IN-HOUSE RESEARCH BY THE CC BUSINESS ADVISER

These two surveys were undertaken as in-house research by the Business Adviser member of the Commission staff team on this inquiry, Dr W Roberts, as a complement to the survey of 500 ABI and Glenigan customers carried out by RSM Robson Rhodes LLP. The Robson Rhodes report is also available on the Commission's web site.

One survey by Dr Roberts consisted of interviews with a number of current ABI and Glenigan customers, for the purpose of, for example, gaining some insights into how the two companies' services are used and customers' views on substitute information sources and on the degree to which the two companies negotiate prices. The other survey focussed on lapsed customers of the two companies, to obtain some insight into reasons for customers cancelling subscriptions and gain some understanding of why customers would dispense with a leads service altogether rather than swithch to an alternative supplier.

The first survey used a list of 100 customers from the ABI and Glenigan lists, including customers subscribing to both, and names were selected at random. 24 customers were successfully contacted and interviewed by telephone. For the lapsed customer survey, 50 customers were selected for interview, which resulted in 15 actual interviews.

The survey sizes were small and not necessarily representative of the ABI/Glenigan customer base. However, the reports do give impressions of how some current and lapsed customers view the market.

A. Emap/ABI Merger Inquiry: Main Themes from Qualitative Research

Introduction

1. This paper discusses a small piece of survey research undertaken amongst a sample of ABI and Glenigan customers at an early stage in the inquiry. It describes the objectives of the research, the methodology employed and the results obtained.

Objectives of research

2. The objectives of this exercise were to:
    - Gain some insights into the way the ABI and Glenigan services are used, what benefits customers derive from them and what other sources of information are seen as substitutes for them;
    - Throw some light on the degree to which the two companies negotiate rather than impose prices;
    - If possible, identify what characteristics distinguished the ABI/Glenigan customer from non-customers.

Methodology

3. A list of 100 customers was selected from the combined Glenigan and ABI customer base and including all customers who were subscribing to both services. The latter were included as they were felt to be of particular interest in terms of understanding what differentiated the two services. Names were selected at random from this list for calling during the weeks commencing 2nd

and 9th August 2004. 24 customers were successfully contacted and talked through a topic guide (Provided in Appendix 1).

4. This research is therefore qualitative and not necessarily representative of the Glenigan/ABI customer base. It was intended to gain insights into who uses these products, how they use them and how the purchase/renewal decision is taken. It was aimed at generating hypotheses rather than providing a definitive answer to the questions listed above and should be seen in the context of the broader, quantitative survey currently underway.

5. One further caveat: the people spoken to tended to be the *purchasers* of the service not necessarily the *users*.

Results: Reasons for using product, complementary and substitute services

6. The main themes, insights into why customers use these products, and how they relate to other products and services they might use are set out below.

All interviewees used the leads for new revenue generation

7. All the people interviewed used the information for new business generation. Depending on the size or sophistication of the firm, print copies of the leads would simply be handed to sales people, they would be qualified by a telemarketing team and then passed on or would be inputted, along with other data into a CRM or Contact Management system. One respondent, the European subsidiary of a US manufacturer, passed all leads onto their field sales force who reviewed them and then passed the ones they thought might be prospects to a telesales team. The telesales team then contacted the specifier and tried to make a sales appointment. Similarly, one Europe-wide materials supplier described the way they handled the leads thus: “They come in electronically and once qualified go into our sales management system, e-sales, where the sales staff can look at them.” Another, a major housebuilder, fed Glenigan leads directly from the Internet into their (KMS) CRM system. At a smaller firm, a building contractor in East Anglia, one person reviewed the leads weekly and then simply wrote to the architects concerned.

8. Mostly the firms contacted were contractors, materials suppliers or professional service providers. They included large, medium and small contractors, suppliers of insulated wall cladding and roofing material, fencing, floor coverings, quantity surveying services, a canopy supplier and a builders’ merchant.

