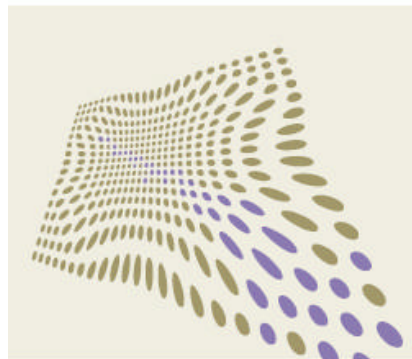


SUPPLY MARKET ANALYSIS

Guidance Note General 2

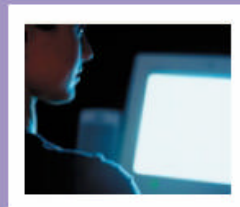
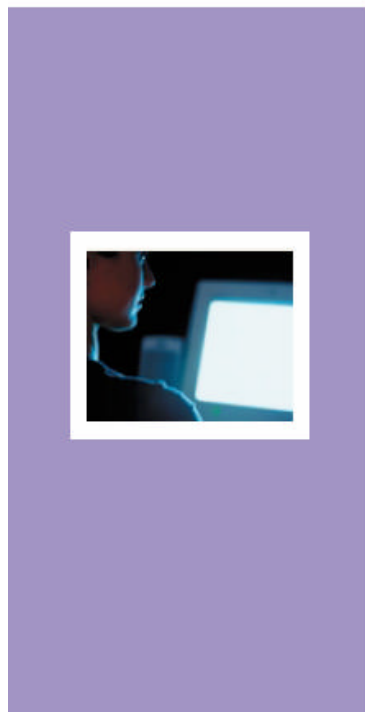


An Roinn Airgeadals
Department of Finance



*National
Public
Procurement
Policy Unit*

NPPPU



Effective and efficient procurement policies, procedures and practices in contracting authorities can have a significant impact on obtaining value for money in the purchase of goods and services by the State.

In 2005 the NPPPU published the **National Public Procurement Policy Framework**. The policy requires that *procurement management reform* should be one of the key strategic priorities of the public sector in order to achieve value for money outcomes from procurement. *Procurement management reform* is to be achieved by encouraging contracting authorities to analyse their procurement structures and practices and through this process adopt improved procurement practices and procedures. Contracting authorities are required to achieve this policy objective through the development of Corporate Procurement Plans. The plans are expected to be underpinned by analysis of procurement expenditure and procurement practices, systems and structures. The plans should provide targeted and strategic direction to procurement planning in contracting authorities.

As part of the process of encouraging *procurement management reform* and the corporate procurement planning process, the NPPPU is committed to putting in place a suite of policy and guidance documents to support innovative and improved procurement practices. This series should help those who make strategic decisions on procurement, those who are responsible for developing their organisation's Corporate Procurement Plan and those who are responsible for implementing these decisions and plans.

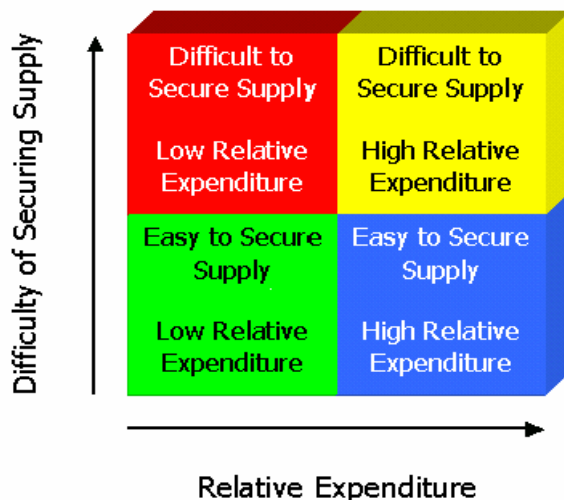
This guidance note has been developed to help contracting authorities who want to understand the commercial environment in which purchases of goods and services are made.

