H

ESPO MANAGEMENT COMMITTEE – 25 MARCH 2011

AGENDA ITEM NO. 10

ESPO SCHOOLS AND COLLEGES CUSTOMER SERVICES SURVEY AND CATALOGUE/PRICING TRENDS

REPORT OF THE INTERIM DIRECTOR

Purpose of Report

1. The purpose of the report is to:

   - inform members of the outcome of the 2010 biennial ESPO Schools and Colleges Customer Services Survey
   - outline ESPO's pricing strategy for the stores and catalogue 2011/12
   - outline further product developments.

2. In respect of the ESPO catalogue product ranges, fundamentally there is a conflict between the education market and that of the county council/city council/district council market and the product demands of these two very different demand sectors. Education, in essence, necessitates choice whilst Consortium and other local authorities are now looking to rationalise and achieve enhanced savings through increased bulk ordering as a result.

3. This report will explain the current position together with recommendations to deal with the competing issues from very different demand markets.

Background

4. The education sector (pre-school through to further education) has been the dominant customer sector for ESPO and its catalogue business. Since the formation of the Consortium in 1981 the education sector has represented between 75% and 80% of catalogue product sales; this can vary by a few percentage points year on year.

5. Appendix 1 illustrates catalogue product sales for the 2009/10 year.

6. Every other year since 1990 through an independent market research company, a market survey is undertaken into customer perceptions of ESPO within the education sector. The previous survey undertaken was reported to the Management Committee on 10 July 2009.

Schools and Colleges Customer Services Survey 2010

7. The survey tests customer perceptions of ESPO within the education sector, schools and colleges in particular, through its range of products, services, prices and the general buying experience. Many of the service and product developments have originated from the results of this work. The results of the previous survey were reported to the ESPO Management Committee on 10 July 2009.

8. The results of the 2010 survey have been shared with Deloitte, as part of the review, and key highlights shared with members and officers at the recent Members' Workshop.

9. An executive summary is attached as Appendix 2.

10. Key outcomes relevant to this report:

    (a) 99% of member area schools consider ESPO to be an impartial purchasing resource [95% of non member area schools]

    (b) 96% of member area schools use ESPO catalogues for all/most supplies [83% non member area schools].

    (c) * 75% of member area schools consider the product range to be comprehensive [66% non member area schools].

    * Note – increased from 67% recorded in 2008.

    (d) 85% of member area schools say ESPO prices are excellent/competitive [87% non member area schools].

    (e) Most important improvements suggested were:

    - more curriculum products
    - more specialist catalogues
    - loyalty rewards
    - more 'green' products

11. Following the previous survey product ranges were increased significantly in 2009 with the introduction of 750 new core curriculum products.

Pricing Strategy

12. A detailed breakdown of catalogue price changes by product categories is shown in Appendix 3 attached.

13. This represents the product/commodity price changes during 2010/11. The changes are the result of contract reviews and variations that are in line with the national commodity cost changes.

14. The outcome of all of these changes for the 2011/12 catalogue is an overall, weighted price increase of 2.71%

15. ESPO has factored in anticipated and planned improvements/efficiencies in its working methods and practices which has had the effect of reducing the operating margin by 1.9%.

Local Authority Requirements

16. In the last 18 months, this customer group has looked for rationalisation, with price improvements to help meet efficiency targets and savings. A good example of this is the ESPO national framework contract for Office Furniture, that most of the Consortium Authorities and many other authorities use. It delivers both product rationalisation and price reductions.

17. ESPO, together with Pro5 colleagues, has explored the feasibility and viability of offering a framework contract for general office supplies which would achieve the same objectives as the Office Furniture arrangement mentioned above.

18. By aggregating Pro5 volumes there is an opportunity to improve end user prices by a process of rationalisation and demand leverage. There is an expectation that ESPO can also improve its supply chain position by moving to one of the major suppliers. The outcome of this market engagement will be available in June 2011.

19. As the collective spend of ESPO Consortium Authorities and other ESPO local authority customers in this product category is circa £1M to £1.4M, this will result in an equivalent loss of stores turnover as members move to direct purchasing.

20. This potential reduction in sales has been taken into account when developing the Budget for 2011/12.

Other Product Developments

21. During 2011/12, ESPO will be looking at product ranges for the 2012/13 Catalogue with a view to:

    - rationalisation of some product ranges – develop ‘core lists’ where practicable
    - value selections in some categories
    - further enhancements eg. Curriculum development
    - review pack and quantity sizes and price incentives.

22. ESPO will consult with relevant customer groups and the Senior Officer Group on potential changes to the catalogue.

23. Some of this work will also be conducted on a larger scale within Pro5.

Resources Implications

24. None.

Conclusion

25. The various customer groups have different requirements and priorities and it is intended that the ESPO catalogue offers a range of products for these different groups..

26. For 2011/12 ESPO will focus on:

    i. addressing the outcomes and demands of the survey

    ii. exploring the market, via an EU compliant market engagement for general office supplies that is designed to meet the needs of the of local authorities

    iii. rationalising certain product ranges and develop a consortium ‘core list’ approach where possible

    iv. introducing value selections

    v. reviewing pack and quantity sizes including price incentives.

27. ESPO will conduct all of this work with full customer and Senior Officer Group consultation.

Recommendation

28. Members are asked to note:

    (a) the results of the Schools and Colleges Customer Services Survey 2010;

    (b) the key issues affecting the development of the 2012/13 catalogue which will be;

    (c) that the catalogue will be developed in conjunction with member authorities; and

    (d) that ESPO customers will be consulted on potential changes to the catalogue.

Equal Opportunities Implications

29. None.

Risk Assessment

30. None.

Background Papers

31. Report of the Director to ESPO Management Committee, 10 July 2009 – Market Research Survey – Education Sector 2008/09.

32. ESPO Schools and Colleges Customer Services Survey 2010

Officer to Contact

David Summersgill
Interim Director

d.summersgill@espo.org

Direct Tel: 0116 265 7931

Appendices

Appendix 1 - Pie charts showing: Catalogue Sales Overall

Catalogue Sales Stock Products

Catalogue Sales Direct Delivery Products

All for 2009/10

Appendix 2 - Executive Summary of the ESPO Schools and Colleges Customer Services Survey 2010

Appendix 3 - Commodity Price Pressures 2010/11