9. In addition to the contractors, materials suppliers and professional services providers two other types of firm were contacted. The first was a recruitment agency. They used the leads to offer their services to contractors by way of hiring staff for the project. The second was a medium sized accountancy firm. They would write, selectively, to clients where they thought they could save them some money on VAT, which is possible on some types of development, and would get “a few bites” each year.

Glenigan and ABI services are used alongside other methods of identifying prospective clients

10. Nobody we spoke to relied exclusively on Glenigan or ABI services for lead generation. “They are one of 5 or 6 sources that we use.” (Steel fabricator.) They were used alongside a range of techniques which included scanning the

trade press (Contract Journal and Construction News were the publications mentioned most frequently), advertising, direct mail, telemarketing, networking and canvassing for repeat business from past or existing clients. Typically, interviewees would estimate that around 70% of their business was “incoming” or “repeat”. In other words their product might have been specified by the architect or contractor or a former customer had asked them to pitch for a project.

Firms seeking to target new areas of business or in fiercely competitive markets tended to use a wider range of sales tools

11. There seemed to be a relationship between the proportion of the firm’s work that came in unsolicited and the intensity with which various sales tools (including ABI/Glenigan services) were used. The less incoming business a firm enjoyed the more avid they were is their use of sales and marketing assistance. “..it is a really tough market, very competitive. Gone are the days when you could just wait for the orders to come in.” (International materials manufacturer). “(we use) everything – PR, advertising, telemarketing.” (Materials supplier describing a particularly competitive market segment.)

12. Having a continuously topped up order book from previous customers appeared to be, in part, related to how long the firm had been established in that market and how many competitors it faced. In two cases (a supplier of double glazed doors and windows in Wales and a branch office of a major civil engineering contractor) customers were trying to penetrate a new geographical area and thus, by definition, had no local network to tap into. They found the leads particularly helpful. “We didn’t have the networks that an established business would have so the contacts and intelligence were useful to us.” (Civil engineering contractor.)

13. Some interviewees were able to make this distinction *within* their business. A firm of quantity surveyors said that for the pre-tender work most of the business was incoming. But for post-contract support, onsite, they had to fight much harder for business and this is where the leads came in. “…people who we’ve never done business with (who) we keep banging away at.” An interiors materials manufacturer and contractor made a similar distinction between product lines. “On the flooring accessory side we probably have something like ✄% market share so a lot is incoming. We tend to get specified. For the rest it’s down to the 40 or so sales people servicing the contractors.”

Some patterns of use can lead to temporary subscriptions

14. The need to top up the order book does also seem to result in some temporary subscribing (“churn and return”). Two examples of firms who would subscribe for a while and then cancel were found. One (a manufacturer of construction equipment) had just subscribed but said he intended to cancel in 12 months. The other (a supplier of door and window frames in the south of England) said that his firm subscribed according to the strength of their forward orders and “just now it suits us to subscribe.”

ABI and Glenigan services are generally well thought of

15. Opinions of the effectiveness of the services were, not surprisingly given that everyone interviewed was a current customer, largely positive. A couple of interviewees suggested that the services did not pick up everything but more said that the services did bring to their attention projects of which they were unaware. Even a very large civil engineering contractor with a fairly

sophisticated market intelligence operation said “we get into things we wouldn’t otherwise know about” through Glenigan’s leads.

16. It was rare to hear anyone complain that the value of the leads is diminished by the fact that scores of competitors could be chasing the same lead. One acknowledged that it might be a problem for some people but that he was in quite a specialised sector (radio equipment). Another interviewee said “There are lots of people out there who *don’t* subscribe.” (Regional materials supplier).

17. For some of the larger customers the cost of the service was seen as marginal in the sense that “it pays for itself if we get just one big job.” (Supplier of canopies and poly tunnels.)