Introduction

- While understanding of supply markets has improved, there needs to be better understanding in contracting authorities of the suppliers and the markets in which they operate and how these shape the nature and availability of goods or services used by these authorities.
- Supply market analysis is a technique which enables a contracting authority to understand how a market works, the direction in which a market is heading, the competitiveness of a market, the key suppliers and the value that suppliers place on the contracting authority as a customer. This can help inform, improve and shape the tendering process leading to improved procurement outcomes such as better value for money or service, reduced prices or achieving whole of government outcomes.

When should supply market analysis be carried out?

- Supply market analysis should be carried out in respect of the purchase of goods and/or services when they
 - are difficult to purchase due to the complexity involved
 - involve a high level of expenditure
 - are critical to the ongoing business of the contracting authority
- Goods or services include large capital works, large transformational IT projects, specialised IT projects, purchases of specialised items such as chemicals.
- Less extensive supply market analysis should be carried out on goods or services which may be easy to acquire but where there is a significant cost involved. Goods or services include personal computers, printers or photocopiers.
- It is generally not necessary to carry out such analysis for goods or services where it is easy to secure supply and there is a low relative expenditure (e.g. stationery) or where goods or services are being acquired as part of an aggregated or framework arrangement.
- A broad framework for analysing supply markets based on the SUPREM (www.suprem.gov.ie) supply positioning model is set out in Appendix 1.



Reasons for analysing supply markets

- There are a number of reasons for analysing supplier markets:
 - Better knowledge of supplier strategy
 - Manage risk to the contracting authority
 - More informed contracting authority
 - Allows for the identification of opportunities to advance Government priorities

Better knowledge of supplier strategy

- Understanding how individual suppliers operate, their market position, why they want to deal with the contracting authority and understanding their longer term goals helps obtain value for money. Analysing supply markets may:
 - Provide valuable information about suppliers' strengths and weaknesses. For example, the contracting authority may discover that a particular supplier is keen to win a Government contract or a supplier may have difficulty fulfilling orders.
 - Identify comparable substitute goods and services that may be available from more competitive and less risky supply markets and could offer better value for money
 - Understand which suppliers are more technologically advanced in particular sectors
 - Identify opportunities to better manage the supply chain¹ that will reduce the cost of purchasing goods or services

¹ See page 11-12 of this document for comment on supply chain analysis

- Allow the contracting authority to become aware of all potential suppliers (in a market with a limited number of suppliers, it is advantageous for the contracting authority to encourage all suppliers to tender).
- Provide a sound understanding of the contracting authority's attractiveness as a customer for the supplier. The more important the contracting authority is to the supplier in terms of the business generated the more likely better service and price becomes available from that supplier.

Manage risk for the contracting authority

- Analysing supply markets assists in determining the risks involved in purchasing particular goods or services. It can also identify ways to manage these risks. Analysing supply markets may:
 - Assist in the development of specifications to encourage competitive offers and reduce the possibility of purchasing goods or services which are not fit for purpose. Specifications are often set which are too restrictive and reduce the number of potential suppliers. This is often the result of a limited knowledge of alternatives.
 - Identify opportunities to increase the base of suppliers to meet the needs of contracting authorities.

More informed contracting authority

- One of the aims of the procurement management reform process is to help create a more informed contracting authority. With market analysis, the contracting authority understands how technology and other factors are driving changes in the market for the particular goods or services it requires. The contracting authority understands how goods and services are priced and how service quality and standards are set by suppliers.
- Contracting authorities who understand markets and suppliers are better able to develop tenders which reflect conditions in that market. Indeed they are able to help develop the market or suppliers so it can provide the goods or services necessary to the functioning of the contracting authority. They are also able to deal with suppliers on a more equal basis when contracts are in place.

Allow for the identification of opportunities to advance government priorities

- Government policy requires value for money outcomes from procurement and this can include achieving whole of Government objectives. Procurement can assist in the development of environmental or social initiatives or it can become a force for innovation and help support small and medium enterprises to develop their potential.

- An informed knowledge of the market and the capabilities of suppliers can help bring a better approach to achieving whole of government objectives when contracting authorities are tendering. Thus, an informed knowledge of the ICT sector may allow for a tender which seeks an innovative response from the small business software sector. A better understanding of changes in environmentally friendly technology could help improve environmental outcomes from procurement.

Should contracting authorities rely only on advertising tenders or requests for information?

