GfK. Growth from Knowledge

Anglo American/Lafarge Merger

Inquiry Survey

A research report prepared for

The Competition Commission

December 2011

Provided by: GfK Business

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1. Executive Summary

Background

1. The Competition Commission (CC) is currently undertaking an inquiry into the proposed joint venture between the construction materials businesses of Anglo American and Lafarge. As part of the Inquiry, research was undertaken to identify the key drivers of decision-making about which construction products are produced and which products are purchased amongst customers and competitors of Anglo American and Lafarge. In addition the research aimed to gauge the effect that the merger might have on customers and competitors.

2. 1,000 telephone interviews were carried out with both customers and competitors of Anglo American and Lafarge who purchased or produced aggregates, cement, ready mix concrete (RMX) and asphalt. Respondents only answered about one product, even if they produced or purchased more than one product and the selection criteria used to decide on this product is outlined in section 3. The achieved interviews by product group are shown in the table below.

	Number of interviews
Aggregates Customer	292
Asphalt Customer	252
RMX Customer	270
Cement Customer	67
Aggregates Competitor	41
RMX Competitor	72
Asphalt Competitor	6

Respondents at the companies contacted were screened to ensure they were responsible for negotiating prices and making decisions about which products to purchase or produce.

Company Background

3. Approximately one in ten Aggregate Customers and RMX Customers are only purchasing that one construction product, whilst virtually all Asphalt and Cement Customers are purchasing other products.

4. Most customers classified their businesses as being in general construction or a contractor, although this was less so amongst Cement Customers and Asphalt Customers. Approximately three in ten Cement Customers were distributors/builder merchants and concrete products producer and a quarter of Asphalt Customers were civil engineering companies.

5. Approximately three quarters of Aggregate Competitors and RMX Competitors only produce that one product and a similar proportion classified themselves as a local business rather than being regional or national.

6. Nearly half of RMX Competitors had a lot of spare capacity in the last 12 months.

Purchasing

7. Aggregate Customers tend to be buying a whole range of aggregates whilst RMX Competitors tend to use primary only – in particular sand and gravel. Only 10% of Aggregate Customers are only buying one type of aggregate, but this figure is much higher amongst RMX Competitors of whom over half (54%) are only buying one type of aggregate.

8. CEM 1 is purchased to a greater extent than any other type of grey cement by both Cement Customers and RMX Competitors (61% and 78% respectively) and around two fifths only buy CEM 1.

9. Price was generally the most important factor when deciding what construction product to purchase, with quality the second most important factor. For RMX Competitors quality was as important as price for both cement and aggregates.

Switching

10. Aggregate purchasers claimed it was easier to switch between primary and secondary/recycled aggregates than between crushed rock and sand and gravel, but still only a third of Aggregate Customers said they could switch. Overall nearly three

quarters (73%) of Aggregate Customers could either not switch or switch less than a quarter of their primary aggregates to secondary or recycled aggregates.

11. Availability and customer requirements were mentioned as the main reasons for not being able to switch from primary to secondary or recycled aggregates.

12. Past behaviour shows that a higher proportion of Aggregate Customers have previously switched from primary to secondary or recycled aggregates in the last 3 years than now say they could switch (49% compared with 36%), primarily as a result of price.

13. Two fifths of RMX Competitors could change from CEM 1 to CEM 2/3, but only 15% of Cement Customers could change and similarly 15% also said they had switched in the last 3 years.

14. Quality of product was the key reason for not being able to change between types of cement.

Suppliers

15. Customers tended to find it easier to obtain quotes from suppliers than Competitors, significantly so in the case of aggregates. 77% of Aggregate Customers said it was very or fairly easy to obtain quotes compared with 53% of RMX Competitors.

16. At least three quarters of Aggregate, RMX and Asphalt Customers found it easy to obtain quotes, whereas the equivalent figure for Cement Customers was lower at 57%.

17. Just over a third of Aggregate Customers (36%) are buying regularly from a lot of suppliers, but the equivalent figure for Cement Customers is only 4%, and 52% are relying on one supplier.

18. Quoting very high prices and not having enough suppliers who will deliver in their area was experienced by approximately two fifths of purchasers across all products.

Potential Impact of Joint Venture

19. The majority of Aggregate (83%) and RMX Competitors (64%) claimed they would take no action should the joint venture between Anglo American and Lafarge take place.

20. Around a quarter of Competitors claimed they would their increase prices if the joint venture increased equivalent prices, although still three fifths of Aggregate Competitors and two fifths of RMX Competitors thought they would take no action.

21. A third of RMX Competitors (36%) thought they would increase their volumes if the joint venture decreased their RMX volumes and amongst Aggregate Competitors, 17% claimed they would increase volumes if the joint venture was to decrease their aggregate volumes.

2. Background and Research Objectives

22. The Competition Commission (CC) is investigating the proposed joint venture between the construction materials businesses of Anglo America and Lafarge.

23. As part of this investigation the CC commissioned GfK NOP to undertake a research exercise to help better understand the construction market. The overall objectives of this research were as follows:
    - Identify the key drivers of decision-making about which construction products are produced and which products are purchased amongst customers and competitors of Anglo American and Lafarge
    - Identify the effect that the merger might have on customers and competitors.

24. The Inquiry focuses on the customers and competitors of the construction material businesses of the two companies and the key product types for this research were:
    - Aggregates
    - Asphalt
    - Cement (Customers only)
    - Ready Mixed Concrete (RMX).

3. Research Design

25. A two-stage research approach was used. First, qualitative work was undertaken as an exploration of materials usage across customers and competitors in aggregates, asphalt, cement and RMX. The qualitative research was conducted to understand general views and issues of those who produce and purchase each of the products under investigation and to test possible questionnaire approaches, pre-code lists and wording. This work comprised six telephone depth interviews with decision-makers of different sized companies. The work was used to inform the design of the quantitative questionnaire, and as it was not a decision-making tool in its own right the findings are not reported in detail in this document, although a summary of findings is appended.

26. The qualitative stage highlighted some issues with question wording within the draft survey and the need for interviewers to be provided with a glossary of technical terms commonly used within the industry. The depth interviews also provided valuable information on the reasons for choosing products to produce and purchase which was used to fine tune the questionnaire for the quantitative stage.

27. The main stage quantitative survey was conducted among those who were:
    - Responsible for negotiating prices and making decisions about which products to purchase or produce
    - Customers of Anglo American or Lafarge who have purchased one of the following four products in the last 12 months: Aggregates/Asphalt/Cement/RMX
    - Customers with a spend level in the last 3 years of at least: Aggregates £10,000, Asphalt £10,000, Cement £10,000 and RMX £75,000
    - Competitors who produce one of the following products: Aggregates/Asphalt/RMX.

28. The sample was taken from Anglo American and Lafarge customer lists, comprising of those who had made a purchase from either company from 2008-2010. In addition a list of competitors compiled by BDS Market Research was used to achieve the competitor interviews. All the large construction businesses, including Anglo American and Lafarge companies were removed from the sample.

29. 1,000 interviews were carried out for the survey from a sample list of c.5800 customers. The overall response rate based on those eligible to take part, and removing the records of those who had not yet been spoken to by an interviewer, was 28%. This figure represents a good response rate across a business audience who are typically difficult to interview due to time pressures.

30. Due to the nature of respondent businesses, it was sometimes difficult to secure an interview with the appropriate contact as they were working ‘off-site’ and the relatively high proportion of interviews conducted on mobile phones (15%) reflects this issue.

31. Interviews were conducted on the telephone, and the average interview lasted between 15-20 minutes. The interviews achieved were broadly representative of the sample supplied in relation to customers and competitors.

32. To ensure the survey length was kept to a minimum and to avoid ‘fatigue’ in answering repetitive questions respondents were only asked about one product in the survey even if they purchased or produced more than one. The order in which products were selected, which was mainly governed by the amount of available sample, was as follows:

- Asphalt Competitor
- RMX Competitor
- Aggregates Competitor
- Cement Customer
- Aggregates Customer
- RMX Customer
- Asphalt Customer

33. Respondents who purchase **aggregates** are included in 3 product group categories and all were asked questions about their purchases of aggregates. These product groups were as follows:

- Aggregate Customers (who purchase aggregates, but *not* for use in the production of other construction products)
- RMX Competitors (who purchase aggregates to use in the production of RMX)
- Asphalt Competitors (who purchase aggregates to use in the production of asphalt).

Although Asphalt Competitors were interviewed as part of this research, no analysis has been provided within this report due to the very small sample size of 6 achieved within this group (from a total of 30 contacts provided).

34. Respondents who purchase **cement** are included in 2 product group categories and both were asked questions about their purchases of cement. These product groups were as follows:

- Cement Customers (who purchase cement, but are *not* purchasing cement for use in the production of RMX)
- RMX Competitors (who purchase cement for use in the production of RMX).

35. RMX Customers were asked about their purchasing of RMX only and similarly Asphalt Customers were only asked about their purchasing of asphalt.

4. Survey Findings

4.1 Company Background

36. This first section of the report profiles the types of customers interviewed, including the products purchased as well as the geographical scope and type of the business.

4.1.1 Overview

37. Most customers also *purchase* other construction products apart from the one they were interviewed about and amongst competitors, there is also a high proportion of purchasing of construction products, but most only *produce* one product.

38. The geographical spread of customers was widespread with a mixture of local, regional and national businesses. However, the majority of competitors were local businesses with very few sites. Virtually no RMX Competitors were operating at full capacity in the last 12 months, but despite this three in ten thought they may open a new site within the next 3 years; most likely to be larger businesses.

39. Aggregate Customers and RMX Customers were most likely to classify themselves in the general construction business sector, working on project based jobs. Cement Customers were more of a mixture of different types of businesses, including construction companies, builder merchants and concrete product producers and just over half were buying cement for fixed sites. Asphalt Customers were mostly in general construction, but a quarter worked for civil engineering companies.

4.1.2 Company Background - Customers

40. In the screening section of the survey, regardless of whether they were originally flagged as being a ‘competitor’ or ‘customer’, respondents were asked what products they produce and purchase. They were asked these questions for each of the following: aggregates, asphalt, ready mix concrete (RMX) and cement.

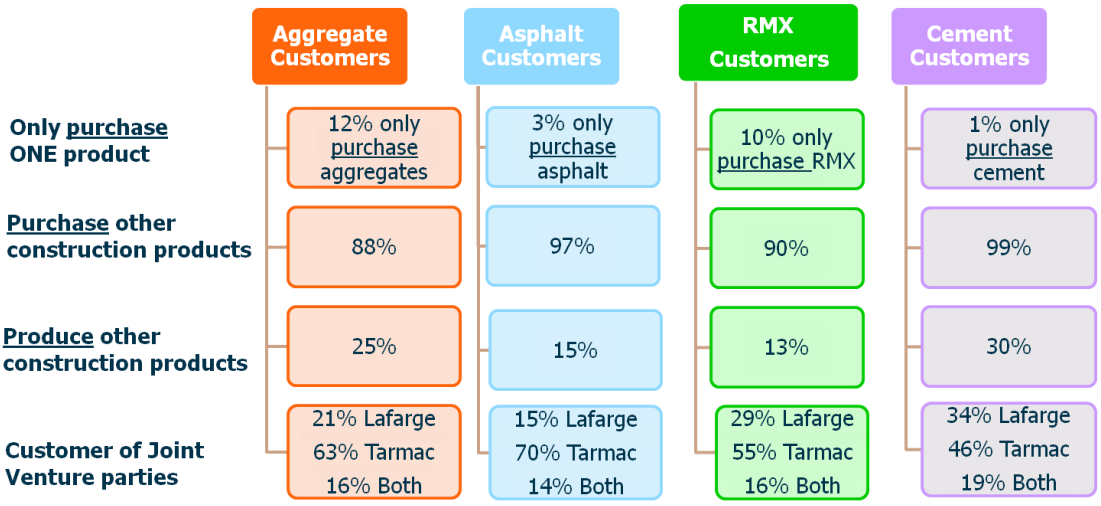
41. Around 1 in 10 Aggregate Customers said they only purchase aggregates and similarly 10% of RMX Customers only purchase RMX, but virtually no Asphalt Customers and Cement Customers only purchase asphalt or cement. Cement Customers were the most likely to also produce construction products (30%), followed by Aggregate

Customers (25%). Asphalt Customers and RMX Customers were less likely to both purchase and produce construction products.

42. Using the data provided in the sample files we have been able to identify whether or not the customers are customers of Lafarge, Tarmac or both. This information will clearly reflect the customer lists provided by the joint venture businesses and it should be noted that this information was not specifically about the product asked about. Asphalt Customers and Aggregate Customers are the most likely to be customers of Tarmac (70% and 63%), followed by RMX Customers (55%) and finally Cement Customers (46%). Compared with other customer groups, Cement Customers were the most likely of all of them to be customers of Lafarge (34%).

Figure 1: Products produced and purchased (Customers)

Question: Does your business purchase/produce (aggregates, RMX, asphalt, cement)?

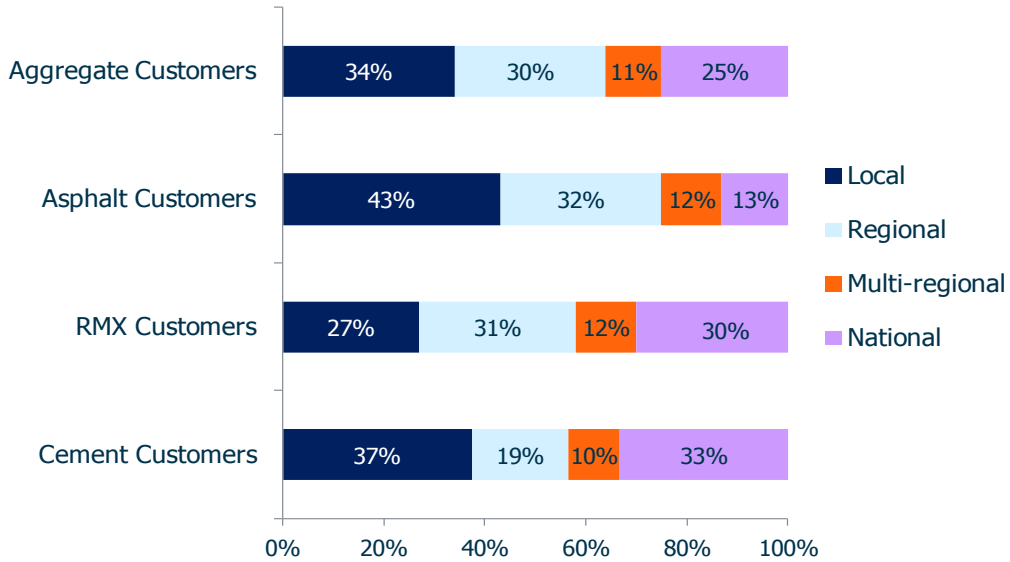


Base: All customers: Aggregates (292), Asphalt (252), RMX (270), Cement (67)

43. All respondent customers were asked if they consider their business to be local, regional, multi-regional or national. Customers were most likely to see themselves as having 'local' businesses, with the exception of RMX Customers, but there was a wide spread of geographical coverage overall. Cement Customers were the most likely to be a national business (33%) and Asphalt Customers the least likely (13%).

Figure 2: Geographical Scope of Business (Customers)

Question: Do you consider your business to be local, regional, multi-regional or national?

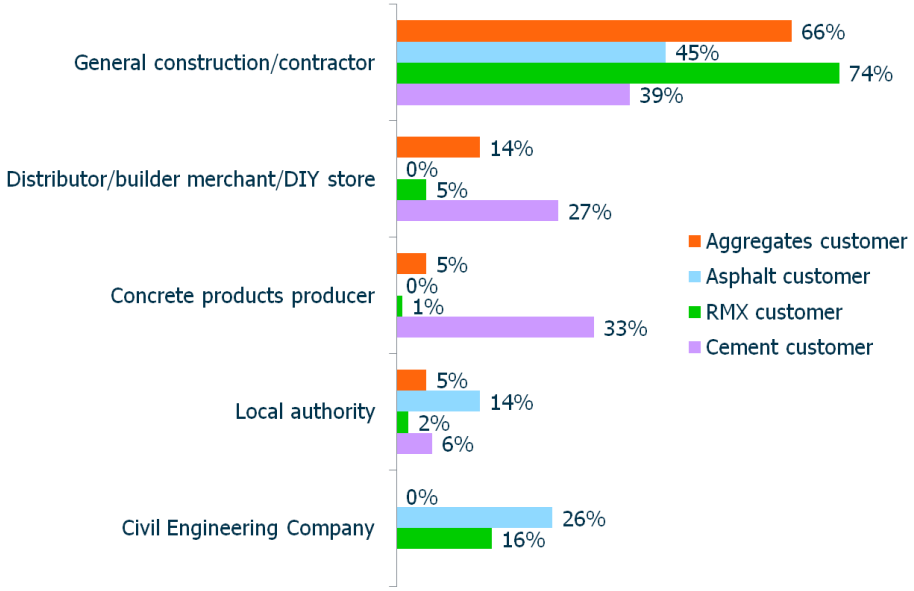


Base: All aggregates customers (292), asphalt customers (270), RMX customers (251) and cement customers (67)

44. In addition to asking respondents about the geographical scope of their business, they were also asked about their business type. The highest response across all customers regardless of product was that the business was in general construction or a contractor, with RMX Customers the most likely to describe themselves as this type of business (74%). Cement Customers were the least likely to be in general construction of all the product categories (39%) with other key company types being producers of concrete products (33%) and distributor/builders merchant or DIY store (27%). After general construction, Asphalt Customers were most likely to be civil engineering companies.

Figure 3: Type of Business (Customers)

Question: Which one of the following best describes your business for which….(aggregates, RMX, asphalt, cement) is purchased?

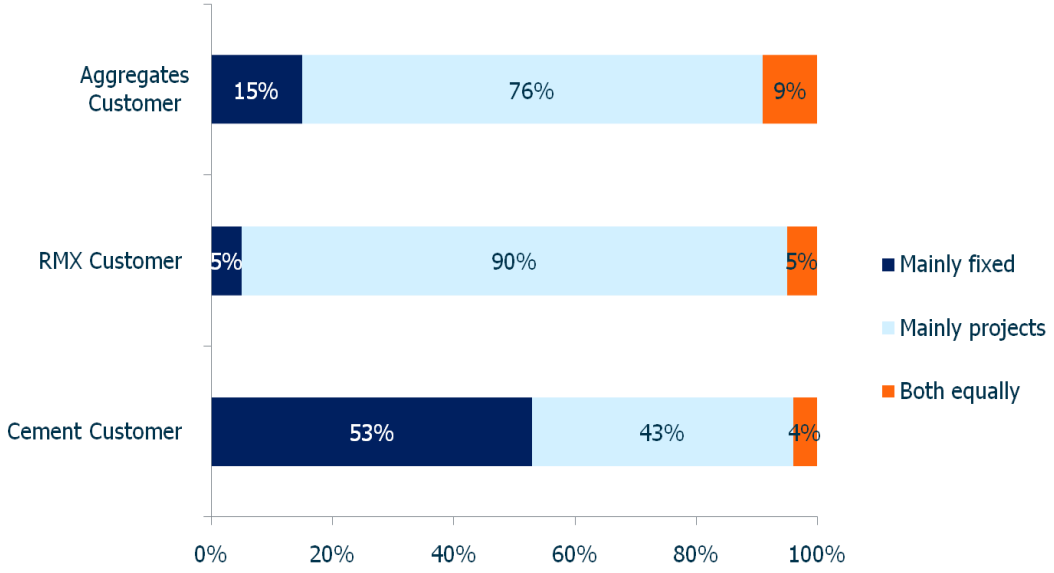


Base: All customers: Aggregates (292), Asphalt (252), RMX (270), Cement (67)

45. Aggregates, RMX and Cement Customers were also asked if they mainly purchase for fixed sites or mainly for specific projects where the location varies on a job by job basis. RMX and aggregates are primarily being bought for specific projects (90% and 76% respectively), whereas those buying cement have a higher proportion buying for fixed sites, reflecting the more varied types of businesses amongst these customers such as concrete products producers.