Extracting value from these services requires systematic usage

18. Two of the interviewees emphasised that the subscriber had to use the leads systematically to get anything out of them. One (the double glazed door and window supplier in Wales) argued that his firm was very disciplined about how they used them: going through the leads each week, sifting out the relevant jobs, making contact in the most appropriate way and then tracking progress on a database. But he suspected that “Some people will not be able to do this and so after a year will probably cancel”. Another (a communications equipment supplier) complained that some of his sales people tried to work in a different way to that specified by him, not using the leads but their own sources and “if they do that they fail.”

19. These responses appear to shed some light on what differentiates a Glenigan/ABI customer from the rest and could help to explain why, despite the number of firms in the construction industry overall, ABI and Glenigan have only 6,000 subscribers between them. Some firms’ sales processes are more systematic than others: collecting leads from a variety of sources, qualifying them according to relevance to their business and then pursuing them. Others will be less proactive (certainly those who have a steady flow of repeat business) or place more emphasis on individual sales people in the field finding their own leads. The first category of firm, irrespective of size or segment, will be more likely to include contract leads data in its sales repertoire.

Glenigan and ABI product perceived as similar but not identical

20. Other leads or tender products (sources of information related to invitations to tender) were mentioned by some but, generally, it was a straight choice between ABI and Glenigan. “They (ABI and Glenigan) are the only people I’ve ever heard of offering this service. I’ve only ever been touted by these two.”

21. Differences between the two services, real or just perceived, were alluded to. ABI was seen as “better for M&E” by one contractor and “better in Scotland” by a large building materials supplier. Glenigan was described as “giving you a lot for your money” (materials and equipment contractor) with their free hotline being contrasted with ABI’s premium charge line. “The Glenigan hotline is better than ABI’s and it’s free.” (International interiors manufacturer and contractor). “If you see a building going up in Liverpool you can just ring them up and get the details.” (Materials and equipment contractor.) Glenigan was “better than ABI on PFI contracts.” (Interiors contractor) A respondent from a medium sized regional construction company that subscribed to both

services said, ”You do see a lot of different information in the two but this may be just a matter of timing.”

22. When asked why both services were used, one interviewee said she was tasked with deciding whether to continue this practice as it seemed “a bit wasteful.” (Medium sized construction firm). A large materials supplier said, “We don’t pay that much for them and missing just one or two sales would cost us more than we pay in subscriptions.” Another said the subscription was “a drop in the ocean” to his firm, a national house builder and developer.

23. If neither product existed the majority of people who could think of a way to replace them answered along the following lines, “You’d have to go down to the council and collect the information yourself. But that would be a lot of work.” (Specialist communications equipment supplier).

Results: Pricing

24. Some clear themes emerged in relation to pricing.

Purchasers value having two competitors in price negotiations

25. Negotiation on price clearly does take place, certainly at the higher levels. Several of the people who were willing and able to talk about this (only about a quarter of those interviewed) noted how important it was to have two players competing for their business. Talking about the merger and thinking about the consequences as they spoke, produced phrases like “got me over a barrel,” (interiors contractor) “you can (pre-merger) trade one off against the other,” (Equipment hire contractor) “if you threaten to go somewhere else (to ABI) they soon negotiate.” (Major civil engineering firm.) One interviewee described the situation historically like this, “Every time our Glenigan subscription came up we’d have ABI on to us, mad for the business. Glenigan had to keep their pencil sharpened.” (National materials supplier) Views such as these were expressed by some of the same people who had described the cost of the service as “a drop in the ocean.”

Conclusions

26. Although the list of types of firm represented on the companies’ customer lists looks disparate – accountancy practices and recruitment consultants alongside the expected contractors and materials suppliers – it is clear from this piece of work that they do have one common characteristic: they supply products or services to the construction industry and the leads data is valuable because it signals that money is about to be spent. It enables them to identify relevant projects (the right size, the right materials being used, the right location), at the most appropriate time (outline planning, detailed approval, main contract awarded) and it provides the contact details of the decision makers and influencers.

27. What is less clear is why these particular firms subscribe whilst thousands of others do not. There are over 200,000 firms in the industry yet Glenigan and ABI have only some 6,000 subscribers between them.