- Developing successful procurement strategies requires an awareness of current supply market information. Relying only on processes such as requests for information, quotations and tendering may not identify all the required information. A tendering process is unlikely to reveal to the contracting authority important information such as the level of competition in the market, supplier capability and environmental factors that may impact on the purchase. A tender process may not provide scope for identifying substitute or alternative goods and services, nor is it likely to identify the contracting authority's attractiveness to the market. Resources invested in analysing supply markets are usually more than offset by the benefits in value for money and risk reduction.

Conducting the analysis of supply markets

Introduction

- Before commencing any market analysis, the relevant individual or group in the contracting authority should consider the aims and objectives of this research so that the analysis will provide the answers required within the time available.
- For example the individual or group may want to consider whether the contracting authority is seeking
 - a reduction in cost and requires information on how the market prices a particular good or service
 - to understand the range of suppliers in the market and the goods/services they provide in order to develop an appropriate specification
 - to understand the latest trends in technology in a particular sector
 - achieve a specific whole of Government objective such as developing an innovative product or service, achieving a specific environmental standard or a particular social objective
- Once the aim of the research is understood, contracting authorities need to identify potential information sources; identify any potential costs and set a timetable for completing the research. The level of detail in any

research will vary with the complexity of the purchase and supply market. No two sets of work are likely to be the same and depend on the requirements of the contracting authority. The research needs to be flexible as new information gathered may change the direction of the research.

- Contracting authorities should conduct research and analysis at the same time. As information is researched, it needs to be analysed and initial analysts may lead to a requirement for more research and then further analysis based on new information.
- Individual contracting authorities should decide as to their own individual requirements on the level and extent of any analysis carried out by them.

Analytical framework for supply market analysis

- The information gathered during the research phase can be analysed using the supply market analysis framework which provides a structure for the analysis. This framework can be used to examine the supply market for a good or service and focuses on five key areas;
 - Market structure
 - Competition
 - Supply chain
 - Substitute goods and services
 - The contracting authority's value as a customer.



This framework has been adopted from Michael Porter's "Five Forces Model of Competition".

- In addition, environmental factors such as legal, political, cultural, economic and technological elements that affect the supply market or the ability to purchase also need to be analysed.

- The questions provided under each heading are generic and can serve as a good starting point to analyse most supply markets. These questions should be used as a general guide, but remember that every supply market is different, so this list may be expanded or contracted where necessary. This type of research can often uncover unexpected information about the supply market. Be prepared to follow leads and review and update your research objectives.

Researching the market for a particular good or service may not require analysis under all five headings. The decision on which ones to use and which to omit is a matter for the contracting authority and depends on the complexity of the supply market analysis being carried out.

Market Structure

- Key areas to research:
 - How many suppliers are there in the market and what is each supplier's size (in terms of number of employees and production capabilities)
 - How are the suppliers geographically distributed
 - Which suppliers are the market leaders and which are the market followers
 - What are the type and level of barriers to entry and exit for potential suppliers (that is, the ease with which new firms can enter and secure a place in a viable market)
 - What is the size of the total market and relative size of each supplier (market share by revenue and/or profits)
 - What is the level of market concentration²? (Do a few large firms make up the bulk of all turnover)
 - Have there been any mergers and/or acquisitions in this industry recently, or are any predicted
 - What is the level of product differentiation³ between firms
 - What are the role, profile and function of any key industry bodies
 - Which firms appear to lead in price increases or decreases
 - Do suppliers have interests in other markets
 - Do any of the suppliers tend towards horizontal⁴ or vertical integration⁵
- Supply markets can range from the extreme situation where there are many firms each selling an identical or similar product or service to a situation where there is only one supplier (monopoly). In a developed

² Market concentration is the extent to which a small number of suppliers make up a large percentage of revenue. For example, if two or three large firms represent 90% of the turnover in the industry, the market could be referred to as highly concentrated.

³ Product differentiation is the level and types of differences that suppliers have between their products.

⁴ Horizontal integration means firms forming alliances or takeovers with companies in the same industry (competitors).

⁵ Vertical integration means firms forming alliances or takeovers with companies that are in their supply chain (either upstream or downstream).

economy, the majority of markets fit somewhere between these two categories.

