods) are employees of [our company], we find that our competitors are engaging self-employed personnel which in effect makes us about 15% more expensive (to cover National Insurance Contributions and company liability insurance) when pricing."</i>
Party/Carnival Goods	<i>"Friendly rivalry. They buy from us and vice versa."</i>
Pipe Supports for Oil Refineries, Power Stations, Processing Plants etc.	<i>"We maintain a healthy respect for our competitors. 'Knocking' them is 'knocking' a potential customer who has chosen our competitor for a supplier."</i>
Products for the Building Industry	<i>"Due to our past experiences we have to guard against supplier details falling into the hands of our competitors - usually this has meant 'our' prices going up from supply sources (one competitor mainly for these difficulties)."</i>
Publishing	<i>"The best way to meet competition is: - Quality - Service - Delivery - Cost"</i>
Self-adhesive Label Printers	<i>"Most label printers belong to the British Printing Industries Federation and there is excellent co-operation."</i>
Staircase Manufacturer	<i>"I would neither refer customers to competition nor would I knock advertising. I would generally point out the advantages of buying from me !"</i>
Textile Yarns	<i>"Opinion of status of potential customers freely given."</i>
Toys/Educational Products	<i>"Courteous but distant."</i>

BUSINESS SERVICES

Accountancy, Audit, Tax & Management Consultancy	<i>"Good [relationship with competitors] - some exchange of ideas/experience. Bear in mind we are a professional accountancy practice."</i>
Architect	<i>"Architecture is very much horses for courses and customers come to you as they admire your work - rather than because you are cheap and quick."</i>
Architectural Design and Project Management	<i>"As architects we are on friendly terms with most of our fellow professionals despite government action to set us against each other."</i>
Company & Industry Research	<i>"We are in action-research, consultancies and publications - the spin-offs from friendly relations are always more positive than the outcomes from 'knocking'."</i>
Conference/Event Organisers	<i>"We do refer customers to certain 'competitors' but as our services expand we would handle [them] directly."</i>
Executive Search Recruitment and Provision of Temporary Managers	<i>"I am chairman of [an] active trade association; [there is] good co-operation between members."</i>
Farm Management Consultancy	<i>"In general I feel we can beat our competitors on performance and service, 'rubbishing' the opposition reflects badly on yourself."</i>
Food Technology & Quality Consultant	<i>"If we cannot supply a particular service we call in a competitor who can."</i>
Investment & Pensions Advice	<i>"Competition is to obtain custom - i.e. competing for clients, not against each other."</i>
Office Space Planning and Supply of Furniture	<i>"On winning a large contract recently, the first two phone calls offering congratulations came from the other two manufacturers on the final short list, but none of us would refer potential customers to each other."</i>
Professional Chartered Accountants. Accounting, Audit, Taxation Advice	<i>"In the accounting profession we do have the need to co-operate with one another and therefore whilst we are in competition it is done in a positive rather than negative manner."</i>
Quality of Service Measurement/Orientation Training	<i>"We come up against our competitors when pitching for contracts. We know from our clients that our service is better - we get beaten by the two added areas to question 7 [company size' and 'known in market place']."</i>
Secretarial Recruitment	<i>"The recruitment industry is slightly unusual and one forms allegiances with other small firms you trust, but obviously you don't refer your clients to other agencies nor are you rude about your competitors; you're fairly isolated really."</i>
Staff Recruitment	<i>"[There is] strong competition in supplying industrial temps, on quantity, quality and price."</i>
Storage and Management of Business Records	<i>"Whilst we wouldn't knock the competition we are quick to point out the positive differences between our service and that of our competitors. Which we believe sets us apart."</i>

Telephone Marketing and Telephone Sales Company	<i>"As we're a service industry, there are enquiries which require an immediate service. If [we are] unable to provide I will refer them to a local competitor with whom we have a good working relationship and [who] can provide a similar level of service."</i>
Textile Marketing	<i>"[We are] conversant with each other yet retain a competitive relationship."</i>
Training Consultancy	<i>"Many of our freelance consultants are also in certain circumstances our competitors - an exchange of leads or enquiries can often be mutually beneficial."</i>