28. Size of firm does not appear to explain this – users contacted varied from a double glazed door and window manufacturer in Wales to an international civil engineering contractor. However, a key driver of subscription, certainly in the medium to long term, is that the firm has adopted a systematic, disciplined process based approach to new business generation. Other factors may in turn influence this – the degree of competition they face, the number of

potential customers they have – but it appears that the sales process that the firm has adopted is a key driver of the decision to subscribe.

Appendix 1: Topic Guide

EMAP/ABI Interview Topic Guide

About the interviewee and their business

- The services or products their company supplies to the construction industry
- Size of business (number of employees)
- Typical order value
- The people they tend to deal with (architects, contractors etc.)
- Whether they specialise in any particular industry segment (manufacturing, retail, commercial property, transportation etc)
- Whether the bulk of the business they do is concentrated in a particular region or all over the UK

About methods of winning new business

- What proportion of their business is “incoming” and what proportion do they actively solicit
- At what stage in the planning/project process do they approach prospective customers
- The different methods they use to identify prospects and select which to approach.
- Which of these are used most often and which tend to be the most effective

About commercial lead generation services

- Which have they used
- Do they vary in quality – speed, accuracy, relevance
- Do they tend to stick with the same supplier or do they switch between them and why
- Do they find suppliers flexible on price or is there simply a “rate card”
- How do these sources fit with other ways of identifying prospective customers (attending exhibitions, conferences, trade press etc)
- How do they manage these. Do they have a prospect database, for example and if so is this something like Access or Excel or is it a specific leads tracking application
- Have they subscribed continuously to a leads generation service or have they opted in or out. How do they manage while opted out
- Overall, how important are lead generation services to their business.

B. Emap/ABI Merger Inquiry: Main Themes from the Lapsed Customer Qualitative Research

Introduction

1. This paper describes a second, small piece of survey research following on from the earlier work undertaken with current customers. The focus of this piece of research was customers of ABI or Glenigan whose subscriptions had lapsed. It describes the objectives of the research, the methodology employed and the findings.

Objectives of the research

2. The objectives of this exercise were to:
    - Gain some insights into the reasons why customers had decided to leave either ABI or Glenigan; and
    - Gain some understanding of the reasons why some would dispense with a contract leads service altogether whereas others would switch to an alternative supplier.

Methodology

3. A merged list of ABI and Glenigan lapsed customers was compiled and 50 were selected for a telephone interview based around the topic guide provided in Appendix 1.

4. A much lower contact rate was achieved with this survey than with the previous one. In particular a surprisingly large number of target interviewees were no longer with the company. In part this may be because the data were older than the first set. But, interestingly, this result is also consistent with both main parties' suggestion that a change of sales director/manager can lead to cancellations if the incoming executive chooses to work with a sales process different from his or her predecessor. The new post holder might, for example, choose to rely more heavily on advertising or trade show attendance as channels for generating new business. The practical result of this low contact rate was that the survey needed to be cut slightly short in order to comply with the inquiry's timetable and in the event just 15 people were interviewed.

Findings

5. Interviewees fell into two categories; *cancellers* who lapsed and did without any kind of leads service and *switchers* those who moved their subscription to an alternative supplier, in all cases either ABI or Glenigan.

Cancellers

6. Reasons given for cancellation by the group which subsequently did without a leads service tended to focus either on the poor quality of the leads themselves or their own inability to use them effectively. One, a small/medium sized contractor said, "The main reason was that it was not up to date enough. We were not getting enough of it. It was patchy to say the least," and "not the whole picture, full of holes." Another, a small engineering firm, cited price as the main reason – "too much off the bottom line."