- As there is unlikely to be perfect competition in all markets, one of the greatest difficulties for contracting authorities is dealing with monopoly or monopoly like situations. In such situations, the power of the contracting authority is likely to be limited and power resides with the supplier(s) who can use their powers to set higher prices and influence the level of service available. Contracting authorities need to consider how they can develop innovative solutions to resolve potential difficulties with monopoly or near monopoly suppliers. Depending on the reason for the monopoly relationship (for example, due to buyer specifications or the limited size of the market), different options may be available to the contracting authority to redress the balance. These include:
 - Increase knowledge about the supplier to identify opportunities to leverage advantage
 - Increase mutual dependency with the supplier
 - Produce the good/service in-house
 - Support the development of alternative suppliers
 - Consider substitute goods and services.

- The type of market structure will be affected by the type and level of barriers to entry and exit in a particular market. High barriers to entry including patent and licensing rights, difficulties in sourcing capital or labour and government regulations. When barriers to entry are high, suppliers are likely to compete on product type and brand image rather than price. Supply markets with low barriers are likely to result in a greater number of competitors and price-based competition is more prevalent.

- Contracting authorities should consider classifying their supplier base into the following categories so that they understand where potential difficulties may emerge with the supply of particular goods or services. Suppliers can be categorised as:
 - Bottleneck – where substitution of existing goods provided by the supplier is difficult; where there are monopolistic markets; high entry barriers to the market

 - Non-critical suppliers – where there is availability of the particular goods or services and where there is standard specifications allowing the goods or services to be sourced from a range of suppliers and where substitution is possible.

 - Leverage suppliers – where there is adequate availability of the goods or services with numbers of alternative suppliers; where there are standard products available from these suppliers and it is possible to substitute the goods and services and the suppliers.

- Critical strategic suppliers – where the suppliers are strategically important; where substitution or alternative suppliers are difficult to source and they are of major importance for achieving the aims of the procurement strategy.
- Understanding the structure of a market gives contracting authorities an insight into the way firms operate and how they are likely to behave in a commercial environment when supplying the contracting authority.

Competition

- Key areas to research:
 - Do suppliers compete on quality, service, price and/or other factors
 - What are the trends in the supply market (for example, has product price consistently been reducing)
 - Is there any obvious competitive advantage held by a supplier
 - Are there any trade restrictions in the market
 - Is there impact of any trade, consumer or environmental legislation
 - What is the position of the product in its product life cycle, early, middle or late?
- Identifying the way in which suppliers compete in the market provides information about supply market dynamics and what to expect from the market.
- Some companies compete on the basis of one of a number of factors which includes price, service, distribution, product types or brand image. Some will compete on price where they have similar product, service and distribution. Other companies differentiate on the basis of brand image and quality and level of service and less on price. The value of the additional costs of branded goods and associated services to the contracting authority needs to be considered when evaluating suppliers.
- The level of competition can also be affected by the type and level of barriers to entry and exit in a particular market. As outlined above barriers to entry include patent and licensing rights; difficulties in sourcing capital or labour and government regulations.
- It is also worth carrying out research on the product life cycle of any good. If a product is sold early in the product cycle, it is likely to be expensive and it may be subject to teething problems. As the product is developed and becomes more mainstream, it is likely to become cheaper and of better quality. Finally a product reaches the mature stage where there are a number of manufacturers and retailers and the product is relatively cheap and easy to purchase. Purchasing goods in the late stage of the product cycle provided they are fit for purpose and are not likely to become obsolescent, can be of significant benefit to contracting authorities.

- It is useful to attempt to forecast future supply market situations. Following trends and examining the likelihood of competitors entering or leaving the market can help contracting authorities make better purchasing decisions. For example, the electricity industry is undergoing a process of deregulation. Prior to this, options for supply were restricted. Barriers to entry have been sequentially reduced resulting in more choices for buyers. This places the contracting authority in a potentially better position to seek a better deal.