Figure 4: Purchasing for fixed sites or specific projects (Customers)

Question: Do you mainly purchase for fixed sites or mainly for specific projects whose locations varies on a job-by-job basis?



Base: All customers excluding asphalt: Aggregates (292), RMX (270), Cement (67)

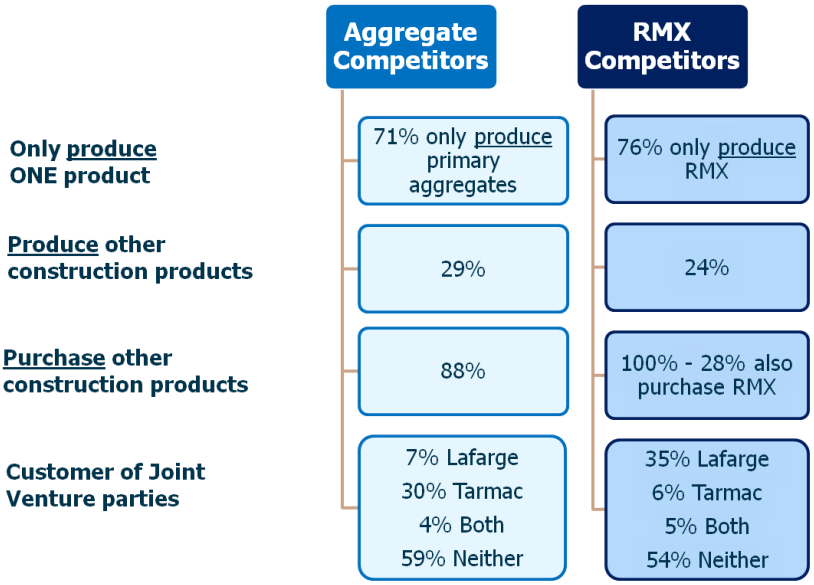
4.1.3 Company Background - Competitors

46. This section of the report looks at the company background of Competitors, in terms of purchasing behaviour, the number of production sites they have, the status of their production operations and overall how competitive their businesses are compared to the five large national companies across a number of key areas

47. All respondents were asked about the types of products they both purchased and produced. Most Aggregate and RMX Competitors are only producing that one product, but a high proportion in the case of aggregates and all of RMX Competitors are also purchasing construction products. Using data provided in the sample files we know that just over two fifths of Aggregate Competitors and RMX Competitors are customers of either Lafarge or Tarmac. Aggregate Competitors are most likely to be customers of Tarmac, whilst RMX Competitors are more likely to be customers of Lafarge.

Figure 5: Products produced and purchased (Competitors)

Question: Does your business purchase/produce…?

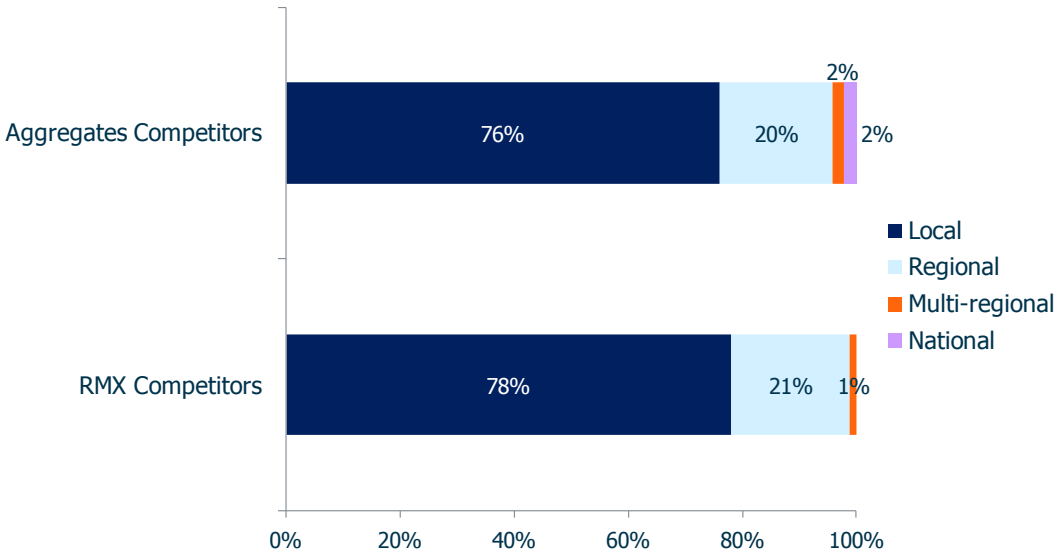


Base: All competitors Aggregates (41), RMX (72)

48. Competitors were asked whether they consider their business to be local, regional, multi-regional or national and in the case of Competitors, unlike Customers, a high proportion were local businesses. Virtually no Competitors were national organisations.

Figure 6: Geographical scope of business (Competitors)

Question: Do you consider your business to be local, regional, multi-regional or national?



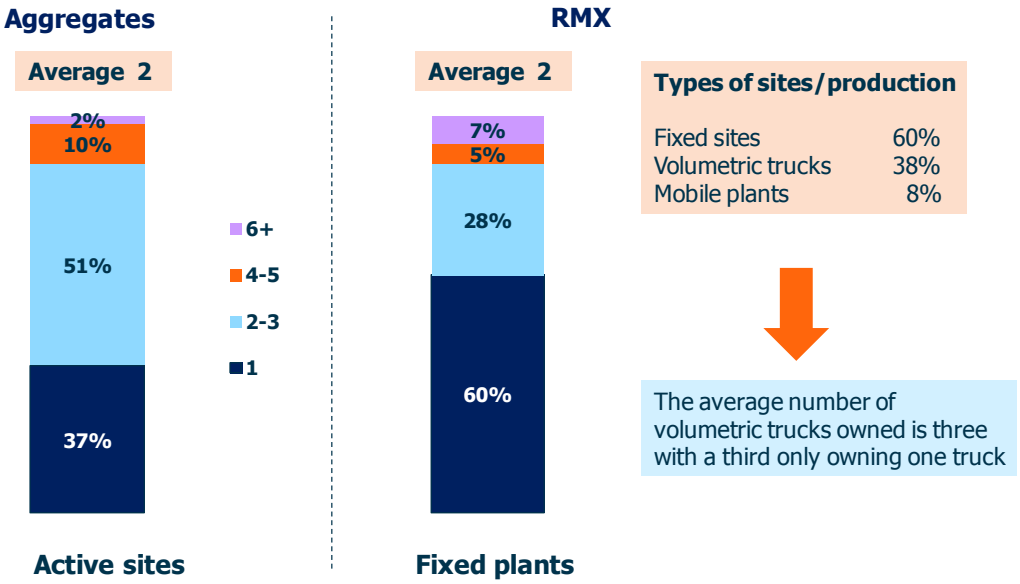
Base: All aggregate competitors (41) and RMX competitors (72)

49. Aggregates Competitors were asked how many active sites which produce aggregates they have in the UK. Most Aggregate Competitors had three or fewer active sites with the average number being two.

50. RMX Competitors were asked whether they produced RMX at fixed plants, operated volumetric trucks or produced RMX on mobile plants at customers' site.
Three fifths of production is based at fixed plants (60%), with most businesses only having one site. Two fifths operate volumetric trucks, with most owning between one and three trucks and just 8% produce RMX at mobile plants.

Figure 7: Types and number of sites (Competitors)

Question: How many fixed/active sites which produce Aggregates/RMX do you own or operate in the UK?



Base: All Aggregates competitors (41) and RMX competitors (43) who have fixed sites

51. RMX Competitors, who operated fixed plants, were asked specific questions regarding their RMX production capacity over the past 12 months. They were asked to say whether they had been operating to full capacity, had some spare capacity or a lot of spare capacity. Virtually no RMX Competitors said they had been operating at full capacity, just over half (56%) said they had some spare capacity and 41% said they had a lot of spare capacity.

52. Aggregate and RMX Competitors were also asked if they were expecting to open any new sites or quarries' in the next 3 years and as shown in the chart below, expectations are fairly high considering capacity is not currently being utilised fully.

Figure 8: Status of production operations (Competitors)

Question: In the last 12 months which one of the following statements best describes your business in terms of your production capacity?

Only 2% of **RMX Competitors** claimed to have been operating at full capacity in the last 12 months and nearly half had a lot of spare capacity.

Around **a fifth of Aggregate competitors and three in ten RMX competitors** expect to open a new site in the next 3 years

More likely to be those businesses with more than one plant already

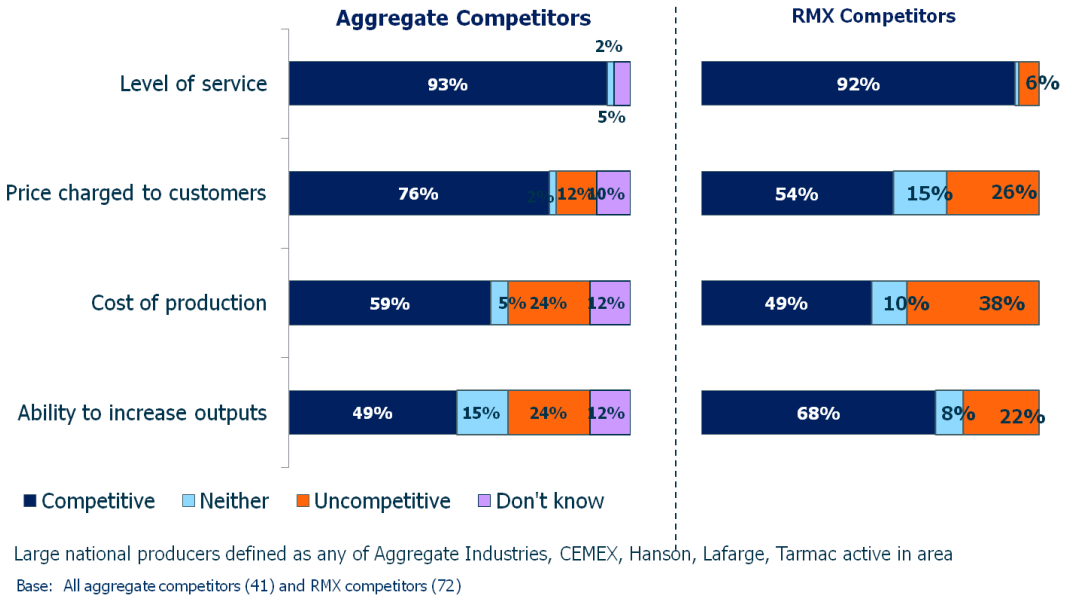
Base: All RMX competitors (72) and Aggregate Competitors (41)

53. The chart below shows the perceived level of competiveness of the Aggregate Competitors and RMX Competitors business against the 'Big National 5' (defined as Aggregate Industries, CEMEX, Hanson, Lafarge and Tarmac) who operate in their area across 4 measures:

- Level of service
- Price charged to customer
- Cost of production
- Ability to increase outputs.

Figure 9: Competiveness of business compared to large producers (Aggregate and RMX Competitors)

Question: Thinking about large national aggregate producers in your area, how competitive or uncompetitive do you think your business is compared to them on the following attributes?



54. Aggregate Competitors and RMX Competitors see themselves as being most competitive against the 'large 5' when it comes to the level of service provided with over 9 in 10 feeling they are competitive on this aspect. When it comes to the price charged to customers and the cost of production, Aggregate Customers felt they were more competitive on these aspects than RMX Competitors. Aggregate Competitors felt they were least competitive in terms of their ability to increase outputs although still 49% felt they were competitive and the proportion of RMX Competitors who felt they were competitive on this aspect was higher at 68%.

55. Competitors who have a greater number of employees and operate a larger number of sites/plants are more likely to see themselves as being competitive against the 'large 5' compared with smaller companies.

4.2 Purchasing

4.2.1 Overview

56. Sand and gravel is the most commonly purchased aggregate across both Aggregate Customers and RMX Competitors, with nine in ten of the latter group purchasing this type of aggregate. RMX Competitors are more likely to be buying just one type of aggregate, whereas Aggregate Customers are generally purchasing a whole range of aggregates, reflecting the different requirements of each of these respondent groups.

57. The majority of Cement Customers and RMX Competitors are purchasing just one type of grey cement and that is predominantly CEM 1. CEM 2 is the second most used type of cement, but virtually no businesses are using CEM 3.

58. RMX is primarily being purchased from fixed plants with approximately half only using fixed plants rather than any other method. When volumetric trucks are being used to purchase RMX, the main reason is due to the size of the project.

59. The majority of Asphalt Customers have no need to purchase from sites with 24/7 access and many do not know if they purchased from a site with or without 24/7 access. Around 1 in 10 are buying 80% or more of their purchases from sites with 24/7 access and local authorities had a higher propensity to purchase from these sites.

60. Purchasing behaviour is primarily driven by price across all products, with quality an important secondary consideration for most, but of as equal importance for RMX Competitors as price.

4.2.2 Purchasing - Aggregates

61. This section of the report looks specifically at the types of aggregates purchased, their importance and what factors are taken into account in deciding on which aggregates to purchase.

62. The terminology used in this section to describe the two different respondent groups purchasing aggregates is as follows:

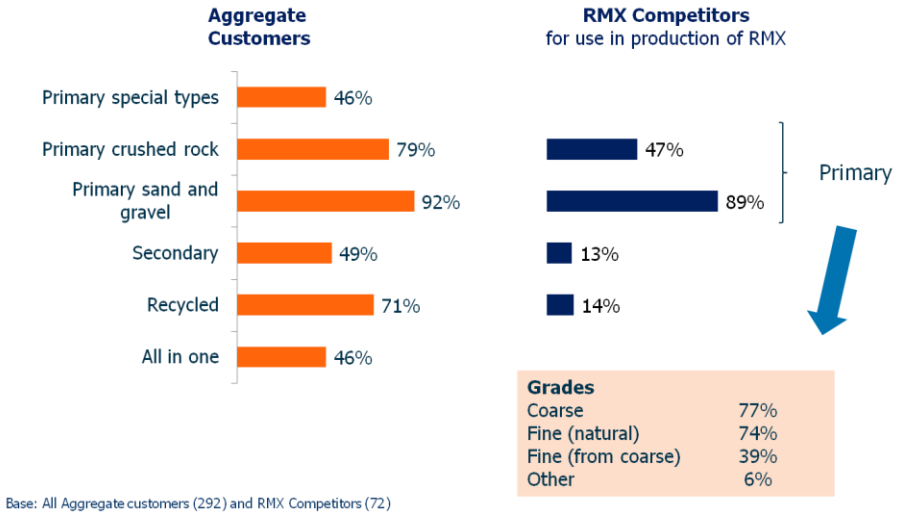
- **Aggregate Customers**, defined as respondents who are purchasing aggregates, but *not* for use in the production of other construction products
- **RMX Competitors**, defined as respondents who *are* purchasing aggregates for use in the production of RMX.

63. The main types of aggregates are primary, secondary and recycled. Primary aggregates are quarried from the land and sea and include: sand and gravel, crushed rock and other special types such as rail ballast and high purity limestone. Secondary aggregates are by-products of other industrial or mining activities and recycled aggregates are derived from recycled sources such as demolition sites and construction waste.

64. The chart below shows the types of aggregates, which are being purchased by Aggregate Customers and RMX Competitors for use in the production of RMX.

Figure 10: Aggregates Purchased (Aggregate customers & RMX Competitors)

Question (Aggregate Customers): Which of the following does your business purchase?
Question (RMX Competitors): Which of the following types of aggregates does your business purchase to produce RMX?



65. Aggregate Customers are buying a whole range of different types of aggregates with primary sand and gravel being purchased to the greatest extent (92%), followed by

primary crushed rock and recycled. Secondary, special types and all in one aggregates are purchased to the least extent, but still by around half of Aggregate Customers.

66. RMX Competitors are primary buying sand and gravel and secondly crushed rock. Just one in ten are buying recycled (14%) and secondary (13%) aggregates.

67. The chart below shows in more detail how the aggregate purchase is broken down across Aggregate Customers and RMX Competitors, with the key difference being that Aggregate Customers are rarely only buying one type of aggregate, whereas over half of RMX Competitors buy just one type and in most cases is sand and gravel.

Figure 11: Proportion of Aggregates Purchased (Aggregate Customers & RMX Competitors)

Question: And what proportion of this volume (of aggregates purchased) did each of the following types of aggregate represent in terms of total aggregate purchasing?

Aggregate Customers

Proportion purchasing ONE type of aggregate only:	**10%**
Most likely product to purchase on it's own:	
Sand and Gravel	7%
Proportion purchasing MORE THAN ONE type of aggregate only:	**90%**
Proportion purchasing:	
Primary only	19%
Primary and other aggregates	81%

RMX Competitors for use in production of RMX

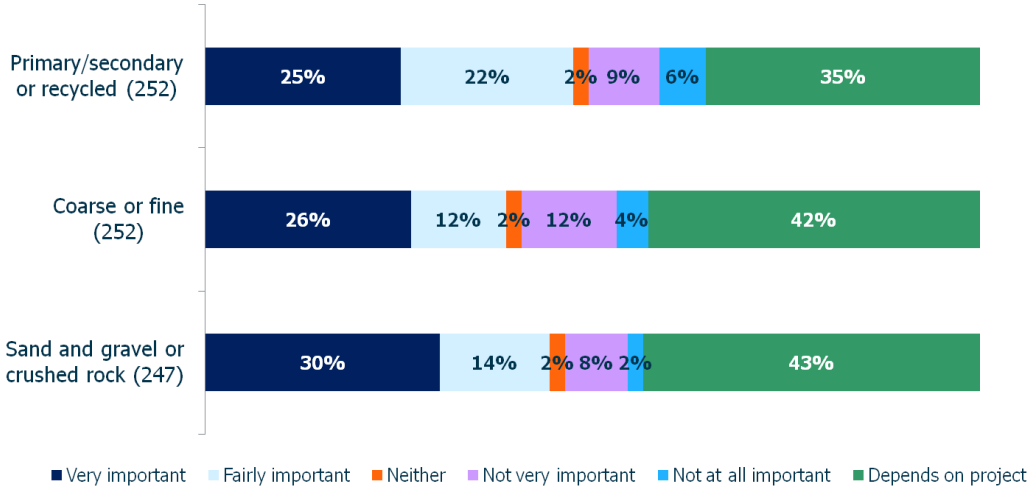
Proportion purchasing ONE type of aggregate only:	**54%**
Primary crushed rock	6%
Primary sand and gravel	44%
Secondary	1%
Recycled	1%
Proportion purchasing MORE THAN ONE type of aggregate only:	**46%**
Proportion purchasing:	
Primary only	81%
Primary and other aggregates	19%

Base: All Aggregate customers (292) and RMX Competitors (72)

68. Aggregate purchasers were asked about their decision-making, in terms of how important the following elements are:
    (a) Whether it is primary, secondary or recycled
    (b) Whether it is coarse or fine
    (c) Whether it is gravel and sand or crushed rock? (only asked if sand or gravel is already purchased).

Figure 12: Importance of types of aggregates when purchasing (Aggregate Customers)

Question: When making decisions about which aggregates to purchase, how important or unimportant are the following elements?