RETAIL AND DISTRIBUTION

Computer Data Communications Solutions in PC/Mainframe Environment	<i>"Generally we do not 'knock' competitors. We try to beat them on performance of product and personal service."</i>
Electrical Distributors	<i>"Friendly - discuss credit control problems."</i>
Factoring of Goods	<i>"We use a competitor to supply when we are short of product. One is situated in ... [Europe] and his product most nearly matches our quality. There is also one in the UK which is not quite the same."</i>
Forklift Trucks	<i>"It is always best to be allies with your competitors - very often trade takes place between ourselves and, when dealing with users, discussions can take place between us to ensure there is not a price war for orders."</i>
Garden Sundries Distribution	<i>"Our main competitors are part of a large group [who] will not co-operate with us at all."</i>
Retail Outlets Making and Selling Curtains & Soft Furnishings	<i>"Some competitor relationships are friendly and we pass customers each way. Others are unfriendly, but we make it a rule not to be negative about the competition to our customers as this can be seen as sour grapes."</i>
Specialist Suppliers of Computer Systems to the Security Industry	<i>"It is not our policy to comment on any product similar to our own. We are market leaders in what is a very vertical field and confident of the quality of our product & services. We are, however, very interested in anything marketed in competition to our products. We find however that our competitors are happy to knock anything we do !"</i>
Stockists of Iron Bars	<i>"Too many competitors 'give' our type of material away on the back of more expensive materials - i.e. bronzes, aluminium, stainless steel etc., - we have only one product. We do supply to our competitors, but only at list price."</i>
Supplier of Computer Systems for Business	<i>"In the computer industry, competitors very often have vertical market products/experience. It is typical to work together to bring a total solution to a customer."</i>

OTHER

Broadcast & Corporate TV Production & Provision of Technical Facilities	<i>"Some competitors are personal friends and as such we are able to co-operate and help each other to compete with much larger companies in our field, i.e. by combining resources."</i>
International Freight Forwarding Services	<i>"Whilst we know our competitors, our area is so competitive that we have few working relationships. We find that we have better working relationships with competitors outside our immediate area."</i>
Office Cleaning	<i>"We have little or nothing to do with our competitors. We would not refer customers to them, but neither would we knock their advertising."</i>
Plumbing & Heating Services	<i>"You may be friendly, i.e. see them at trade functions etc., but you never refer main contractors to them for the fear of losing a customer."</i>
Training and Development Services	<i>"[I] do not refer business to them, but also do not knock them. Cordial relationships with competition [are] providing total market awareness."</i>
Transport. Sameday/overnight Collection and Delivery of Parcels	<i>"As an independent parcels carrier we have friendly rivalry with other independents. However, we all have no compunction about gaining new customers from the big national carriers who tend to be impersonal and inflexible."</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.

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, business services, retail/distribution 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

Unlike previous surveys, but not vastly dissimilar, there is a slightly lower concentration in manufacturing (31 per cent) compared to business services (36 per cent) - the emphasis was the other way before - with another 20 per cent in retail/distribution and 12 per cent engaged in other activities (Figure 15).

Regionally, the bias towards firms engaged in **business services** in the **South** is a greater than before (42 per cent of the region's respondents, compared to 37 in the previous survey, and 31 before that). **Manufacturing** is the most predominant sector in the **North**.