Supply Chain

- A supply chain consists of all members involved in the process of creating a good or service from inputs through production, distribution and marketing to the end user. Supply chains need to be examined to identify the value added⁶ element at each stage and to look for areas of possible supply vulnerability⁷. Normally each participant in a supply chain introduces a price mark-up for the goods or services as they progress through the chain to compensate them for the value they add to development, distribution and sales process.
- Key areas to research:
 - What firms make up the supply chain
 - How complex is the supply chain
 - What does each member of the supply chain contribute to the end product (the level of value-adding)
 - What are the delivery or transportation methods in the supply chain
 - Are there any potential areas of supply vulnerability within the chain
 - Are there any more efficient sources of supply
- For example, a domestic distributor of a specialist chemical sourced from outside the State would be expected to mark up the price to cover the importation and handling costs. The value adding component is the supplier managing the risks associated with importing and handling the chemical. Although it may be cheaper for a contracting authority to seek to purchase the chemical directly from the original supplier, the contracting authority would need to manage the importation and handling costs as well as the associated risks. It would need to compare the trade off between the two options and decide on the best option.

⁶ Value added - Each participant of the supply chain should be expected to add value by contributing benefits to what will be the final product. This may include such things as product packaging, product refinements, service, distribution, and/or management information reports. The value added component will be the particular contribution of the supplier to the end product.

⁷ Supply vulnerability - These are the risks that may exist in the movement of products through the supply chain. These risks may include dangers in storage and handling, importation, and/or a supply chain participant's untimely exit from the market that may result in delays or stock-outs.

- It is also possible that there are unnecessary layers in the supply chain which do not add value but add cost and delay delivery. The efficiency of the supply chain also needs to be considered as some suppliers in the chain may be unreliable or poorly managed. The contracting authority needs to become aware of such issues and seek to manage them. Better management of the supply chain may include purchasing from a different level such as wholesale suppliers. Such an approach to purchasing would have to be weighed up against the benefits of purchasing from a local or SME supplier.

Substitute goods and services

- Key areas to research:
 - What goods and services are currently available to meet the needs of the contracting authority (Maintain a broad focus)
 - Are there any viable substitute goods or services that are currently under development that may be an alternative in the future?
- Focussing on the outcome required from the purchase and not the process often opens the market to a wider range of products and suppliers. For any goods or services, there may be a number of alternatives that are available that will meet the same need. Often product substitutes are missed because of a narrow focus or because specifications are too rigid. Sourcing substitute products increases the number of firms that may meet contracting authorities' needs and reduces the possibility of the contracting authority being in a vulnerable position in dealing with a monopoly supplier.
- Maintaining a whole market focus presents an increased number of opportunities to source alternative goods and services. This process needs to be conducted in conjunction with the end users of the goods or services to ensure their needs will be met by any alternative products or services.
- For example, a contracting authority may seek to replace existing printers with a new set of similar size and standard of printers without considering whether there are alternatives to providing its printing requirements which could provide better value for money. It could for example
 - replace the existing printers with printing pods with fewer but higher specification printers
 - replace the printers with a combination of networked photocopiers and fewer printers
 - purchase multi-functional devices for specific units which could replace both printers and photocopiers
 - purchase a combination of networked photocopiers, high specification printers for printing pods and some multi-functional devices

- The total cost of ownership of these combinations would have to be weighed against replacing the existing printers. Possible costs and efficiency issues associated with cultural and organisational opposition to a change from a printer environment would also have to be considered. However if the contracting authority does not consider alternatives to replacing existing equipment an opportunity to deliver better value for money would be missed.

The contracting authority's value as a customer

- Key areas of research:
 - What is the total turnover in the market
 - What is the turnover of individual suppliers that supply the product (This information will need to be compared to the contracting authority's current and predicted annual spend (if available) to provide its relative value as a customer.)
 - What is the contracting authority's market share as a customer
 - Does the way the contracting authority conducts its business make it attractive (or unattractive) as a customer?
- It is important to consider the contracting authority's value to the supply market and individual suppliers within the market. Suppliers can segment their customers based on their relative importance based on among other issues the revenue yield and the attractiveness of the customers. They tend to concentrate on more valuable customers and wish to retain them by being more competitive. They may be less interested in gaining or retaining new business, if it is not of sufficient interest or there is insufficient margin in the business for them.
- The relative value of a contracting authority to a supplier is based on their expenditure and attractiveness. Expenditure considerations include:
 - The percentage of a supplier's business that the contracting authority represents (if the contracting authority is an existing customer)
 - the percentage of a supplier's business that the contracting authority could represent (if the contracting authority was looking for a supplier and the contracting authority's business was to be won)
 - the contracting authority's spending relative to total market turnover (a contracting authority is generally considered significant if its business is 0.5 percent or greater of turnover in the market).
- Attractiveness includes:
 - the profitability of selling to the contracting authority (sales revenue less any costs of selling the product)
 - the reputation of the contracting authority
 - the ease of managing the contracting authority's accounts
 - guaranteed/certainty of payment and little danger of insolvency