7. The group who said that they could not use the leads effectively cited a number of contributory factors. The volume of the leads was one. A bank that was experimenting with the Glenigan data as a way of building up its loan book, when asked if they received many leads replied, "We got absolutely

loads. Probably too many." Related to this was their unwillingness to put systems and processes in place to handle the volume of leads effectively. One, a reseller of IT equipment to schools said "Too much work was involved in using them. And it, "wasn't worth investing in the manpower" to make use of them. The same supplier, when asked if he had understood the nature of the service before he subscribed, said, "I had a vague idea what it was." A manufacturer of bathroom showers said, when asked how they used the leads, "not properly. We didn't put the necessary infrastructure in place to get the leads out to the salespeople so as soon as we could we cancelled."

Switchers

8. For some of this group, switching was a familiar process. One, a manufacturer of components for use in roofing said that they switched between ABI and Glenigan every few years and had done so for a long time. When asked why they replied, "price." There had been a "massive" difference between the quotes offered by ABI and Glenigan two years ago so they had adopted ABI. At the latest round Glenigan had come in with a price that matched ABI's, so they switched. Similarly a specialist building materials supplier said that they tended to switch between ABI and Glenigan every two years or so. When asked why he said, "It's all about cost."

9. For other switchers the move was as a result of a decision to review what were sometimes quite longstanding relationships with one or the other supplier. One contractor (a major national firm) whose operating companies used a mixture of ABI and Glenigan services went through a review process and decided on Glenigan as sole supplier. Another, a major supplier of building materials, felt that over the many years that they had subscribed to Glenigan, they had become "complacent" about his account. Accordingly he arranged a competitive pitch. He felt ABI were technically superior and, as the price he was offered was 25% less than Glenigan's, he switched. Yet another materials supplier, globally number 2 in their segment, volunteered, "Manufacturers have to have one or the other."

Drivers of switching and cancelling behaviour

10. As in the previous survey, there appears to be no clear reason why some customers switch whilst others cancel. One hypothesis to emerge, however, is that the sales process adopted by the customer may be important. Where sales lead data is integral to the sales process, switching behaviour appears more likely than cancelling. One interviewee, for example, a major national supplier of building materials, described how the leads were used. They were delivered via e-mail and loaded onto their sales support database. The system read the postcode of each project site and automatically routed the leads to the appropriate sales person. They were downloaded onto the salespeople's laptops and, as the sales effort progressed, notes were added to the records which were then synchronised with the data on the central server. It would clearly be difficult for this customer to operate his sales process without sales lead data. The interviewee observed, spontaneously, that there were "no other companies in the market that can offer what they (ABI and Glenigan) offer."

11. As before, it is again not clear why some firms adopt a contract leads based sales process. It does not appear to be related to size of firm or industry segment though there is a suggestion that materials suppliers might be more prone to this type of sales process than contractors, if only because having a full order book is less of an issue for the former than the latter. In other words

a contractor might scale down his marketing activities because he had sufficient work contracted to keep his resources fully occupied for the foreseeable future whereas a materials supplier would always be on the outlook for new business however busy he was.

Conclusions

12. This note has described a small piece of follow up work to complement the earlier series of telephone interviews with current subscribers to Glenigan and/or ABI. It has been concerned solely with cancellers to one or the other service who fall into two categories: cancellers (who exit the contract leads market altogether) and switchers (who move to an alternative service).

13. As in the previous piece of research, interviewees tended to see only two suppliers in the market capable of offering a comprehensive source of contract leads – Glenigan and ABI.

14. The type of sales process adopted by the firm appears to be the main driver of switching and cancelling behaviour.

15. There is no obvious external indicator of the kind of sales process likely to be adopted by a firm. Whilst materials suppliers may be more likely to adopt a systematic, contract leads based approach there is also some evidence that the preferred style of individual sales managers/directors is important too.

Appendix 1

Topic Guide for Lapsed Customers Research

Which product did you subscribe to?
For how long had you subscribed?
What were your reasons for subscribing in the first place?
How did you use the leads?
What do you use now?
(If another leads product) Did you have any difficulty switching?
What was your main reason for cancelling/not renewing your subscription?
Were there any other reasons?
Might you re-subscribe at some time in the future?
What might prompt you to do this?
What kind of business is your firm in?
Does it operate nationally or regionally?