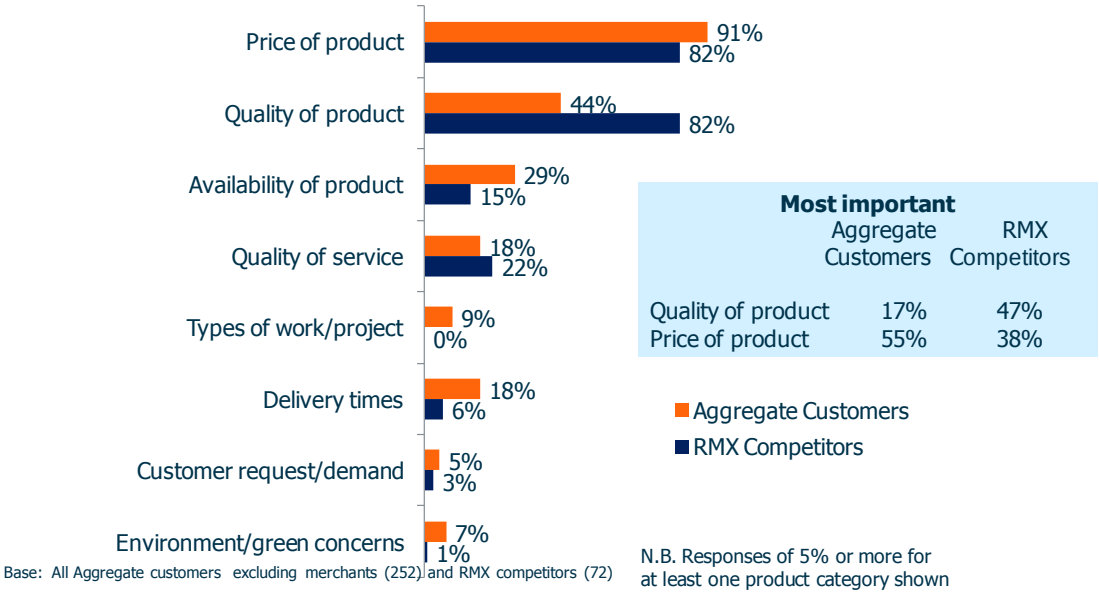
Base: All Aggregate customers excluding merchants who purchase each product

69. The above results show that across all three types of aggregate choices the product type is an important consideration for around a quarter of Aggregate Customers. However, the type of project that the product is being used for is also a key determinant. Over two fifths (43%) felt that the importance of whether it was sand & gravel or crushed rock or coarse or fine depended on the project as did 35% who were asked about the importance of whether it is primary, secondary or recycled.

70. Amongst Aggregate Customers the price of the product is considered to be the most important factor when considering what aggregates to purchase. The data below shows the factors Aggregate Customers and RMX Competitors consider to be important when considering which aggregates to purchase.

Figure 13: Factors important in deciding on which aggregates to purchase (Aggregate Customers & RMX Competitors)

Question: What is the most important factor to you when considering what aggregates to purchase? And what others are important?



71. Whilst price was the one most important factor for over half (55%) of Aggregate Customers, for RMX Competitors, quality of product was mentioned as the most important factor to a greater extent than price (47% compared with 38%). Aggregate customers place less emphasis on the quality of the product with around a fifth of Aggregate Customers considering this to be the most important factor when considering what Aggregates to purchase. However, across both respondent types, price and quality of product were clearly the most important considerations. Product availability and delivery times were more important for Aggregate Customers than they were for RMX Competitors.

72. Across Aggregate Customers and RMX Competitors, the smaller the business the more important price was and with respect to quality, this was a relatively more important factor the larger the company.

4.2.3 Purchasing - Cement

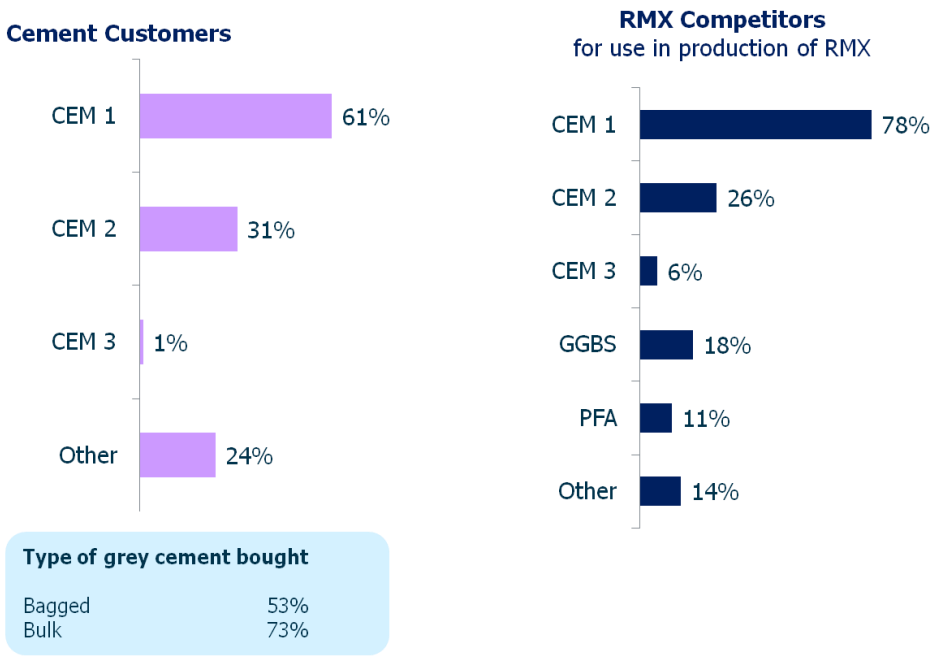
73. This section of the report looks specifically at the types of grey cement purchased, in what proportions and what factors are important in deciding on which grey cement to purchase.

74. The terminology used in this section to describe the two different respondent groups purchasing cement is as follows:
    - **Cement Customers**, defined as respondents who are purchasing cement, but *not* for use in the production of RMX
    - **RMX Competitors**, defined as respondents who *are* purchasing cement for use in the production of RMX.

    The main grades of grey cement grades are CEM 1, CEM 2 and CEM 3. CEM 1 is made from ground cement clinker and a small percentage of gypsum to control the material's setting time when mixed with water. CEM 2 contains between 6 and 35 per cent pulverised fly ash (PFA), limestone or ground granulated blast furnace slag (GGBS). CEM 3 contains between 36 and 95 per cent GGBS.

Figure 14: Types of Grey Cement purchased (Cement Customers & RMX Competitors)

Question: Which types of bulk grey cement or other cement products does your business purchase?



Base: All Cement Customers (67) and RMX competitors (71)

75. Amongst both Cement Customers and RMX Competitors, CEM 1 is the most commonly purchased type of grey cement with RMX Competitors buying to a greater extent than Cement Customers (78% compared with 61%).

76. CEM 2 is the second most commonly purchased type (31% Cement Customers and 26% RMX Competitors), but there is very little purchasing of CEM 3. In addition to these types of cement, around 1 in 5 RMX Competitors purchased GGBS and a further 11% bought PFA. Other cement products mentioned by Cement Customers included white cement and lightening cement. Cement purchasing patterns were relatively uniform across both types irrespective of company size.

77. Looking at cement purchasing in more detail the chart below shows the breakdown across both Cement Customers and RMX Competitors of the proportions who are just purchasing one type of cement versus those who are purchasing more than one type. The charts shows that the majority of Cement Customers and RMX Competitors purchased just one type of cement and this was most likely to be CEM 1.

Figure 15: Proportion of Cement purchased (Cement Customers & RMX Competitors)

Question: And what proportion of this (grey cement purchased) did each of the following types of cement represent in terms of total cement purchasing?

Cement Customers

Proportion purchasing ONE type of cement only *:	**67%**
CEM 1	39%
CEM 2	14%
CEM 3	0%
Other cement products	14%
Proportion purchasing MORE THAN ONE type of cement only:	**33%**
CEM 1 and CEM 2/3	21%

RMX Competitors for use in production of RMX

Proportion purchasing ONE type of cement only:	**58%**
CEM 1	37%
CEM 2	7%
CEM 3	0%
GGBS	1%
PFA	0%
Other	13%
Proportion purchasing MORE THAN ONE type of cement only:	**42%**
CEM 1 and CEM 2/3	21%

* Excluding not stated

Base: All cement customers (67) and RMX Competitors (72)

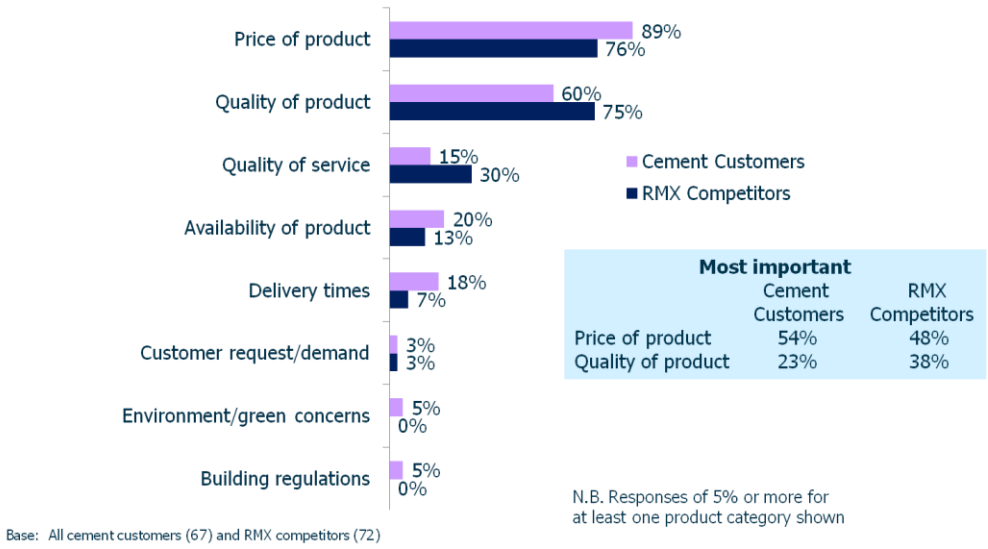
78. Cement Customers who are purchasing just one type of cement are more likely to be smaller businesses with fewer than 49 employees and have a lower product spend. This pattern is replicated across RMX Competitors where it is those with 9 or less employees who are more likely to be purchasing only one type of cement

79. Respondents were asked what factors were important to them when considering what types of cement to purchase. The chart below shows that price of the product and the quality of the product were the most important factors for both Cement Customers and RMX Competitors. Price was mentioned to a greater extent than quality of product amongst Cement Customers, but RMX Competitors mentioned them to an equal extent when considering all factors. When asked to say which is the one most important factor, price was the top response amongst both groups of cement purchasers, Other

factors which influenced the purchasing decision included quality of service, product availability and delivery times.

Figure 16: Factors important in deciding which cement to purchase (Cement Customers & RMX Competitors)

Question: What is the most important factor to you when considering what cement to purchase? And what others are important?



4.2.4 Purchasing - RMX and Asphalt

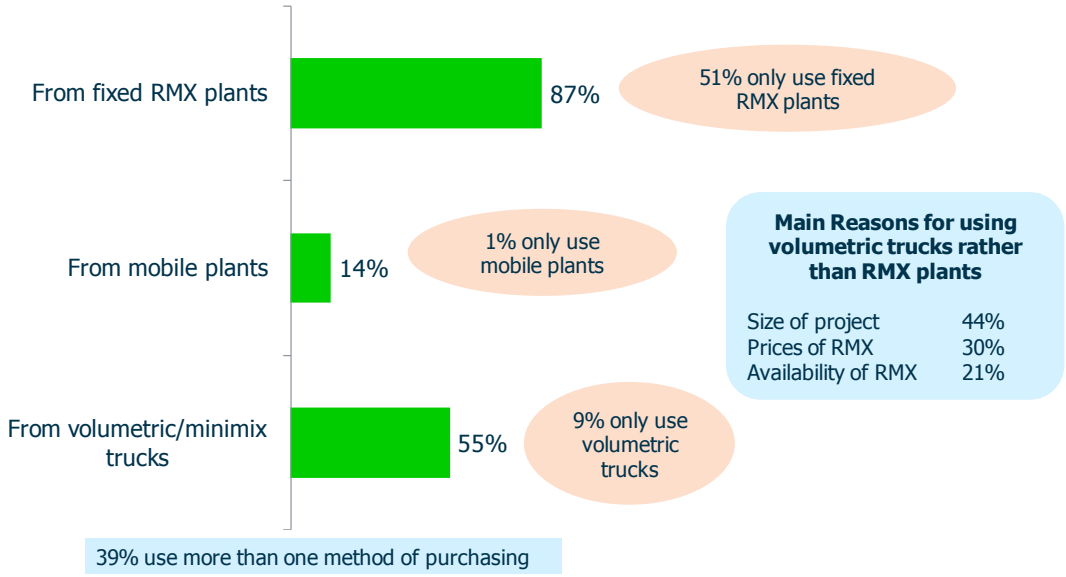
80. This section of the report looks specifically at where RMX has been purchased from and the factors which are important in deciding where to purchase RMX amongst RMX Customers. In addition the section also looks at the types of asphalt purchased over the last 12 months amongst Asphalt Customers.

81. In terms of RMX purchasing behaviour over the past 12 months, almost 9 out of 10 RMX Customers purchased RMX from fixed plants, just over half (55%) purchased from volumetric/Minimix trucks and 14% purchased from mobile plants. Very few customers were *only* purchasing from mobile plants or volumetric trucks, but half were *only* purchasing from fixed plants.

82. Amongst those customers using volumetric trucks instead of fixed plants, just over two fifths (44%) did so because of the size of the project, with price and availability being the next most common reasons for usage.

Figure 17: Types of RMX Purchasing in last 12 months (RMX Customers)

Question: In the past 12 months, from which of the following have you purchased RMX?

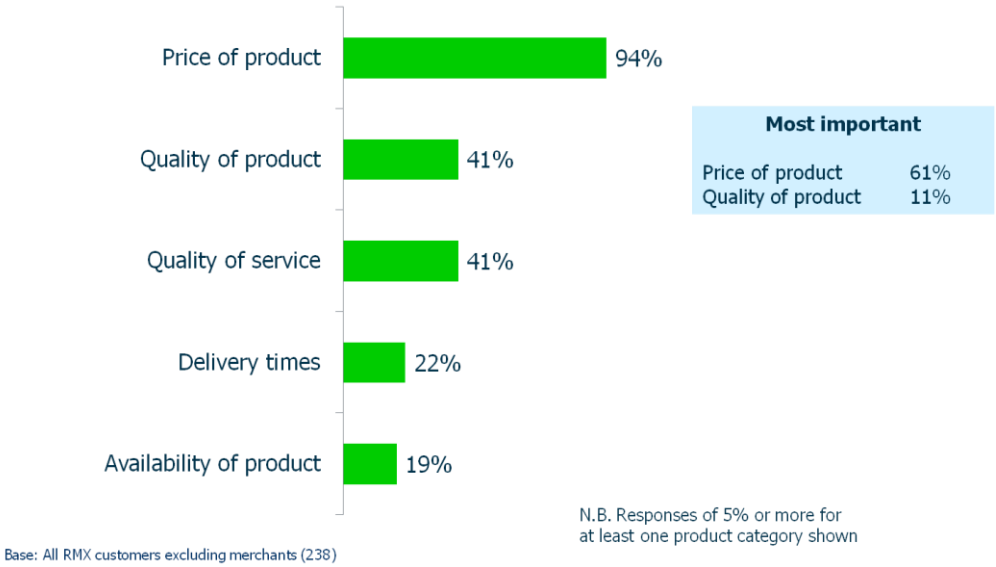


Base: All RMX customers excluding merchants (238)

83. When respondents were asked to say which factors were important in deciding where to purchase RMX from, virtually all (94%) cited price as being a reason and the majority also felt that this was the one most important factor. Price was a more important factor for larger companies, spending more than £250,000 a year on RMX. Product quality and quality of service were of secondary importance, mentioned by two fifths of RMX Customers. Around a fifth of RMX Customers also said delivery times (22%) and product availability (19%) were important.

Figure 18: Factors important in deciding where to purchase RMX (RMX Customers)

Question: What is the most important factor to you when considering where to purchase RMX? And what others are important?

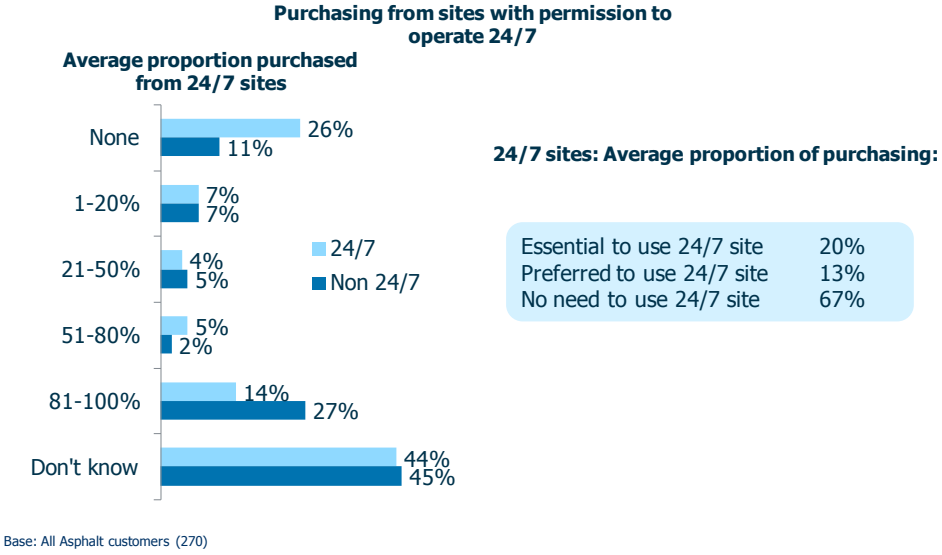


84. Asphalt Customers were asked about their purchasing behaviour and how this purchasing was split across different asphalt plants.

Figure 19: Types of Asphalt purchasing in last 12 months (Asphalt Customers)

Question: What proportion of all of your asphalt purchases were from plants which have permission to operate 24 hours?

Question: Thinking about your purchases from plants with 24 hour authorisation please can you estimate for what % it was essential you used plants with 24 hour authorisation, what % you preferred to use a plant with 24 hour authorisation and what % you had no need to use a plant with 24 hour authorisation?



85. In the last 12 months around 1 in 10 Asphalt Customers had purchased at least 80% of their purchases from sites with 24/7 access compared with just over a quarter from sites without 24/7 access. It is interesting to note that over two-fifths of respondents did not know what type of site they had purchased from. Local authorities were more likely to be purchasing using a site with 24/7 access. Across those who are using 24/7 sites, two thirds claimed there was no need for them to be using such a site and just a fifth said it was essential for them to be using a site with 24/7 access.

4.3 Switching behaviour

4.3.1 Overview

86. The claimed ability to switch from products currently used to alternative products is limited across both customers and competitors.

87. RMX Competitors claimed to have the greatest ability to switch from primary to secondary aggregates – approximately half could have done so. Fewer Aggregate Customers, at around a third, said they could have made the same type of switch. Switching across other types of aggregates (from crushed rock to sand & gravel and from sand & gravel to crushed rock) was thought to be less easy for both Aggregate Customers and RMX Competitors.

88. Looking at actual switching behaviour over the past 3 years, around half of Aggregate Customers said they had switched from primary to secondary/recycled compared with one fifth of RMX Competitors, due mainly to the price of primary increasing.

89. The majority of RMX Competitors and Cement Customers claimed they could not have switched from CEM 1 to CEM 2/3 and this was primarily driven by product quality.

90. The claimed ability of RMX Customers to switch away from fixed plants was also limited, with just a quarter claiming they could have switched to volumetric trucks and 15% to mobile plants at sites in the last 12 months.

4.3.2 Switching behaviour – Aggregates

91. This section of the report looks specifically at potential switching behaviour across aggregates purchasing in the last 12 months, the proportion that could be switched, and the reasons for not switching. In addition it also looks at actual switching behaviour in the last 3 years and the reasons behind the switching.