- the potential to use the contracting authority as a marketing platform for the supplier (that is, the level of on-sell potential)

Environmental factors

- Understanding the competitiveness and reliability of the relevant supply market may also involve gathering information on external environmental factors affecting that supply market. Environmental factors include any legal, political, cultural, economic, or technological elements that affect the supply market. Generally the two factors that are most likely to affect purchasing decisions are legal factors (legislation; national and EU) and political factors (policies). Full and careful consideration also needs to be given to factors such as currency exchange rates if entering into large overseas transactions outside the Euro zone.
- It is important to conduct an evaluation of all potential environmental factors for all purchases which are of sufficiently high value or where there is some risk to the contracting authority arising from the purchase. Most factors are likely to be identified by consulting users of the product and assessing records of previous transactions with a view to identifying key issues or problems.

Retaining relevant information

- Documented information gained through analysing supply markets is a key source of market, industry and supplier intelligence. Such information should be updated on an ongoing basis, in particular where a contracting authority purchases high risk expensive goods or services on a regular basis. The supply base is constantly evolving and changing over time and suppliers are constantly updating their marketing and management strategies.

Sources of information

- Market and industry information is available from a variety of sources. Most of those involved in purchasing have access to on-line databases or research resources of their organisation.
- It is recommended that any research carried out uses secondary sources, which are already published before conducting any primary research (information found for the first time, such as conducting interviews or surveys). Secondary research usually provides good background information about the market and specific issues and/or suppliers. In terms of general market information this may include overall market size and other statistics, key suppliers in the market and the like. Specific supplier information may include goods and services supplied by particular firms, company reports and information about future plans.
- Once you have an initial understanding of the goods or services and the supply market arising from the secondary research, talking to suppliers

and product users (primary research) can help generate a clearer, more detailed understanding. These could be existing suppliers or suppliers sourced through secondary research. Primary research includes interviewing those in the best position to understand any issues about the goods or services required to meet their needs. This type of research should involve a range of potential suppliers both current and non-current. A well prepared interview with suppliers can provide useful information on products and market developments compared to significant secondary research. It is also likely to provide information on cost and pricing pressures and what is approach is being adopted to reduce or minimise these costs.

- There is need for caution in any research work with suppliers as they are likely to be biased towards promoting their own products and services. It is important that a range of suppliers are interviewed since this gives a wider picture of products and markets and reduces potential complaints about bias or favouritism.
- If you decide to talk to potential suppliers be careful not to make any representations or promises on behalf of the contracting authority or give away any information that is commercially valuable to the contracting authority.
- It is worth interviewing internal users of goods or services, including technical people and managers to obtain a good understanding of the issues. Targeting the appropriate person is important in getting the best information. Such individuals may also have a good understanding of the supply base and of the supply issues in that particular market and could provide a reality check on information obtained from primary or secondary sources. The information each person may supply is likely to be different but useful in building a complete picture of the range of suppliers and the nature of the supply market.
- The list of organisations and potential sources of information listed here is not exhaustive. Individuals involved in such a market analysis should use the sources listed here – but also seek out their own sources of information.

Possible secondary information sources

On line databases

- The national public procurement portal is www.etenders.gov.ie. It has links to the EU public procurement portal <http://simap.eu.int> and other useful sites. Many contracting authorities will have access to some research databases, for example Lexis Nexis <http://www.lexis-nexis.com/>.

Government services

- These bodies may have access to information about suppliers or particular markets.