Fig 15 - INDUSTRIAL SECTOR: BY REGION

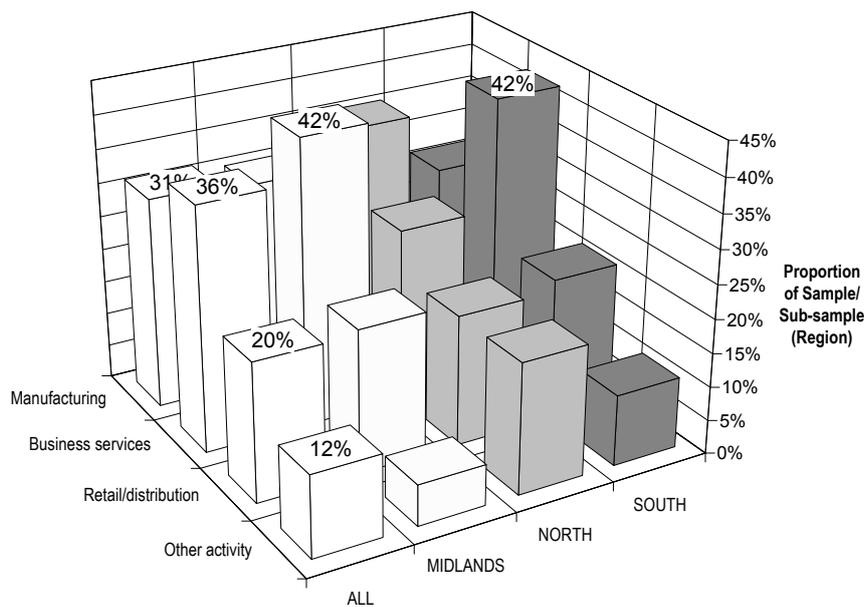
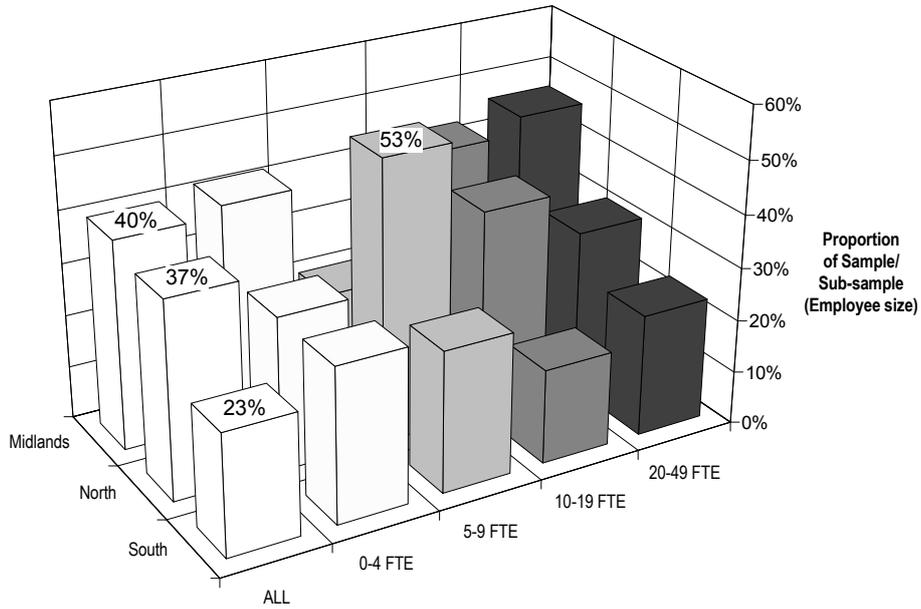