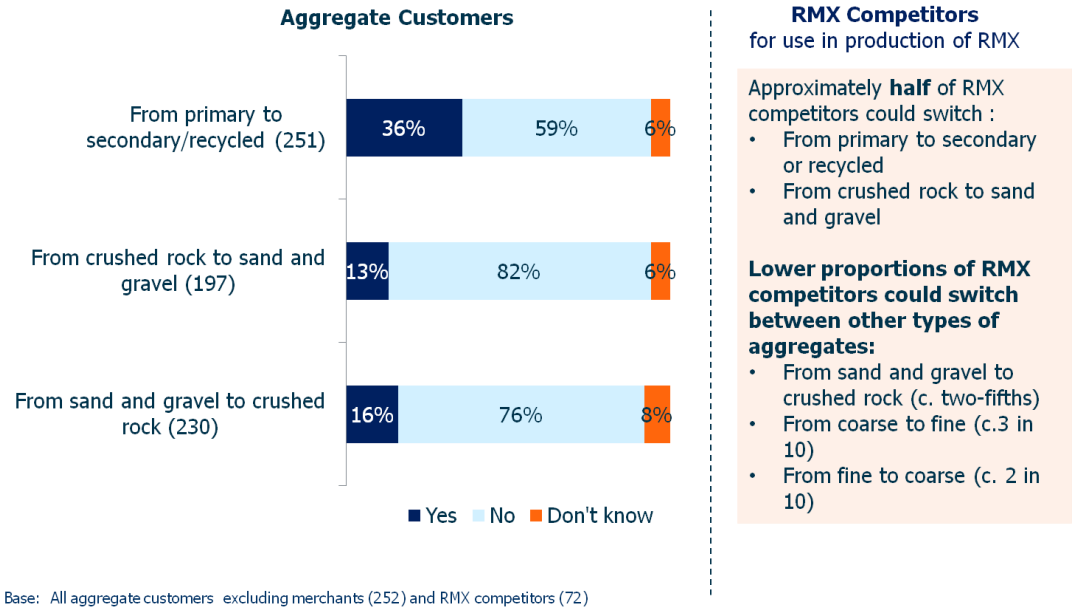
92. The terminology used in this section to describe the two different respondent groups purchasing aggregates is as follows:

- **Aggregate Customers**, defined as respondents who are purchasing aggregates, but *not* for use in the production of other construction products
- **RMX Competitors**, defined as respondents who *are* purchasing aggregates for use in the production of RMX.

93. Aggregate Customers and RMX Competitors were asked to consider their aggregate purchases over the last 12 months and whether they could have changed their use of one type for another. Based on usage they were asked if they could have changed from primary to secondary/recycled or from crushed rock to sand and gravel or from sand and gravel to crushed rock.

Figure 20: Ability to switch purchasing between different types of Aggregates (Aggregate customers and RMX Competitors)

Question: Thinking about your purchases of aggregates in the last 12 months, could you have changed any of your purchasing from…to…?



94. RMX Competitors were more likely to say they could switch between aggregates than Aggregate Competitors. Switching from primary aggregates to secondary/recycled was claimed to be the easiest types of aggregates to switch between, with just over a third (36%) of Aggregate Customers saying they could have changed from primary to secondary/recycled and half of RMX Competitors.

95. Being able to switch from primary to secondary/recycled aggregates was more likely to be feasible across larger companies and those which specialised in highways projects. Half of those in businesses with 250 or more employees (52%) said they could change from primary to secondary/recycled aggregates compared with just over a quarter (28%) in the smallest companies with 1-9 employees. This difference between large and small businesses was also apparent for switching between other types of aggregates, with larger businesses claiming they could have switched to a greater degree than small businesses. Those buying for fixed sites also claimed to have less ability to switch compared with those buying for projects. There was limited differentiation across other company characteristics.

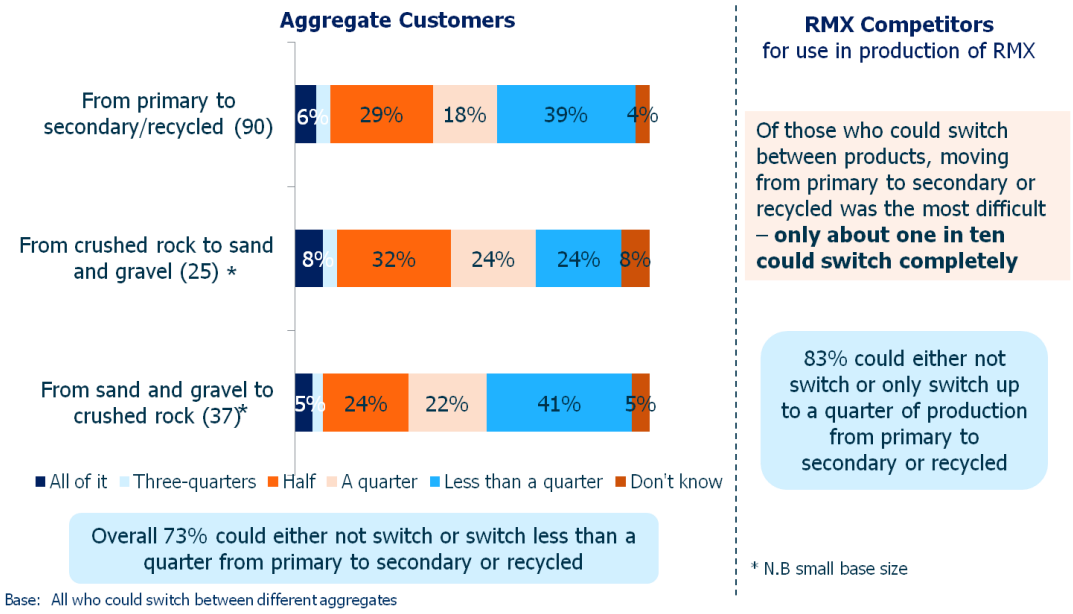
96. When it came to switching from crushed rock to sand and gravel around one half of RMX Competitors said they could have made the switch, but the proportion was much less amongst Aggregate Customers of whom only 13% said they could have changed.

97. Switching from sand and gravel to crushed rock was also more difficult for Aggregate Customers than RMX Competitors with 16% saying they could have changed compared with approximately two fifths for RMX Competitors.

98. Respondents who said they were able to make a change from one product to another were then asked what proportion of the purchases they could have switched from one type of aggregate to another.

Figure 21: Proportions of Aggregates which could be switched (Aggregate customers and RMX Competitors)

Question: Approximately what proportion of your purchases in the last 12 months do you think you could have changed from…to…?

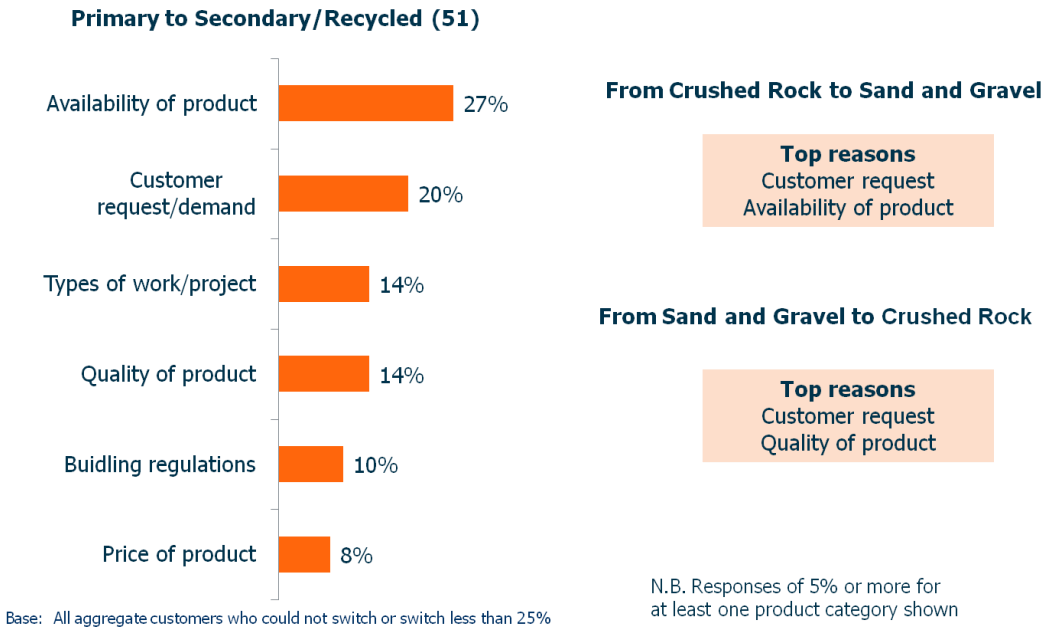


99. Amongst Aggregate Customers who said they could have switched from primary to secondary/recycled, approximately two fifths (39%) said they would have been able to switch half of it or more and the same proportion said they would have been able to switch less than a quarter. The pattern was relatively similar across those who said they could have switched from crushed rock to sand and gravel or from sand and gravel to crush rock, although higher proportions could be switched from crushed rock to sand and gravel than the opposite combination of sand and gravel to crushed rock. Overall around three-quarters (73%) of Aggregate Customers could either not switch at all or were able to switch less than a quarter from primary to secondary/recycled.

100. Respondents who were not able to switch at all or were able to switch less than 25% from one product to another were then asked the reason why they were unable to do so.

Figure 22: Reasons for not being able to switch at all/less than 25% between Aggregates (Aggregate customers)

Question: Why are you not able to switch purchasing from …to…?

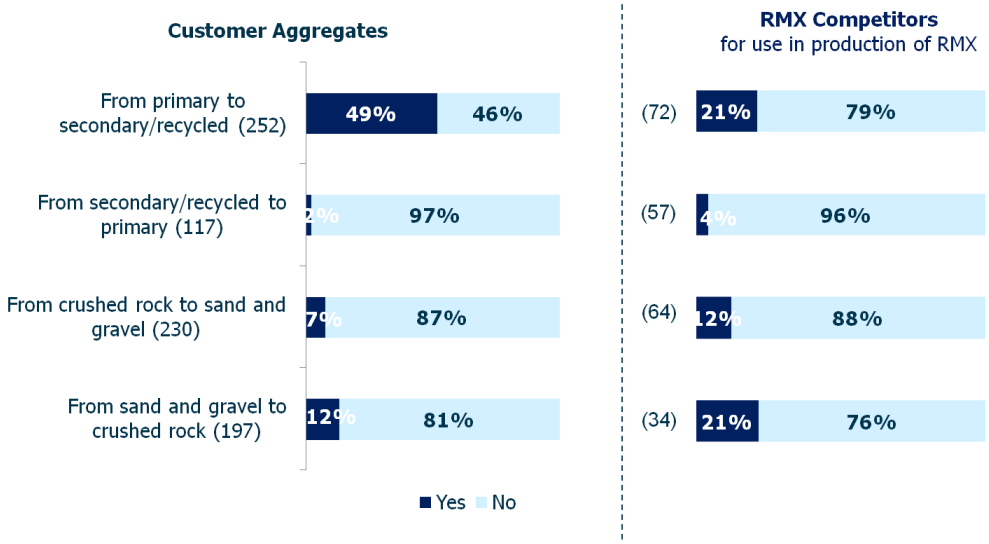


101. Amongst Aggregate Customers who were unable to switch, or switch less than 25%, from primary to secondary recycled, availability of the product (27%) was the key reason for being unable to change, followed by customer demand (20%)and then types of work/project or product quality (14% for both).

102. In addition to being asked about the potential for switching over the past year, respondents were also asked about their actual switching behaviour over the past 3 years.

Figure 23: Switching Aggregates in the last 3 years (Aggregate customers and RMX Competitors)

Question: In the past 3 years have you switched any of your aggregate purchases from…to…?



Base: All aggregate customers and RMX competitors purchasing each product

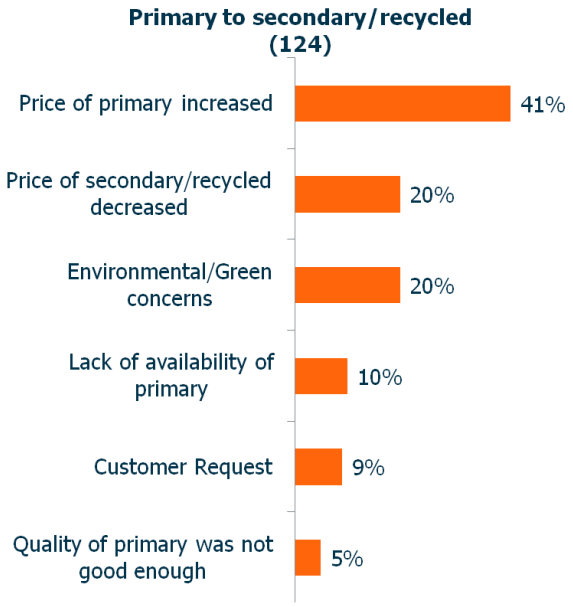
103. The chart above shows that around half (49%) of Aggregate Customers have switched from primary to secondary/recycled in the last 3 years, but just a fifth (21%) of RMX Competitors. Aggregate customers were far less likely to have switched between any other types of aggregates. For RMX Competitors, they were equally as likely to say they have switched from sand and gravel to crushed rock as they were from primary to secondary/recycled, but as mentioned this was only a fifth (21%) of this group of respondents.

104. Amongst Aggregate Customers, national and multi-regional businesses were more likely to say they have switched compared with local and businesses based in one region and related to this, size of business was also a determining factor as to whether they had switched.

105. An increase in price is the key factor driving switching from one aggregate type to another and this is illustrated in the data below.

Figure 24: Reasons for switching between Aggregates (Aggregate customers)

Question: What was main reason for the switch from…to…?



Base: All aggregates customers who have switched between aggregates

Crushed Rock/Sand and Gravel

The price of crushed rock INCREASING was the main reason for switching from crushed rock to sand and gravel

Main reason for switching from sand & gravel to crushed rock was an **INCREASE in the price** of sand & gravel

N.B. Responses of 5% or more for at least one product category shown

106. In total, three fifths of Aggregate Customers said that the price of primary aggregates increasing or the price of secondary decreasing was the reason for switching from primary to secondary/recycled. In addition to price one fifth said it was due to environmental/green concerns and one in ten said it was due to the lack of availability of primary. Switching from crushed rock to sand and gravel and from sand and gravel to crushed rock was also driven by price.

107. There were relatively few differences in reasons given by types of company although those purchasing for industrial projects were more likely to mention environmental concerns than companies buying for other types of projects.

4.3.3 Switching behaviour - Cement

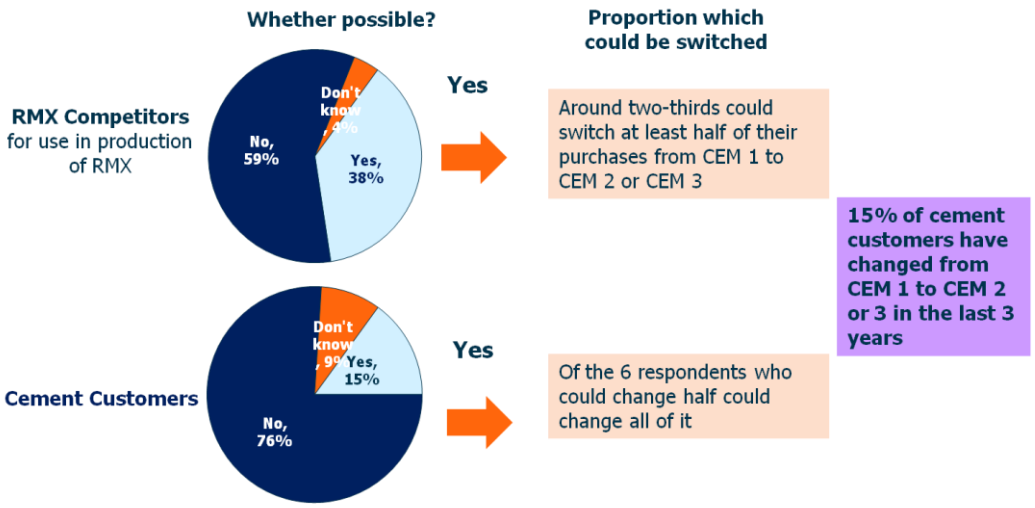
108. This section of the report looks specifically at potential switching behaviour across cement purchasing in the last 12 months and the reasons for not being able to switch.

109. The terminology used in this section to describe the two different respondent groups purchasing cement is as follows:
    - **Cement Customers**, defined as respondents who are purchasing cement, but *not* for use in the production of RMX
    - **RMX Competitors**, defined as respondents who *are* purchasing cement for use in the production of RMX.

110. Cement Customers and RMX Competitors were asked to think about their cement purchases over the past 12 months and whether they could have changed any of the purchases from CEM 1 to CEM 2/3. The data below shows their potential ability to have switched.

Figure 25: Ability to change from CEM 1 to CEM 2/3 (Cement customers and RMX Competitors)

Question: Thinking about your purchases in the last12 months, could you have changed any of your purchases from CEM 1 to CEM 2I3



Base: All cement customers, excluding merchants, (41) and RMX competitors (56) who buy CEM1

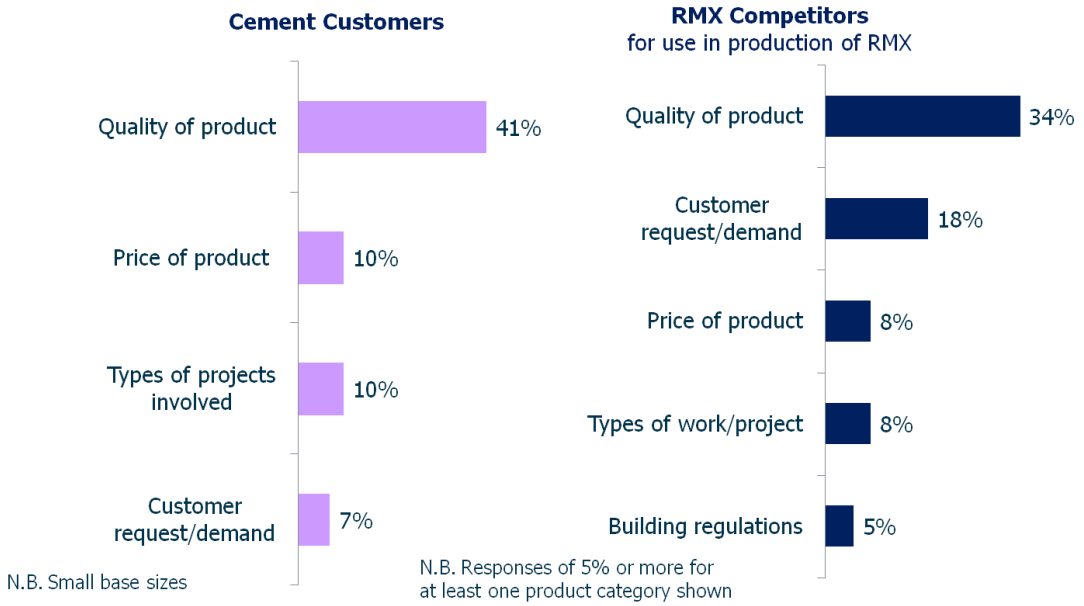
The majority of RMX Competitors (59%) and Cement Customers (76%) said they could not have switched their cement purchasing from CEM 1 to CEM 2/3. However, a higher proportion of RMX Competitors said they could have switched (38%) compared with Cement Customers, where only 15% said they could have switched. Of those who said they could have switched, around two thirds of RMX Competitors said they could have switched at least half of their purchases from CEM 1 to CEM 2/3.

111. When looking at actual switching behaviour over the last 3 years, 15% of Cement Customers said they have switched from CEM 1 to CEM 2/3, which is the same proportion who said they could have switched in the last 12 months.

112. Across those who said they were not able to switch all or less than 25% of their cement purchasing from CEM 1 to CEM 2/3 they were then asked the reasons why they were unable to change their purchasing from CEM 1 to CEM 2/3.

Figure 26: Reasons for not being able to switch all/less than 25% from CEM 1 to CEM 2/3 (Cement Customers and RMX Competitors)

Question: Why would you not be able to change any/more of your purchasing from…to…?