- Central Statistics Office <http://www.cso.ie/>
- County Enterprise Boards (see relevant local ones)
- Shannon Development (Clare, Limerick, North Tipperary, West and South Offaly and North Kerry) www.shannon-dev.ie
- Udaras Na Gaeltachta covers Donegal, Mayo, Galway, Kerry, Cork, Meath and Waterford www.udaras.ie
- Enterprise Ireland <http://www.enterprise-ireland.com/>
- IDA Ireland <http://www.idaireland.com/>
- Economic and Social Research Institute <http://www.esri.ie/>

Media sources

- Media monitoring is a useful mechanism for obtaining information about newsworthy activities occurring in the supply market. Some useful sources and their websites include the following. There are many others worth consulting. There may also be specialist media sources for particular goods or services which could also be consulted.
 - RTÉ News <http://www.rte.ie/news/>
 - The Irish Times <http://www.ireland.com/>
 - The Irish Independent http://www.unison.ie/irish_independent/
 - The Irish Examiner <http://www.irishexaminer.com/>
 - The Economist <http://www.economist.com/>
 - The Financial Times <http://www.ft.com/home/europe>
 - Business and Finance magazine www.businessworld.ie
 - Harvard Business Review online <http://harvardbusinessonline.hbsp.harvard.edu/b02/en/home/index.jhtm>

Industry representative bodies

- There are a number of national bodies who may be able to provide information on suppliers and on supply markets. These are
 - Construction Industry Federation <http://www.cif.ie/>
 - Chambers Ireland <http://www.chambers.ie>
 - Irish Business and Employers Confederation <http://www.ibec.ie>
 - Irish Small and Medium Enterprises Association (ISME) www.isme.ie.
 - Small Firms Association <http://www.sfa.ie/>
- Trade Associations can provide a useful source of information for specific categories of products or services. The IPA annual yearbook or the business sections of the telephone directory can provide useful ways of sourcing such information.

Specialist commercial organisations

- Many commercial organisations have data that may be useful when gathering supply market information. It is also possible to purchase

secondary research from specialist research organisations. It is a matter of personal judgement to determine whether the value of such material justifies the purchase costs. These include

- <http://www.business.ie/>
- <http://www.kompass.ie/>
- <http://www.researchandmarkets.com>

Other sources of information

- Individuals researching a base of suppliers may also want to consider using local libraries or libraries in third level institutions to source relevant material.

Internet search engines

- Internet search engines can be used to point you in the direction of a great wealth of information. Some examples include:
 - Alta Vista <http://ie.altavista.com/>
 - Google <http://www.google.ie>
 - Yahoo <http://uk.yahoo.com/>
 - Ask <http://www.ask.com/>

Company specific information

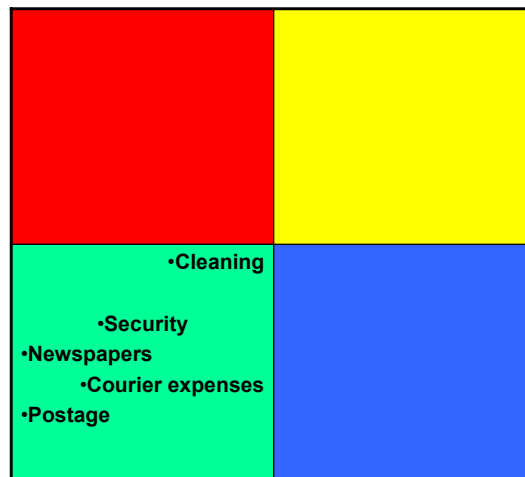
- If an individual is researching one supplier information in accounts and annual reports can often be found on the internet. If more detailed financial information is required (in Ireland) it can be acquired from the Companies Registration Office (CRO) <http://www.cro.ie> for a fee.