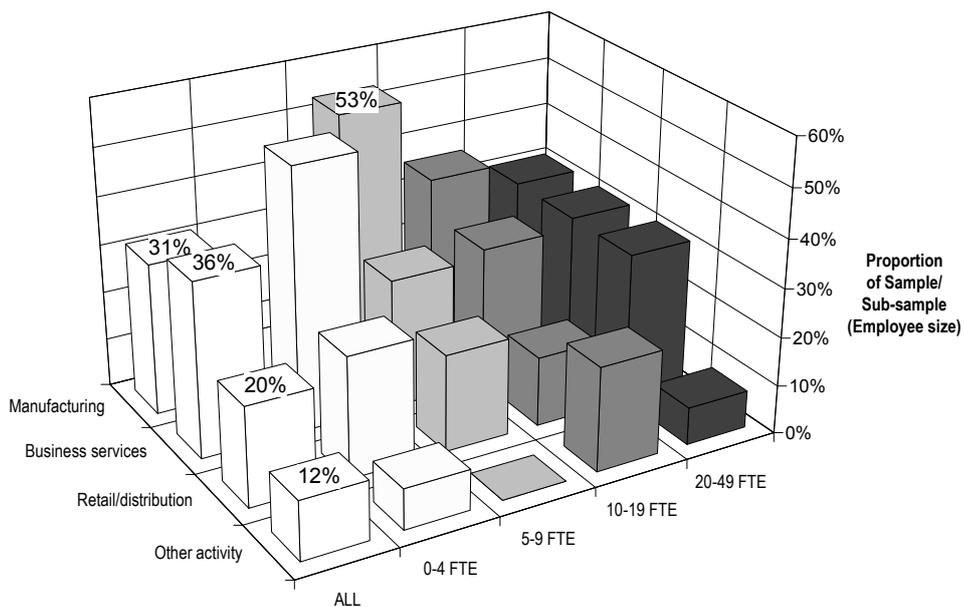
Fig 16 - REGION: BY EMPLOYEE SIZE



The sub-sample in the **South** has a concentration of **smaller firms**. In the **Midlands**, the emphasis is towards the larger, 10-19 and 20-49, employee size band businesses (see also Figure 16).

Manufacturing firms in the sample tend to be **larger**, in terms of employees - as previously encountered - whereas the **business services** and the firms in **retailing/distribution** tend to have **fewer full-time equivalent employees** (Figure 17).

Fig 17 - INDUSTRIAL SECTOR: BY EMPLOYEE SIZE





This questionnaire will take approximately 5-10 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.8: Customers & Competitors

- 2 Number of customers - How many different customers are you currently supplying in a month ?
- 0-4 customers a month..... A
- 5-9..... B
- 10-19..... C
- 20-49..... D
- 50-99..... E
- 100-499..... F
- 500 or over..... G

- 3 Location of customers - Please estimate the proportion of your current turnover received from the following areas (to the nearest 5%):
- | LOCATION OF CUSTOMERS | PROPORTION OF OVERALL TURNOVER |
|-----------------------------------|--------------------------------|
| Locally - within a 15 mile radius | _____ % A |
| Regionally - between 16-50 miles | _____ % B |
| Nationally - beyond 50 miles | _____ % C |
| Export - Outside UK | _____ % D |

THE TOTAL SHOULD = 100 %

- 4 Dependency upon larger value customers - What percentage of your sales is attributable to:
- This should **include** the customer in a) >
- | | PROPORTION OF OVERALL TURNOVER |
|--|--------------------------------|
| a) Your single largest customer | _____ % A |
| b) Your 3 largest customers | _____ % B |

- 5 Contact with customers - Do you personally have any contact with customers ?
- Yes..... A
- No..... B

6 **Location of competitors - How many competitors for your main products/ services do you have:**

<i>LOCATION OF COMPETITORS</i>	<i>TOTAL NUMBER</i>	
Locally - within a 15 mile radius	_____	A
Regionally - between 16-50 miles	_____	B
Nationally - beyond 50 miles	_____	C
Overseas based	_____	D

7 **Nature of competition - Please identify the TWO MAIN areas where you feel that your competitors are strongest:**

Just TWO ✓ only

Product/service quality	<input type="checkbox"/> A
Product performance.....	<input type="checkbox"/> B
Product/service reliability.....	<input type="checkbox"/> C
Product appearance	<input type="checkbox"/> D
Price	<input type="checkbox"/> E
Extensive range of products/services.....	<input type="checkbox"/> F
Quick delivery	<input type="checkbox"/> G
Technical support.....	<input type="checkbox"/> H
Attention to complaints.....	<input type="checkbox"/> I
Advantageous credit terms.....	<input type="checkbox"/> J

8 **Relationships with competitors - Do you know any personally ?**

Yes.....	<input type="checkbox"/> A
No	<input type="checkbox"/> B

9 **Relationships with competitors - Generally speaking, which ONE of these best describes your relationship:**

Friendly - e.g. by referring customers to them	<input type="checkbox"/> A
Unfriendly - e.g. by 'knocking' advertising	<input type="checkbox"/> B

10 **Relationships with competitors - Please feel free to elaborate on the response indicated in the previous question (9)**

ISSN 0968 6444

Cover design • Simon Head