Base: All RMX competitors (38) and cement customers (31) who could not switch or could only switch less than a quarter

113. Both Cement Customers and RMX Competitors were most likely to say that the quality of the product was the reason for not switching all or more of their cement purchasing

from CEM 1 to CEM 2/3. For Cement Customers, 1 in 10 said that price and the types of projects they were involved in was the reason for not switching and a further 7% said it was due to customer request/demand. Amongst RMX Competitors, customer request/demand was more important with just under a fifth (18%) saying that this prevented them from switching or switching more.

4.3.4 Switching behaviour – RMX

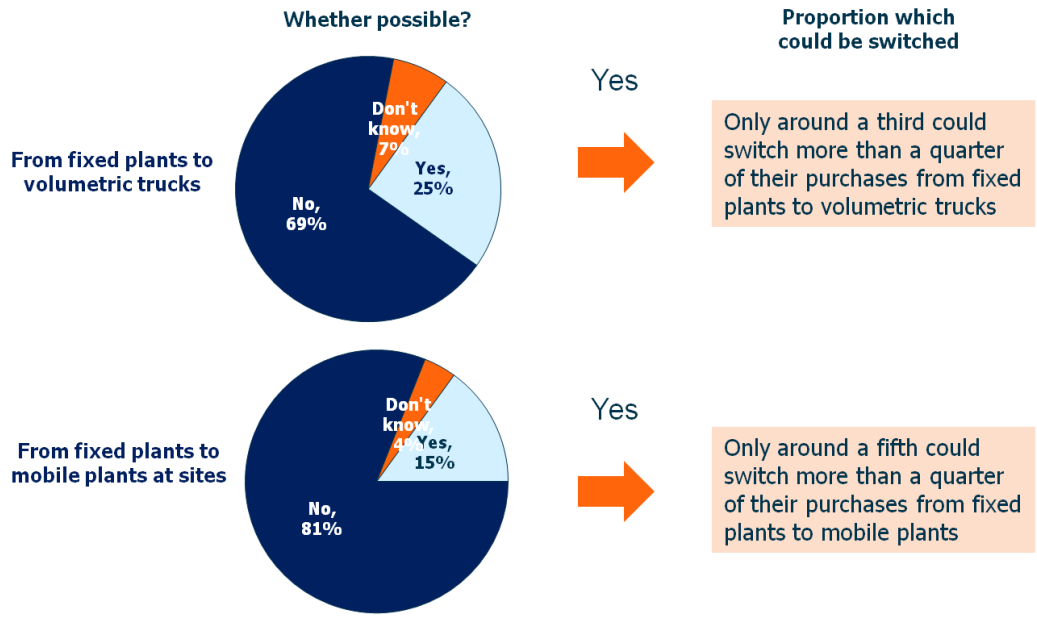
114. This section of the report looks at potential switching behaviour across RMX purchasing in the last 12 months and the reasons for not being able to switch.

115. RMX Customers were asked to think about their RMX purchasing over the past 12 months and were asked if they could have changed any of their purchasing from (a) fixed plants to volumetric trucks and (b) from fixed plants to mobile plants at sites. Of those who said they were able to switch they were then asked a follow up question to ascertain the level they could have switched.

Figure 27: Ability to switch RMX purchasing from fixed plants to volumetric trucks or mobile plants (RMX Customers)

Question: Thinking about your purchases in the last 12 months could you have changed any of your purchases from…to…?

Question: Approximately what proportion of your purchases in the last 12 months, do you think you could have changed?



Base: All RMX customers who have fixed plants (191)

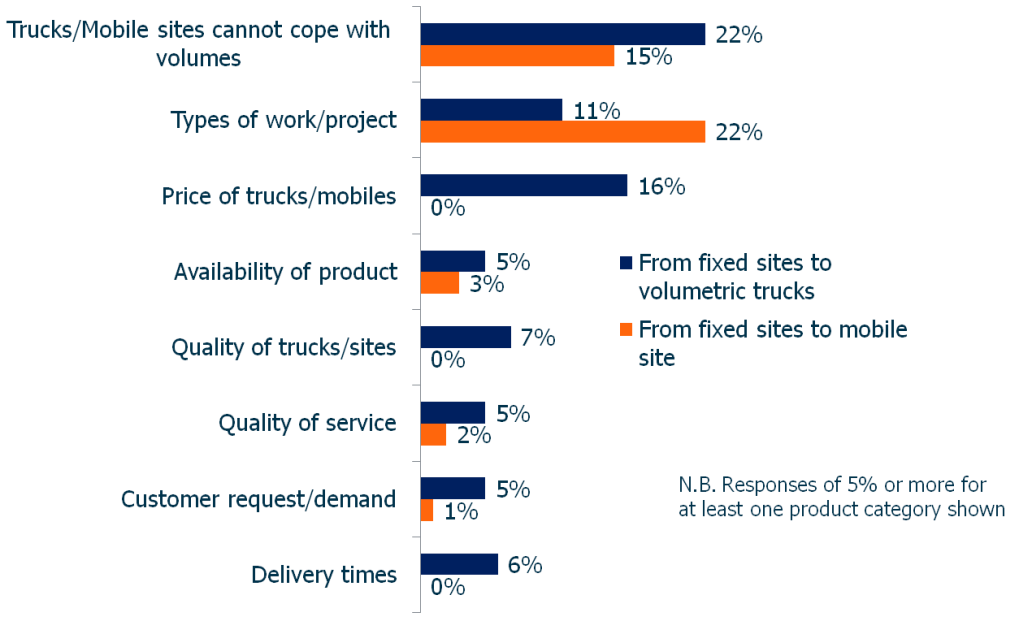
116. Across those purchasing RMX from fixed plants a quarter said they could have switched to purchasing RMX from volumetric trucks and 15% said they could have purchased from mobile plants at sites. The majority, however, said they were unable to switch their purchasing away from fixed sites.

117. Of those who said they would have been able to switch the volumes, the amount they would have been able to switch would have been relatively limited. Around a third of those who said they could switch from fixed plants to volumetric trucks said they could switch a quarter or more of their purchases and the equivalent figure for switching a quarter or more from fixed plants to mobile plants on sites was only a fifth.

118. RMX Customers who said they were unable to switch or were able to switch less than a quarter of their volumes were then asked why this was the case. Amongst those who were not able to change from fixed sites to volumetric trucks, a fifth said it was due to trucks not being able to cope with the volumes they require. A further 16% said it was due to the price of the trucks and the third most cited reason was the types of work/project they were involved in (11%). The most common answer across those unable to switch from fixed sites to mobile sites was the type of work/project they were involved in (22%), followed by mobile sites not being able to cope with the volumes required (15%).

Figure 28: Reasons for not being able to switch at all/less than 25% to volumetric trucks or mobile sites? (RMX Customers)

Question: Why would you not be able to change any of your purchasing from…to…?



Base: All RMX Customers who could not change any or less than 25% of their purchasing (n=193)

4.4 Suppliers

4.4.1 Overview

119. Aggregate Customers, RMX Customers and Asphalt Customers generally find it easy to both obtain quotes and compare prices from different suppliers. However, for RMX Competitors purchasing aggregates and cement and Cement Customers it is more difficult to obtain quotes and compare prices.

120. Aggregate and RMX Customers are the most likely to be buying from a lot of suppliers with around a third of these customers having done so in the last 3 years. Those buying cement (RMX Competitors and Cement Customers) were more likely to say they were limited to one supplier with half of all these respondents saying they had bought regularly from one supplier in the last 3 years.

121. RMX Competitors were the least likely to have one of the large 5 suppliers as their main supplier, but still just over half said they did. Other customers and competitors were using one of the large 5 suppliers as their main supplier to a greater extent.

122. In the last 3 years around half of Aggregate Customers and RMX Competitors purchasing aggregates have switched suppliers and similar proportions of RMX Customers and Asphalt Customers have switched. The proportion of switching amongst those purchasing cement is lower at around two fifths.

123. Most customers and competitors who had switched said that they had switched from one large national to another large national and although this was also the top response amongst Aggregate Customers, nearly a third said they had switched from a large national to an independent supplier.

124. Price has been the key switching trigger for all products amongst both customers and competitors.

125. Over the past 3 years the majority of customers and competitors had experienced some issues with suppliers. Not having enough suppliers who will deliver in their area and suppliers quoting very high prices were the most commonly experienced.

4.4.2 Suppliers - Aggregates

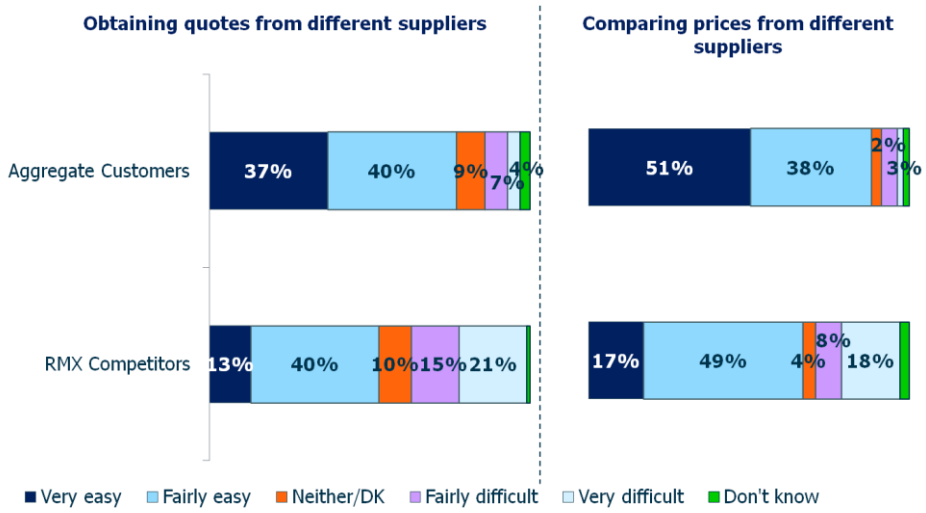
126. This section of the report looks at the relationship between aggregate purchasers and suppliers. Specifically it looks at the ease of obtaining quotes and competing prices from different suppliers, purchasing behaviour, the role of independent suppliers, switching behaviour across suppliers, the reasons for switching and whether purchasers experience any problems.

127. The terminology used in this section to describe the two different respondent groups purchasing aggregates is as follows:
    - **Aggregate Customers**, defined as respondents who are purchasing aggregates, but *not* for use in the production of other construction products
    - **RMX Competitors**, defined as respondents who *are* purchasing aggregates for use in the production of RMX.

128. All Aggregate Customers and RMX Competitors were asked how easy or difficult it was to (a) obtain quotes from different suppliers of aggregates and (b) compare prices between different suppliers of aggregates.

Figure 28: Ease of purchasing Aggregates (Aggregate customers and RMX Competitors)

Question: How easy or difficult is it to obtain quotes from different suppliers of aggregates?/compare prices between different suppliers of aggregates?



Base: All aggregate customers (292) and RMX competitors (71)

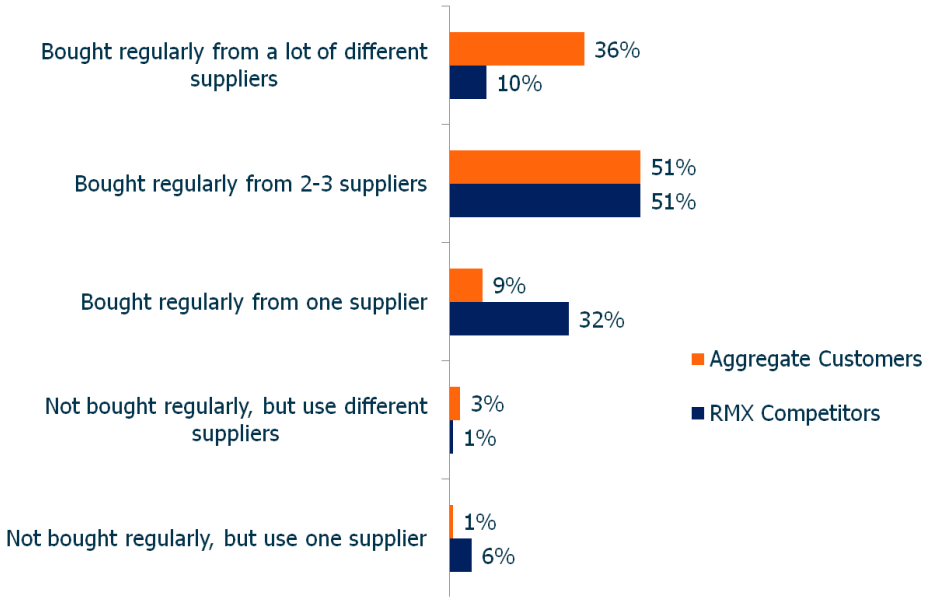
129. Around a third (37%) of Aggregate Customers said they found it very easy to obtain quotes from different aggregate suppliers. RMX Competitors said they found this more difficult with only 13% saying they found this very easy and just over a third (36%) said it was difficult. In total, nearly eight in ten Aggregate Customers said it was very or fairly easy to obtain quotes and just 11% said it was difficult. Local businesses were less likely to say it was easy to obtain quotes than national businesses (73% compared with 85%), but still a high proportion find it easy.

130. When it came to comparing prices from different suppliers half (51%) of Aggregate Customers said they found it very easy and nine in ten in total said it was either very or fairly easy. Local businesses tended to find it slightly harder than national businesses (84% compared with 91%). Again RMX Competitors found it more difficult with 17% saying it was very easy, but still overall two thirds of these respondents found it easy overall.

131. Both Aggregate Customers and RMX Competitors were asked to describe their purchasing behaviour from aggregate suppliers in the last 3 years in terms of whether they use a lot of suppliers or just a few and whether this is a regular purchase or not.

Figure 29: Purchasing behaviour for Aggregates in the last 3 years (Aggregate customers and RMX Competitors)

Question: Which of the following best describes your purchasing behaviour in terms of aggregate suppliers in the last 3 years?



Base: All aggregate customers (292) and RMX competitors (72)

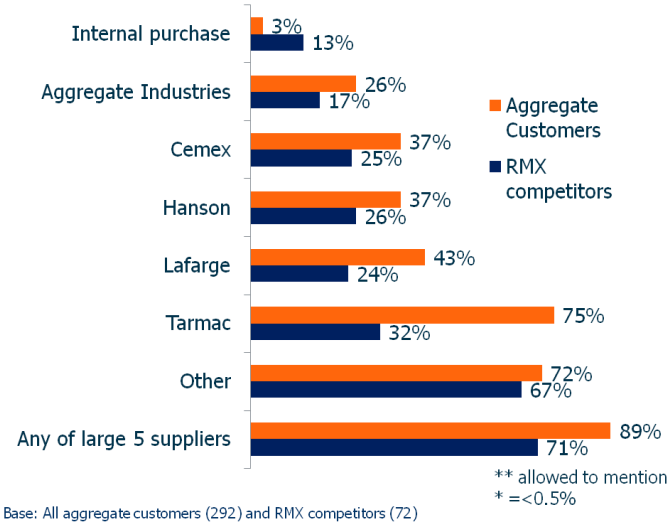
132. Aggregate Customers were more likely to have bought regularly from a lot of different suppliers (36%) compared with RMX Competitors of whom only one in ten use a lot of suppliers regularly. Half (51%) of both types of purchaser bought regularly from 2-3 suppliers. RMX Competitors are more likely to have bought regularly from just one supplier, with a third stating this option.

133. Aggregate Customers who have national or multi-regional coverage were more likely to be using a lot of suppliers (47% and 55% respectively) compared with local (22%) or single region businesses (36%).

134. Once it was established the type of purchasing behaviours being adopted, Aggregate Customers and RMX Competitors were then asked who they had purchased Aggregates from.

Figure 30: Suppliers purchased Aggregates from in the last 12 months (Aggregate customers and RMX Competitors)

Question: Which suppliers have you purchased Aggregates from in the last 12 months?



	Main supplier **	
	Aggregate Customers	RMX Competitors
Internal purchase	*	4%
Aggregate Industries	8%	10%
Cemex	13%	14%
Hanson	14%	11%
Lafarge	18%	11%
Tarmac	40%	18%
Other	34%	51%
Any of large 5 suppliers	70%	54%

** allowed to mention more than one main supplier
* =<0.5%

Base: All aggregate customers (292) and RMX competitors (72)

135. In the last 12 months, 9 in 10 Aggregate Customers have bought from any of the 'large 5' suppliers compared with 71% of RMX Competitors. Of the large suppliers, Aggregate Customers were most likely to have bought from Tarmac with three quarters having purchased from this supplier in the last 12 months (reflecting the provision of sample from the joint venture businesses). RMX Competitors were also most likely to have bought from Tarmac, but not to the same extent as Aggregate Customers with 32% having done so. This buying behaviour is reflected in which supplier was considered as being their main supplier with 40% of Aggregate Customers and 18% of RMX Customers citing Tarmac. Across the remaining 'large 5' around one quarter of RMX Competitors had bought from CEMEX, Hanson or Lafarge. For Aggregate Customers around two fifths had purchased from CEMEX, Hanson or Lafarge. Aggregate Industries was the least used of the 'large 5' with 26% of Aggregate Customers and 17% of RMX Competitors having bought from them.

136. In addition to purchasing from the 'large 5', around 7 in 10 Aggregate Customers and RMX Competitors have bought from other suppliers. These others are any companies which are not part of the 'large 5' and are typically local or regionally based companies.

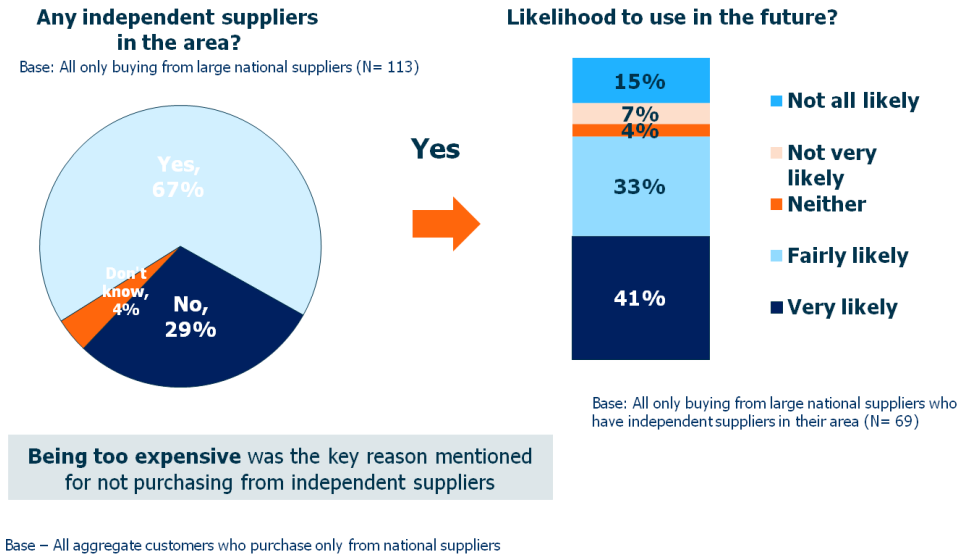
137. Any Aggregate Customers who were only purchasing from any of the 'large 5' were then asked some follow up questions to try and establish the availability of local aggregate suppliers in their area which they could purchase from and how likely they were to consider purchasing from them in the future.

Figure 31: Independent suppliers for Aggregates (Aggregate customers)

Question: Are there any independent aggregate suppliers from which you can purchase aggregates from in your area?

Question: How likely or unlikely are you to consider purchasing aggregates from independent suppliers in your area in the future?

Question: Why do you not purchase from independent suppliers?



138. Two thirds of those only buying from any of the 'large 5' said that they did have aggregate suppliers in their area that they could purchase from, although the figure is less at 52% amongst local businesses. Of these almost three quarters (74%) said they were likely to use them in the future (41% very likely and 33% fairly likely) and just 15% said they were not at all likely to use them. The key reason for not currently buying from local independent aggregate suppliers was that they were too expensive.