Appendix 1

Market analysis for easy to secure supply and low relative expenditure

Supply Positioning Chart

- Expenditure
- Risk

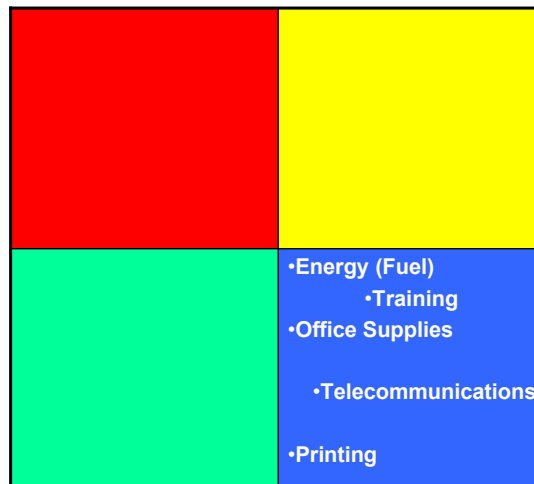


- Goods easier to acquire and are commonly available and any significant market analysis is not necessary
- Where market analysis is carried out it should focus on services (e.g. couriers, cleaning)
- What suppliers are in the market
- Who are the main suppliers
- How effective is their service provision
- Is there any difference in the services being supplied
- How important is your contract to the supplier

Market analysis for easy to secure supply and high relative expenditure

Supply Positioning Chart

- Expenditure
- Risk

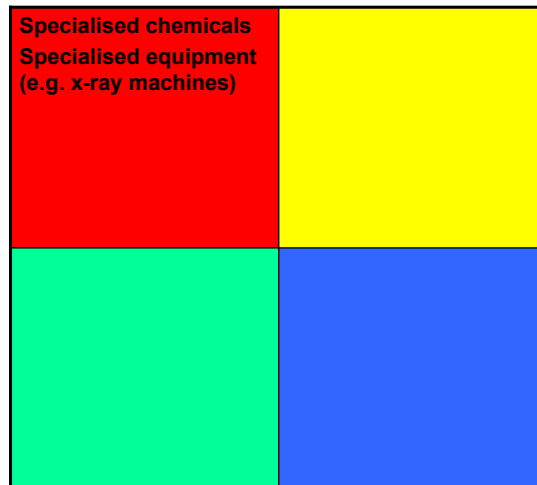


- Better understanding of markets needed here for both goods and services
- Markets for goods and services are more complex
- How many suppliers
- What is the differences in products or services provided
- Do suppliers compete on quality, price or both other factors
- What are the price trends in the market
- How important is your contract to the supplier
- What alternative goods or services exist to meet your needs

Market analysis for difficult to secure supply and low relative expenditure

Supply Positioning Chart

- Expenditure
- Risk

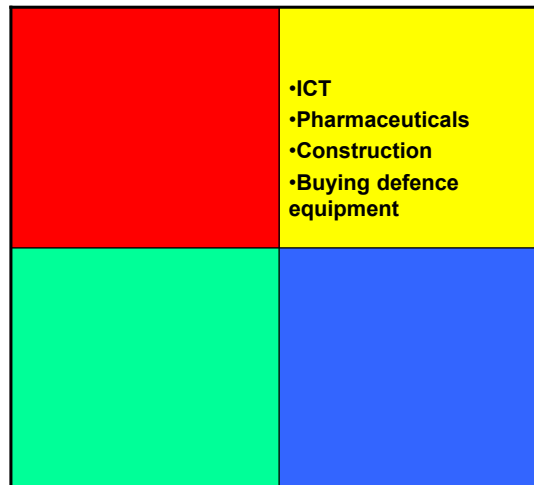


- Better understanding of markets needed here for both goods and services
- Usually limited number of specialised suppliers
- Who are market leaders
- What is the level of product differentiation
- Do supplier compete on price, service or both
- Are there barriers to entry to the market
- What alternative goods or services are available to meet the needs of the department
- How important is the department/agency as a customer

Market analysis for difficult to secure supply and high relative expenditure

Supply Positioning Chart

- Expenditure
- Risk



- Better understanding of markets needed here for both goods and services
- How many suppliers are in the market
- What is the size of the total market and what is the relative size of each supplier
- Which suppliers are market leaders
- Is the market dominated by small or large suppliers or a mixture
- What is the level of product or service differences between different firms
- Do suppliers compete on price, service or both factors
- What are the barriers to entry and exit (ease with which suppliers can enter and exit the market)
- What are the price trends (increasing or decreasing)
- Is there any impact on trade, consumer or environmental legislation
- What firms make up the chain of suppliers
- How complex is the supply chain and what does each company contribute to it
- Are there alternative goods or services available
- What is the value of the department/agency as a customer