139. In addition to looking at who Aggregate Customers and RMX Competitors are purchasing from, they were also asked if they had switched their suppliers in the last 3 years. Respondents were asked if they had completely switched, switched some of their purchasing or switched none of their purchasing. Of those who had switched they were then asked about the type of switch – what type of company had they switched from and to.

Figure 31: Switched suppliers for Aggregates in the last 3 years (Aggregate customers and RMX Competitors)

Question: Thinking of any suppliers you have used, which of the following, if any actions have you taken in relation to your suppliers?

Question: The last time you switched suppliers for Aggregates, either partially or completely was it…?

Switched suppliers in the last 3 years?

	Aggregate Customers	RMX Competitors
Completely switched	10%	15%
Some of purchasing	44%	35%
Not switched	43%	49%

SWITCHED

The base size is small for RMX Competitors, but as for aggregate customers the highest response was switching from one of the larger nationals to another large national

Base: All aggregate customers (292) and RMX competitors (72)

Type of supplier switched to

	Aggregate Customers (158)
From one of the large nationals to another large national	46%
From one of the large nationals to an independent	30%
From an independent to a large national	5%
From an independent to another independent	11%

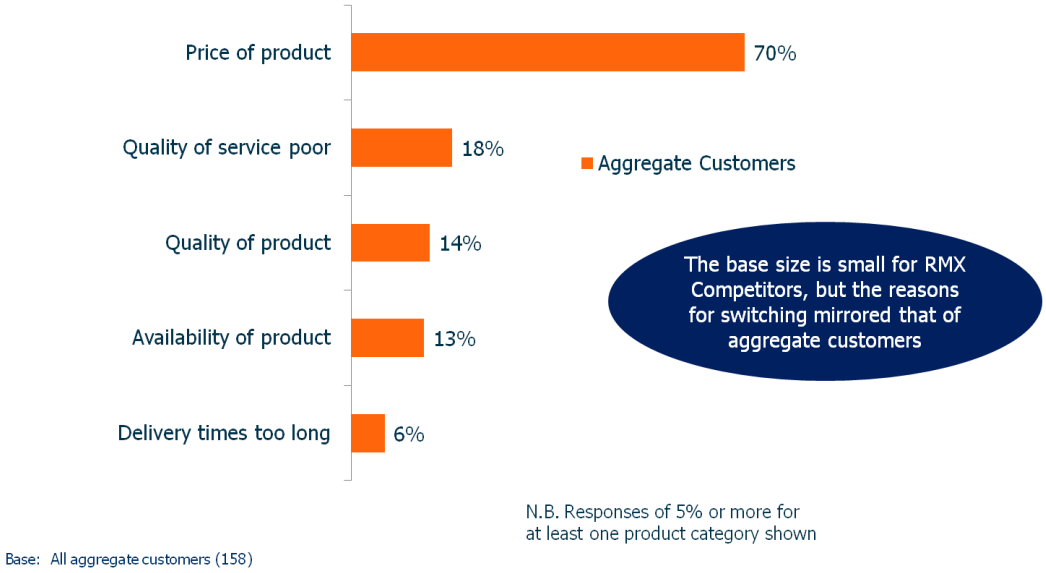
140. Amongst both Aggregate Customers and RMX Competitors, over half have conducted some level of switching between their aggregate suppliers in the last 3 years. Around one in ten Aggregate Customers (10%) and RMX Competitors (15%) have completely switched from one supplier to another. Two fifths of Aggregate Customers have switched some of their purchasing as have a third of RMX Competitors. Just under half (49%) of RMX Competitors and 43% of Aggregate Customers have not switched.

141. When asked what type of supplier they has switched from and to, just under half of Aggregate Customers (46%) who have switched, went from one national supplier to another, although nearly a third 30% have switched from a large national to an independent supplier.

142. Lower proportions of Aggregate Customers have switched away from independents with 11% switching from one independent to another and 5% have switched from an independent to a large national. The base size was too small to analyse RMX Competitors at a comparable level, but across those who did switch the most common switch was from one large national to another.

Figure 32: Reasons for switching suppliers for Aggregates in the last 3 years (Aggregate customers)

Question: What reason(s) made you switch suppliers?

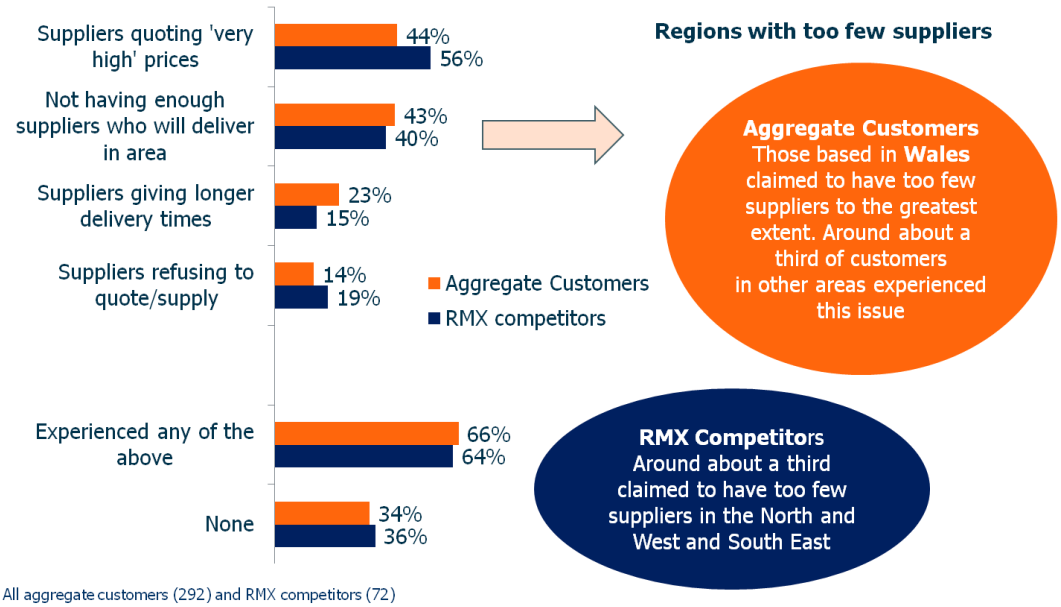


143. For Aggregate Customers the key motivation to switch was price – 70% said this was the reason for switching. Other reasons cited included poor quality of service (18%), quality of products (14%), availability of products (13%) and finally delivery times being too long (6%). Again the base size is too small to conduct comparable analysis for RMX Competitors, but the reasons given were broadly the same as those provided by Aggregate Customers.

144. Finally in this section Aggregate Customers and RMX Competitors were asked if they had experienced any of the following issues in purchasing aggregates in the last 3 years: (a) suppliers quoting very high prices, (b) not having a supplier who will deliver in their area (c) suppliers giving longer delivery times (d) suppliers refusing to quote/supply.

Figure 33: Experienced any of the following in purchasing Aggregates in the last 3 years? (Aggregate customers and RMX Competitors)

Question: In the last 3 years have you experienced any of the following in purchasing aggregates from any suppliers?



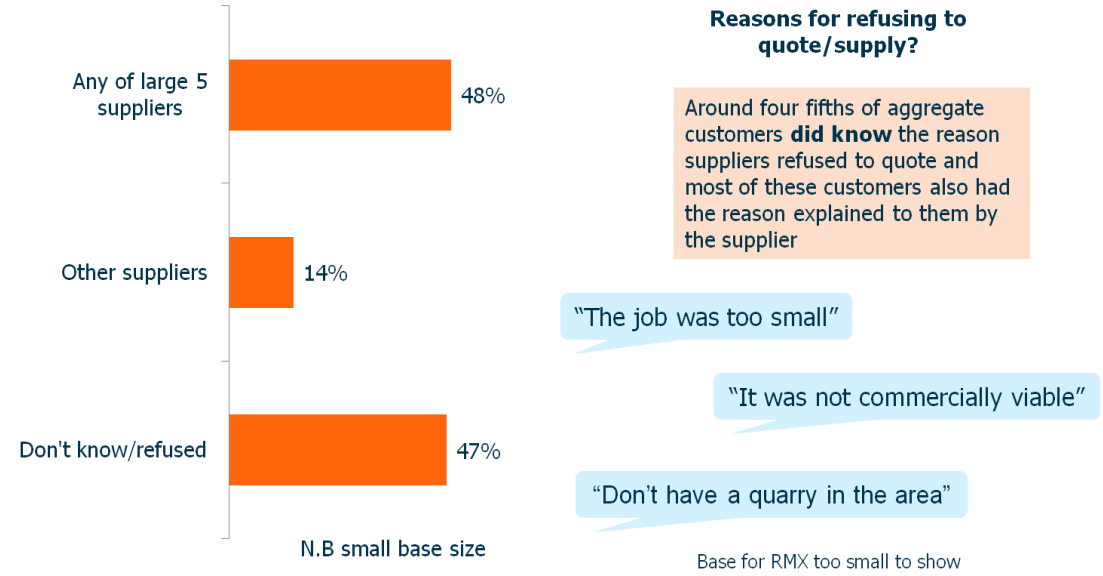
Base: All aggregate customers (292) and RMX competitors (72)

145. Overall, two thirds of Aggregate Customers (66%) and RMX Competitors (64%) have experienced any of these issues from their aggregate suppliers. Looking at the areas in detail, over half of RMX Competitors (56%) and two fifths (44%) of Aggregate Customers said they have experienced suppliers quoting very high prices. The next most commonly experienced issue was not having enough suppliers who will deliver in their area, mentioned by 43% of Aggregate Customers and 40% of RMX Competitors.

146. Across those areas where customers had experienced particular issues a number of follow up questions were asked to provide further detail on which suppliers they were experiencing issues with.

Figure 34: Suppliers refusing to quote/supply for Aggregates (Aggregate customers)

Question: Which suppliers refused to quote or supply in your area?



Base: All aggregate customers (42) who have experienced suppliers refusing to quote or supply

147. Just under half (48%) had experienced suppliers refusing to quote or supply in their area from one of the large 5 suppliers and 14% experienced this from another supplier. Notably 47% did not know which supplier had refused to quote or supply in their area or they refused to provide the name of the supplier.

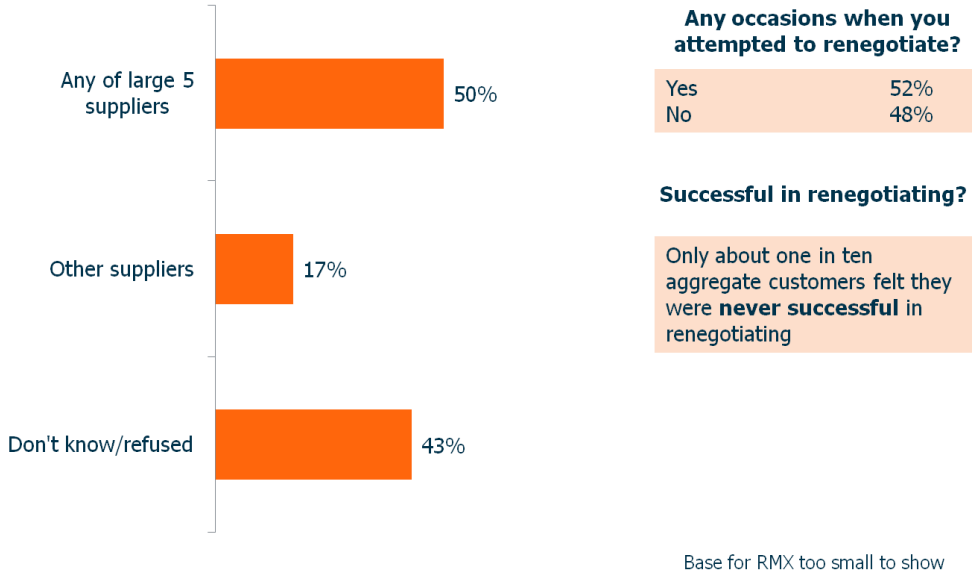
148. The majority of customers who had experienced this issue knew the reason why they were not provided with a quote or had been refused to quote and most of these customers also had the reason explained to them by the supplier. The chart above provides some of the reasons given by suppliers.

149. When it came to suppliers giving longer delivery times, half had experienced this issue with any of the large 5 suppliers and 17% had done so with other suppliers. Again a relatively high number did not know which supplier gave them long delivery times or refused to answer this question.

150. Around half (52%) had attempted to negotiate these longer delivery times and as a result of the negotiations, only about 1 in 10 felt they were never successful so Aggregate Customers did have the opportunity to challenge suppliers and bring about a change in their behaviour.

Figure 35: Suppliers giving longer delivery times for Aggregates (Aggregate customers)

Question: Which suppliers gave longer delivery times?



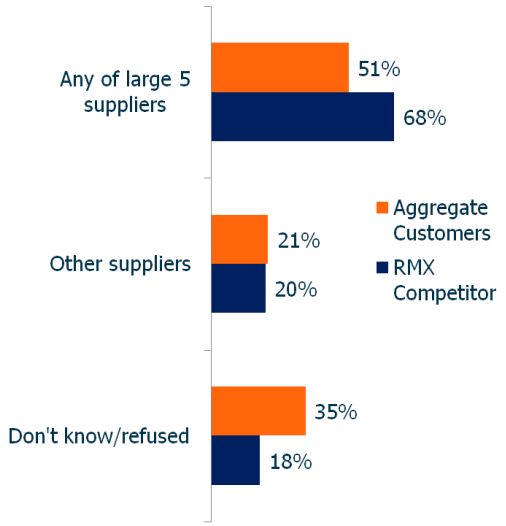
Base: All aggregate customers (66) who have experienced suppliers giving longer delivery times for aggregates

151. When it came to aggregate suppliers quoting very high prices, half of Aggregate Customers and two thirds of RMX Competitors had experienced this issue with one of the large 5 suppliers.

152. When provided with high prices just over half (53%) of Aggregate Customers and two fifths (40%) of RMX Competitors have attempted to re-negotiate, so notable numbers are not going back to the supplier once they have received the very high price.

Figure 36: Suppliers quoting very high prices for Aggregates (Aggregate customers and RMX Competitors)

Question: Which suppliers quoted very high prices?



Any occasions when you attempted to renegotiate?

	Aggregate Customers	RMX Competitors
Yes	53%	40%
No	47%	60%

Successful in renegotiating?

	Aggregate Customers
Always	10%
Sometimes	78%
Never	10%

N.B small base size for RMX competitors

Base: All aggregate customers (129) and RMX competitors (40) who have experienced suppliers quoting very high prices for aggregates

4.4.3 Suppliers - Cement

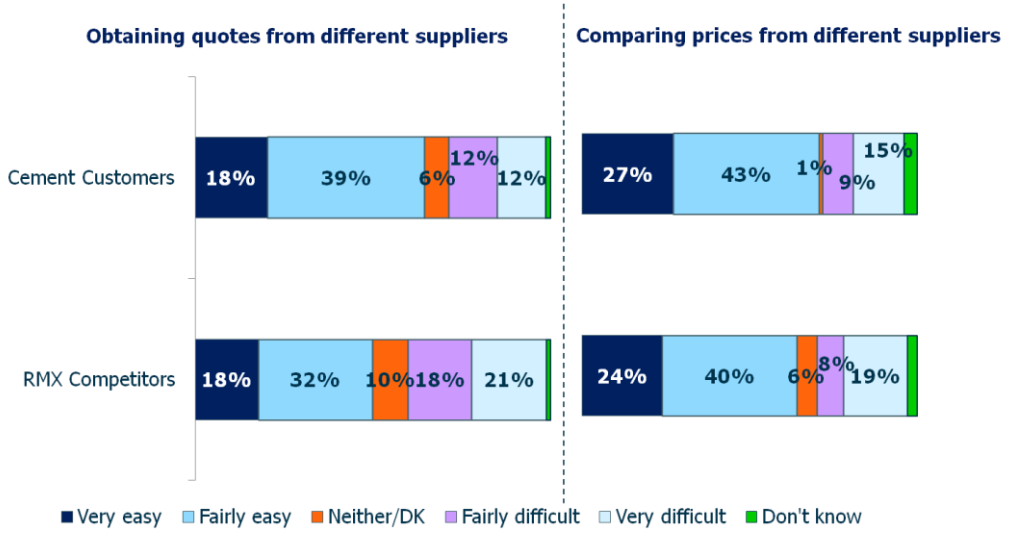
153. This section of the report looks at the relationship between cement purchasers and suppliers on the same aspects aggregate purchasers were asked about, namely ease of obtaining quotes and competing prices from different suppliers, purchasing behaviour, the role of independent suppliers, switching behaviour across suppliers, the reasons for switching and outlining any problems experienced with suppliers.

154. The terminology used in this section to describe the two different respondent groups purchasing cement is as follows:
    - **Cement Customers**, defined as respondents who are purchasing cement, but *not* for use in the production of RMX
    - **RMX Competitors**, defined as respondents who *are* purchasing cement for use in the production of RMX.

155. All Cement Customers and RMX Competitors were asked how easy it was to (a) obtain quotes from different suppliers of cement and (b) compare prices between different suppliers of cement and responses are showing in the following chart.

Figure 37: Ease of purchasing cement (Cement customers & RMX Competitors)

Question: How easy or difficult is it to obtain quotes from different suppliers of cement?/compare prices between different suppliers of cement?



Base: All cement customers (67) and RMX competitors (72)

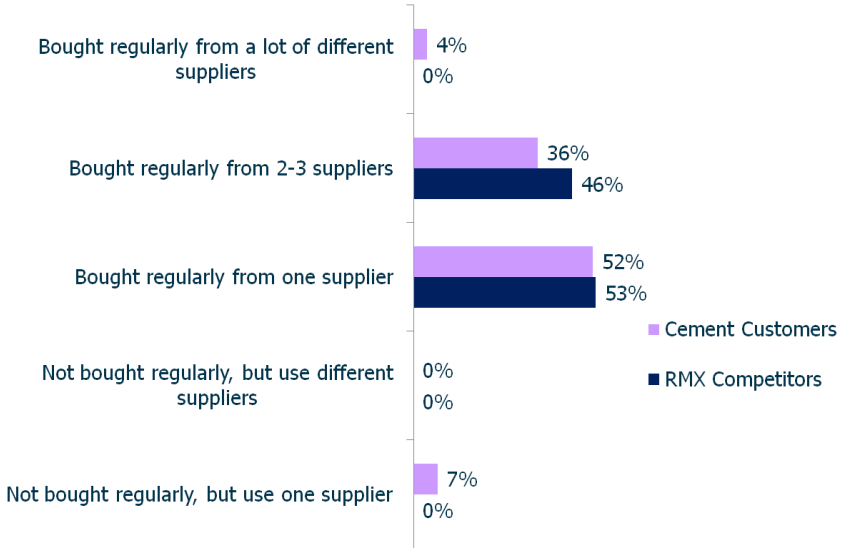
156. When it came to obtaining cement quotes from different suppliers, Cement Customers found it a little easier than RMX Competitors with 57% of Cement Customers saying it was either very or fairly easy compared with 50% of RMX Competitors. A fifth (21%) of RMX Competitors said it was very difficult compared with 12% of Cement Customers. The proportion of those saying it was easy to obtain quotes for Cement was lower than for those buying aggregates. 77% of Aggregate Customers said it was easy to obtain quotes, whereas the equivalent figure for Cement Customers was lower at 57%. A similar proportion of RMX Competitors said it was easy to obtain quotes for cement and aggregates (50% and 53% respectively).

157. When it came to comparing prices across cement suppliers, both Cement Customers and RMX Competitors found it easier than obtaining quotes with around two thirds of both groups saying it was easy.

158. Looking at purchasing behaviour both Cement Customers and RMX Competitors were asked about the number of suppliers they had bought cement from in the last 3 years.

Figure 38: Purchasing behaviour for cement in last 3 years

Question: Which of the following best describes your purchasing behaviour in terms of cement suppliers in the last 3 years?



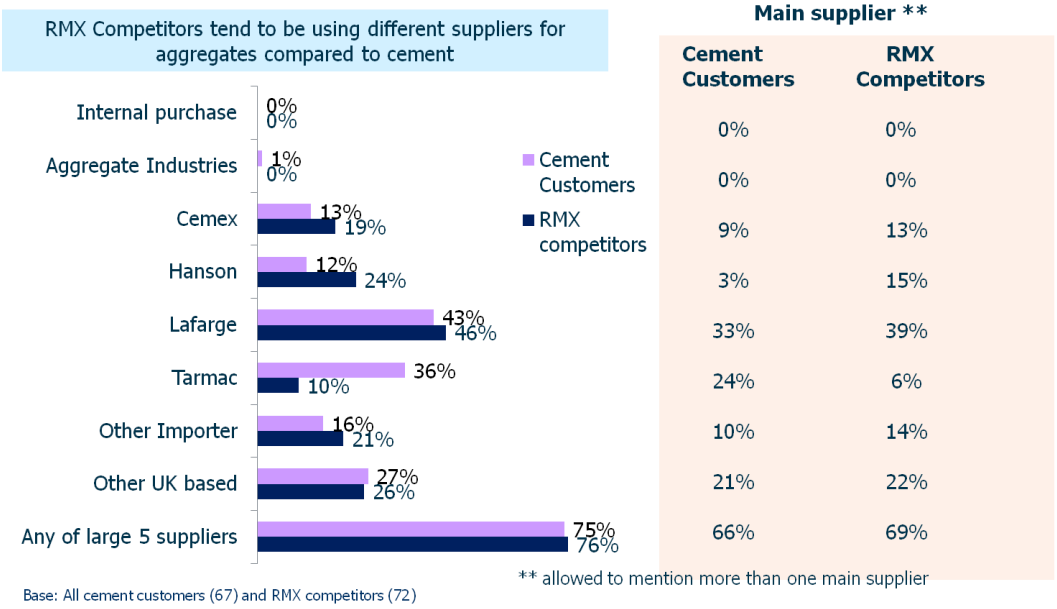
Base: All cement customers (67) and RMX competitors (72)

159. Half of Cement Customers (52%) and RMX Competitors (53%) bought regularly from just one supplier, unlike Aggregate Customers of whom only 9% were using just one supplier. The remainder are mainly buying from 2-3 suppliers with 46% of RMX Customers and 36% of Cement Customers having done so in the last 12 months.

160. Respondents were then asked the names of the suppliers they have purchased cement from in the last 12 months. In addition to being asked who they had bought from they were also asked who their main supplier was. The purchasing patterns are outlined on the chart below.

Figure 39: Suppliers purchased cement from in the last 12 months (Cement customers & RMX Competitors)

Question: Which suppliers have you purchased cement from in the last 12 months?



161. Over the last 12 months, three quarters of Cement Customers and RMX Competitors (76%) have bought cement from any of the 'large 5' with two thirds using one of the 'large 5' as their main supplier. The proportion of RMX Competitors using one of the 'large 5' as their main supplier for cement was higher than for aggregates for which the equivalent figure was 54%.

162. Across the 'large 5', both Cement Customers and RMX Competitors are most likely to have bought from Lafarge with 43% of Cement Customers and 46% of RMX Competitors having done so, although this clearly reflects the source of the sample lists. Two fifths (39%) of RMX Competitors and a third (33%) of Cement Customers consider Lafarge to be their main supplier.

163. In addition to the 'large 5', around a quarter of both Cement Customers (27%) and RMX Competitors (26%) are using another UK based supplier. One fifth of RMX Competitors and 16% of Cement Customers said they had used a cement importer in the last 12 months.

164. Cement Customers and RMX Competitors who had not mentioned they had used an importer in the last 12 months were asked a follow up question on whether they had used any importers of grey cement in the last 5 years. A quarter of RMX Competitors

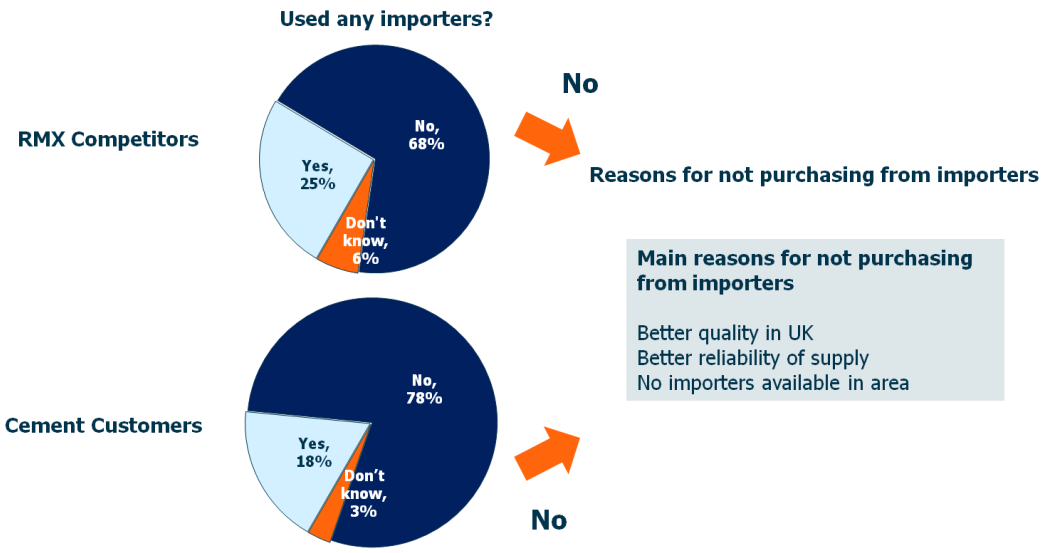
and just under a fifth (18%) of Cement Customers said they had used an importer in the last 5 years, if they had not mentioned this previously. In total, a third of Cement Customers (33%) and two fifths of RMX Competitors (43%) claimed to have used importers of cement.

165. Cement purchasers who had not used an importer in the last 5 years, were then asked their reasons for not using importers. 'Better quality in the UK', 'better reliability of supply' and 'no importers being available in the area' were the key reasons for not purchasing cement from importers.

Figure 40: Importers of cement

Question: Have you used any importers of grey cement in the last 5 years?

Question: Why did you not purchase grey cement from importers?



Base: All cement customers (60) and RMX competitors (72) who do not use any importers of cement

166. In addition to looking at which suppliers Cement Customers and RMX Competitors are purchasing cement from, they were also asked if they had switched their suppliers in the last 3 years and if so what type of company had they switched from and to.

Figure 41: Switched suppliers of cement in the last 3 years (Cement customers & RMX Competitors)

Question: Thinking of any suppliers you have used, which of the following, if any actions have you taken in relation to your suppliers?

Question: The last time you switched suppliers for cement, either partially or completely was it..?

Switched suppliers in the last 3 years?

	Cement Customers	RMX Competitors
Completely switched	12%	24%
Some of purchasing	30%	19%
Not switched	57%	56%

Price was the key reason for switching

Type of supplier switched to

Although the base size is small, the majority of **RMX competitors** switched from one large national to another large national

Similarly the base size for **Cement customers i**s also small, but again the highest response was switching from one large national to another large national

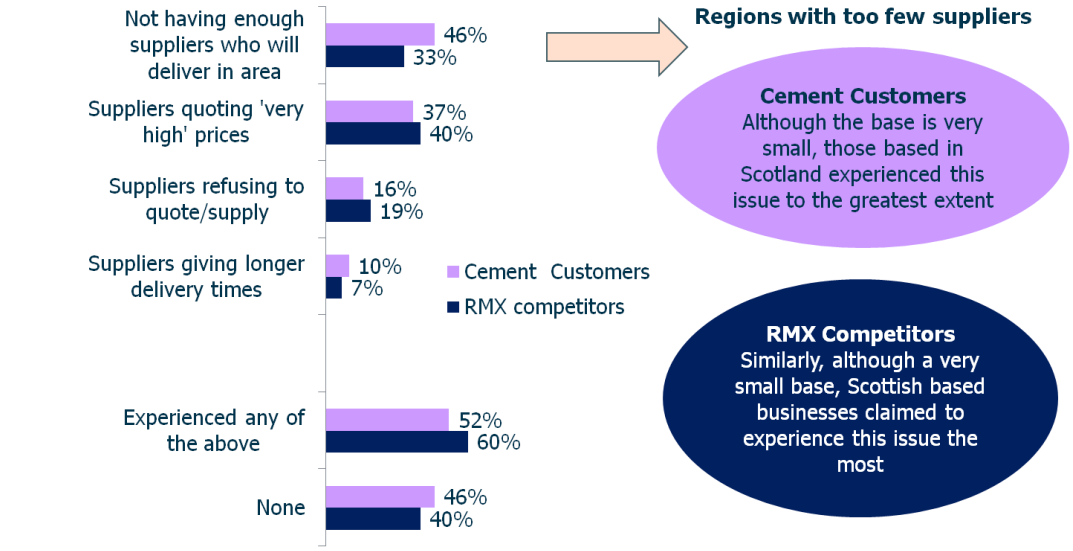
Base: All cement customers (67) and RMX competitors (72)

167. Over the past 3 years RMX Competitors were twice as likely to have completely switched from one supplier to another as Cement Customers, with a quarter of RMX Competitors switching in this way, compared with 12% of Cement Customers. Over half of Cement Customers (57%) and RMX Competitors (56%) have not switched and this is reflective of purchasing illustrated above where the majority are only purchasing from the one supplier. The base sizes for further analysis of those who had switched is relatively small and the findings should be seen as being more indicative. Across those who have switched, price was the key motivating factor. In terms of who buyers are switching from, it has been mainly from one larger national to another for both Cement Customers and RMX Competitors.

168. Cement Customers and RMX Competitors were asked if they had experienced any of the following issues in purchasing cement in the last 3 years: (a) suppliers quoting very high prices, (b) not having a supplier who will deliver in their area (c) suppliers giving longer delivery times (d) suppliers refusing to quote/supply.

Figure 42: Experienced any of the following in purchasing cement in last 3 years (Cement customers and RMX Competitors)

Question: In the past 3 years, have you experienced any of the following in purchasing cement from suppliers?



Base: All cement customers (71) and RMX competitors (71)

169. Just over half (52%) of Cement Customers and three fifths (60%) of RMX Competitors experienced any of these issues. Not having enough suppliers who will deliver in the area and suppliers quoting 'very high' prices were the issues most commonly experienced across both Cement Customers and RMX suppliers. 46% of Cement Customers and a third of RMX Competitors had experience of not having enough suppliers in their area.

170. The chart below illustrates the number and type of supplier quoting very high prices to Cement Customers and RMX Competitors. The amount of analysis possible on this question was restricted by the small base size.

Figure 43: Suppliers quoting very high prices for cement (Cement customers and RMX Competitors)

Of those who had experienced high prices, nine in ten **RMX competitors** said it was from one of the large nationals and two-fifths attempted to renegotiate prices

Around half of **Cement customers** claimed that they experienced very high prices from one of the large nationals and most tried to renegotiate

Base: All cement customers and RMX competitors who had experienced high prices
N.B Small base sizes, therefore no actual percentages have been given

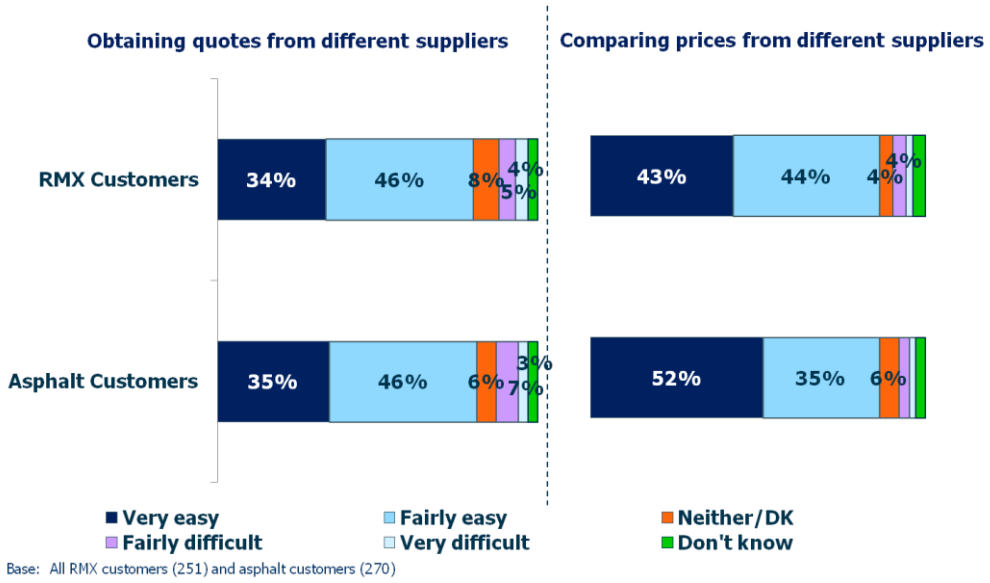
4.4.4 Suppliers - RMX and Asphalt

171. This section of the report looks at the relationship between RMX and Asphalt Customers and their suppliers. The questions asked were the same as for cement and aggregate purchasing, namely ease of obtaining quotes and competing prices from different suppliers, purchasing behaviour, the role of independent suppliers, switching behaviour across suppliers, the reasons for switching and outlining any problems experienced with suppliers.

172. All RMX and Asphalt Customers were asked how easy it was to (a) obtain quotes from different suppliers of Aggregates and (b) compare prices between different suppliers of Aggregates.

Figure 44: Ease of purchasing RMX and Asphalt (RMX & Asphalt Customers)

Question: How easy or difficult is it to obtain quotes from different suppliers of RMX/Asphalt?/compare prices between different suppliers of RMX/Asphalt?



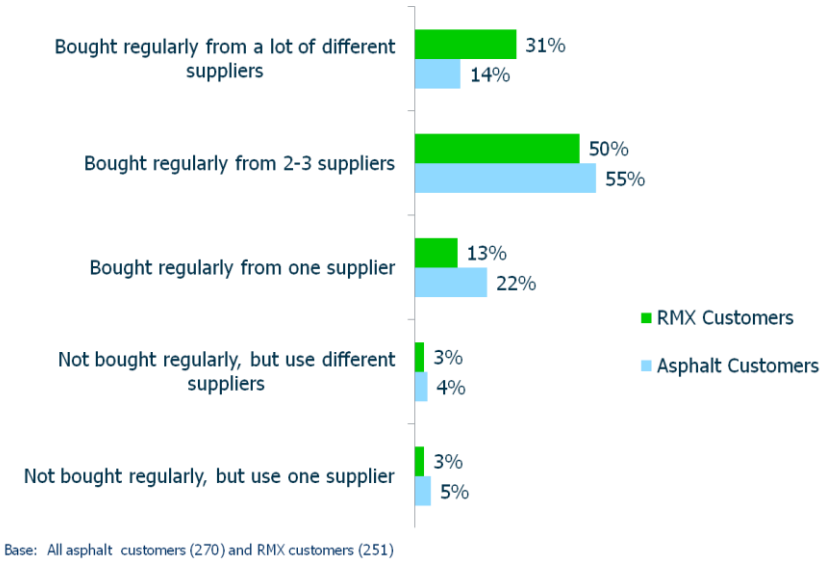
173. Based on the answers given both RMX Customers and Asphalt Customers have few difficulties in either obtaining quotes or comparing prices across suppliers. Four fifths of RMX and Asphalt Customers found it easy to obtain quotes.

174. Comparing prices was seen as being even easier with half (52%) of Asphalt Customers and 43% of RMX Customers saying it was very easy to compare prices. The smallest businesses with 1-9 employees tended to find it harder to obtain quotes than larger businesses, although still high proportions said it was easy (70%+).

175. RMX and Asphalt Customers were also asked about their purchasing behaviour in terms of the number of suppliers they had bought from in the last 3 years.

Figure 45: Purchasing behaviour for RMX and Asphalt in the last 3 years (RMX & Asphalt Customers)

Question: Which of the following best describes your purchasing behaviour in terms of RMX/Asphalt suppliers in the last 3 years?

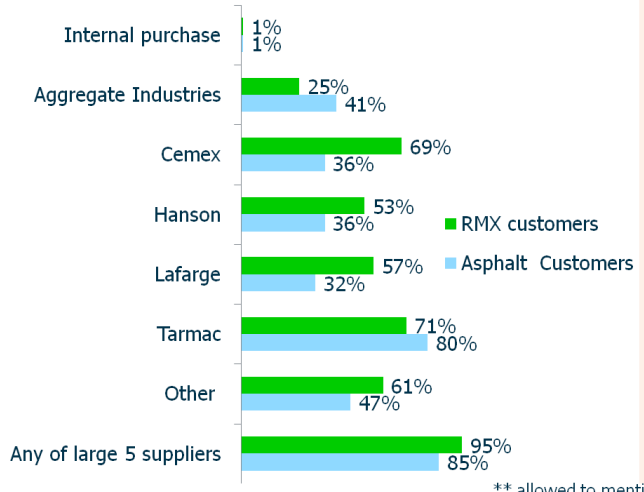


176. The majority of both RMX and Asphalt Customers are buying from at least 2-3 suppliers. Asphalt Customers were more likely to be buying from one supplier compared with RMX Customers (22% relative to 13%).

177. Looking at which suppliers RMX and Asphalt Customers have bought from in the last 12 months, the vast majority have bought from any of the 'large 5' and are likely to have one of the 'large 5' as their main supplier. The detailed purchasing behaviour is shown in the chart below.

Figure 46: Suppliers purchased RMX and Asphalt from in the last 12 months (RMX & Asphalt Customers)

Question: Which of the following best describes your purchasing behaviour in terms of RMX/Asphalt suppliers in the last 3 years?



	Main supplier **	
	RMX Customers	Asphalt Customers
Internal purchase	0%	0%
Aggregate Industries	8%	16%
Cemex	29%	13%
Hanson	19%	12%
Lafarge	26%	16%
Tarmac	34%	51%
Other	14%	21%
Any of large 5 suppliers	84%	69%

Base: All RMX Customers (251) and Asphalt Customers (270)

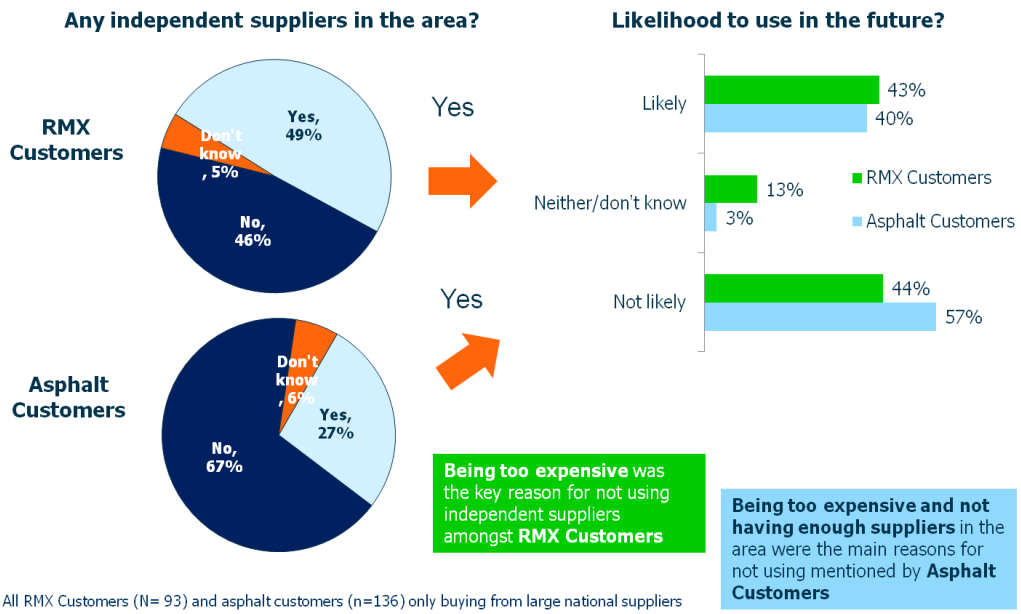
** allowed to mention more than one main supplier

178. RMX Customers were the most likely of all the customer and competitors to use one of the 'large 5' as their main supplier (84%). RMX Customers are most likely to have purchased from Tarmac (71%) or CEMEX (69%) and Asphalt Customers are most likely to have bought from Tarmac (80%). In addition to buying from the large nationals, 61% of RMX Customers and 47% of Asphalt Customers had bought from other suppliers, outside the 'large 5'.

179. RMX and Asphalt Customers who were only buying from the 'large 5' were asked a number of follow up questions on the availability of local suppliers and the likelihood of using them in the future. The answers given are shown on the chart below.

Figure 47: Independent suppliers for RMX and Asphalt (RMX & Asphalt Customers)

Question: Are there any independent suppliers from which you can purchase RMX/Asphalt in your area?



180. RMX Customers are more likely than Asphalt Customers to say there are independent suppliers of the product they purchase in their area (49% compared with 27%). Both RMX and Asphalt Customers are split as to whether they will use independent suppliers in the future.

181. 'Being too expensive' was the key reason for both customer types not using local suppliers, but Asphalt Customers also mentioned the limited number of suppliers in their area as being another barrier to purchasing.

182. In addition to looking at who RMX and Asphalt Customers are purchasing from they were also asked if they had switched their suppliers in the last 3 years.

Figure 48: Switched suppliers for RMX/Asphalt in the last 3 years (RMX & Asphalt Customers)

Question: Thinking of any suppliers you have used, which of the following, if any actions have you taken in relation to your suppliers?

Question: The last time you switched suppliers for RMX/Asphalt, either partially or completely was it…?

Switched suppliers in the last 3 years?

	RMX Customers	Asphalt Customers
Completely switched	12%	8%
Some of purchasing	36%	36%
Not switched	49%	55%

SWITCHED

Type of supplier switched to

	RMX Customers (122)	Asphalt Customers (118)
From one of the large nationals to another large national	81%	78%
From one of the large nationals to an independent	11%	14%
From an independent to a large national	2%	0%
From an independent to another independent	2%	5%

Base: All RMX customers (251) and asphalt customers (270)

183. Around half of Asphalt Customers and RMX Customers had switched suppliers in the last 3 years, with only about 1 in 10 completely switched all their purchasing.

184. Switching was most likely to have occurred from one large national to another large national with four fifths of both RMX and Asphalt Customers saying they had made this type of switch. This was a significantly higher proportion than for Aggregate Customers switching their suppliers from one national to another, for which the equivalent figure was 46%.

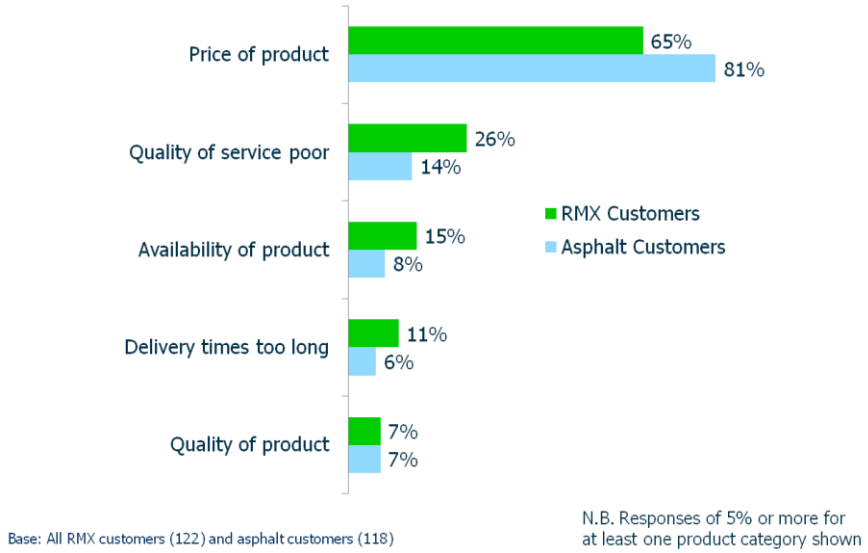
185. Around a further 1 in 10 have switched from a national to an independent and switching from an independent is limited, with only 2% of RMX switchers moving from an independent to a national or from an independent to another independent.

186. For both RMX Customers and Asphalt Customers, the 'price' of the product was the key motivating reason to switch, but particularly so amongst Asphalt Customers. 'Poor quality of service' was the second most common reason followed by 'availability of product', with RMX Customers mentioning these to a greater extent than Asphalt Customers.

Figure 49: Reasons for switching suppliers for RMX/Asphalt in the last 3 years

(RMX & Asphalt Customers)

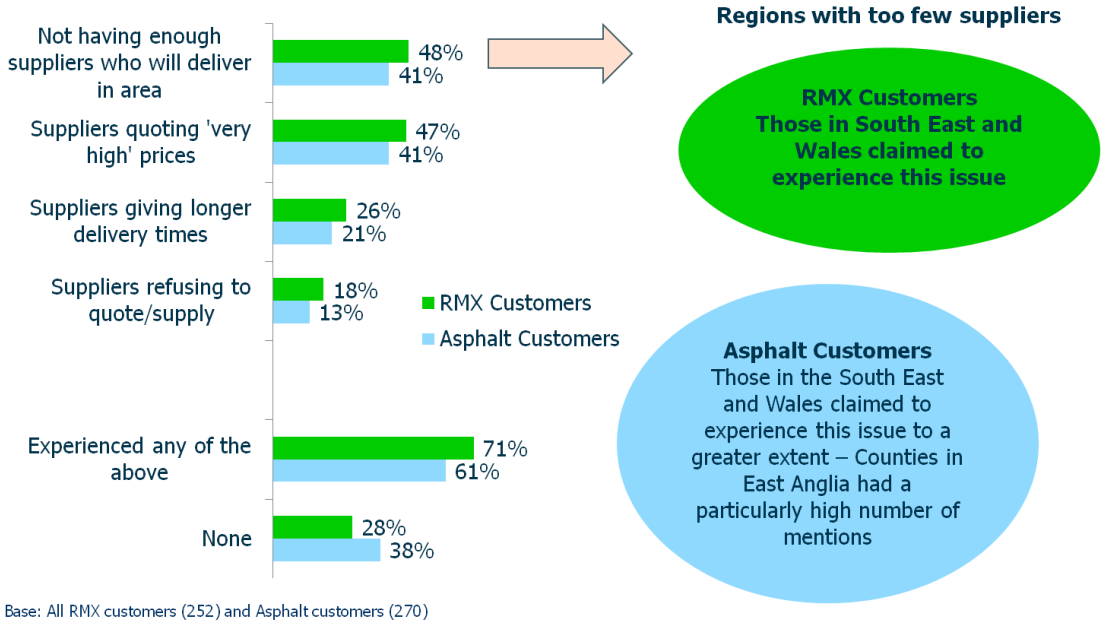
Question: What reasons made you switch suppliers?



187. The following chart shows whether RMX and Asphalt Customers have experienced any of the following issues when purchasing in the last 3 years: (a) suppliers quoting very high prices, (b) not having a supplier who will deliver in their area (c) suppliers giving longer delivery times (d) suppliers refusing to quote/supply.

Figure 50: Experienced any of the following in purchasing RMX and asphalt in the last 3 years (RMX & Asphalt Customers)

Question: In the last 3 years have you experienced any of the following in purchasing RMX/Asphalt from any suppliers?



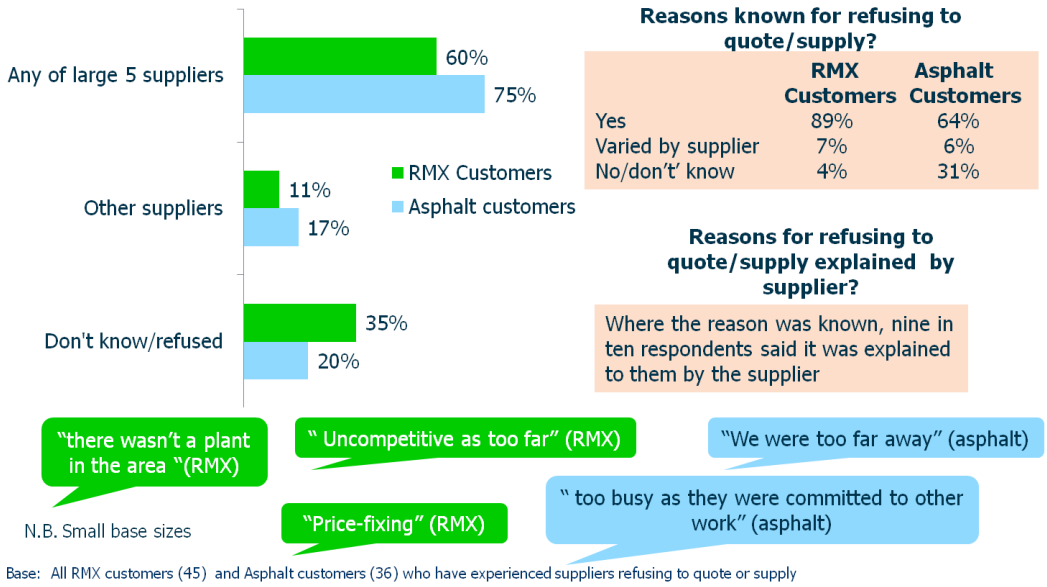
Base: All RMX customers (252) and Asphalt customers (270)

188. 7 in 10 RMX Customers and three fifths of Asphalt Customers said they had experienced any of these purchasing issues in the last 3 years. 'Not having enough suppliers who will deliver in their area' and 'suppliers quoting very high prices' were the most commonly experienced issues across both RMX and Asphalt Customers, with RMX Customers saying they had experienced them to a greater extent. 'Suppliers giving longer delivery times' and suppliers refusing to quote/supply were less commonly experienced.

189. RMX and Asphalt Customers who had experienced suppliers refusing to quote or supply in their area were then asked a number of follow up questions on who refused to supply and if they knew the reason for them not supplying or quoting. The answers to these questions are outlined in the chart below.

Figure 51: Suppliers refusing to quote/supply for RMX and Asphalt (RMX & Asphalt Customers)

Question: Which suppliers refused to quote or supply in your area?



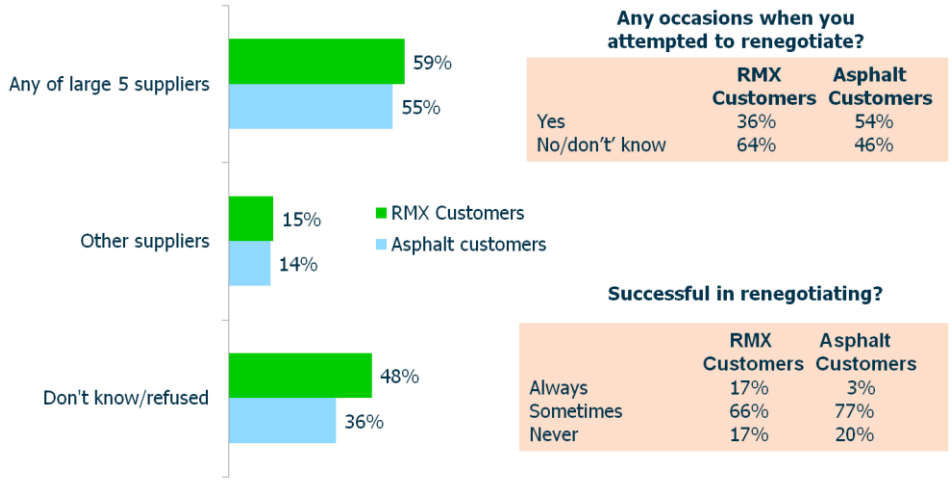
190. Of suppliers who refused to quote, three fifths of RMX Customers and three quarters of Asphalt Customers had experienced this from one of the 'large 5' suppliers. A third (35%) of RMX Customers and a fifth of Asphalt Customers did not know which supplier refused to quote or they refused to answer this question.

191. A very high proportion of RMX Customers (89%) and two thirds of Asphalt Customers (64%) knew the reason why the supplier refused to quote, although a third of Asphalt Customers did not know the reason. Where the reason was known, suppliers are willing to tell customers as 9 out of 10 were provided with an explanation by the supplier.

192. Similar follow up questions were also asked of those customers who had experienced suppliers which had given longer delivery times.

Figure 52: Suppliers giving longer delivery times for RMX and asphalt (RMX & Asphalt Customers)

Question: Which suppliers gave longer delivery times?



Base: All RMX customers (66) and Asphalt customers (56) who have experienced suppliers giving longer delivery times for aggregates

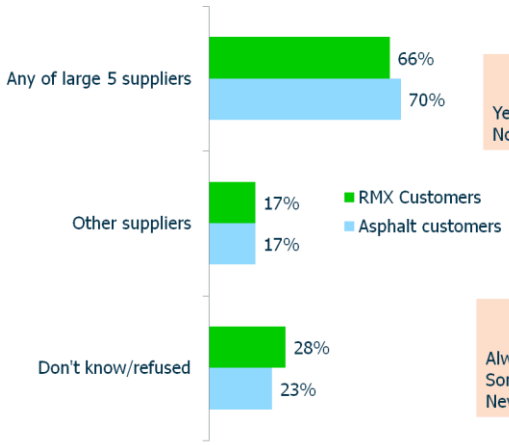
193. Three fifths (59%) of RMX Customers and over half (55%) of Asphalt Customers had experienced longer delivery times with any of the 'large 5' suppliers. Again, smaller numbers had experienced this issue with other suppliers with 15% of RMX Customers and 14% of Asphalt Customers having done so.

194. Asphalt Customers have been more likely to try and renegotiate with the supplier on delivery times compared with RMX Customers (54% and 36% respectively). Of those who have negotiated with the supplier, 17% of RMX Customers have been always successful compared to just 3% of Asphalt Customers.

195. Two thirds (66%) of RMX Customers and 70% of Asphalt Customers had experienced any of the 'large 5' quoting very high prices. Around one fifth of both customer types had experienced this with another supplier. Just under half of both RMX Customers (47%) and Asphalt Customers (46%) had attempted to renegotiate the high prices with the supplier and of those who did negotiate, just under a fifth for both customer types were never successful.

Figure 53: Suppliers quoting very high prices for RMX and asphalt (RMX & Asphalt Customers)

Question: Which suppliers quoted very high prices?



Any occasions when you attempted to renegotiate?

	RMX Customers	Asphalt Customers
Yes	47%	46%
No/don't know	53%	54%

Successful in renegotiating?

	RMX Customers	Asphalt Customers
Always	16%	10%
Sometimes	68%	73%
Never	16%	18%

Base: All RMX customers (119) and Asphalt Customers (110) who have experienced suppliers quoting very high prices for aggregates

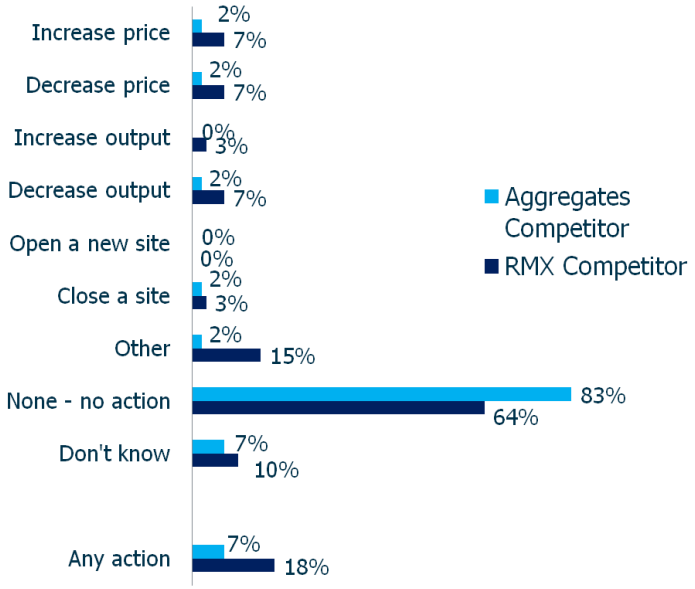
4.5 Potential Impact of Joint Venture

196. This section of the report looks at the potential impact on competitors if the joint venture between Anglo-American and Lafarge takes place.

197. Aggregate and RMX Competitors were firstly asked what actions if any they would take in relation to their own production if the joint venture took place.

Figure 54: Actions expected to take if Tarmac and Lafarge form Joint Venture - Spontaneous (Aggregate & RMX Competitors)

Question: If the proposed joint venture takes place, what actions, if any would you take in relation to your aggregate/RMX production?



Base: All aggregate competitors (41) and RMX competitors (72)

198. The majority of both Aggregate Competitors (83%) and RMX Competitors (64%) thought they would take no action as a result of the joint venture. However, RMX Competitors were more likely to claim they would take some kind of action. Price increases or decreases, along with decreasing output, were the top mentions, but only mentioned by 7% of RMX Competitors for each. Other mentions from RMX Competitors included having to reduce the size of their workforce/making redundancies.

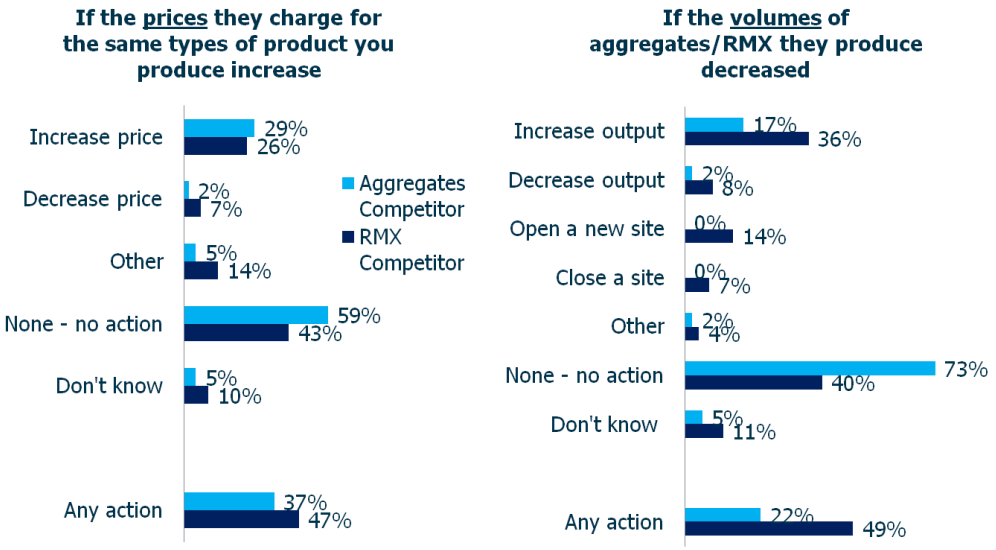
199. In total, just under a fifth of RMX Competitors (18%) said they thought they would take some sort of action, whilst only 7% of Aggregate Competitors would take action.

200. Aggregates and RMX Competitors were then asked two specific questions about potential actions if the proposed joint venture a) increased their prices for aggregates or RMX or b) decreased the volumes they produced for aggregates or RMX.

Figure 55: Actions expected to take if Tarmac and Lafarge form Joint Venture - Prompted (Aggregate & RMX Competitors)

Question: If the proposed joint venture takes place and the prices they charge for the same type of…you produce were to increase, which of the following actions would you take?

Question: And if the…volumes they produced were to decrease, which if any of the following actions, if any, would you take?



Base: All aggregate competitors (41) and RMX competitors (72)

201. If the joint venture increased their prices, just over a quarter of Aggregate Competitors and RMX Competitors claimed they would also increase their own prices. However, most still thought they would take no action.

202. If the joint venture decreased their production, RMX Competitors were again more likely to take action compared with Aggregate Competitors (49% compared with 22%). Over a third (36%) of RMX Competitors claimed they would increase their output which was twice as high compared with Aggregate Competitors. Other mentions amongst RMX Competitors were opening a new site (14%), decreasing output (8%) and closing a site (7%).