Aggregate Industries/ Breedon Inquiry

Report Prepared for:

COMPETITION COMMISSION

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1. Background and Methodology

1.1 Introduction

The completed acquisition of certain assets of Aggregate Industries (AI) by Breedon Aggregates Ltd. (BR) was referred to the Competition Commission in September 2013.

The focus of the study is on three products which are available at different AI/Breedon sites in Scotland – aggregates, ready mix concrete and asphalt. These sites were concentrated in three regions: Highlands, Grampian and Tayside & Fife. Research was commissioned to understand:

- How products are used by customers – e.g. location across Scotland or type of activity;
- The decision making process for each product and what is important when selecting a supplier;
- Reasons why customers purchase each product from the particular AI/Breedon site and what alternative suppliers are used in the local area;
- Substitutability and availability of a close substitute in the local area;
- What alternative products are available to customers in the local area;
- Whether customers would actually switch to these alternatives if the price or service offered were to deteriorate; and
- Diversion behaviour.

1.2 Research Objectives

The overall objectives of the research were to:

- Profile customers of both Breedon Aggregates and Aggregates Industries UK customers to determine why they buy each product;
- Understand what is most and least important when selecting a product supplier and the supply/delivery process of these products (i.e. the decision making process);
- Understand the importance of geographical location on purchasing;
- Understand demand side substitutability/closeness of substitution in the local area; and
- Analyse the impact of price changes/diversion on the buying process.

1.3 Scottish regions studied

The focal sites in each of the three regions are illustrated in the maps overleaf.

Figure 1.1 – AI/Breedon sites in the Highlands region

Breedon Sites / AI Sites

1. Ardchronie Quarry
2. Beauly Quarry
3. Banavie Quarry
4. Meadowside
5. Morefields Quarry
6. Tullochgribban - Non Operational
7. Mid Lairgs asphalt plant
8. Daviot asphalt plant
9. Aviemore concrete plant - MOTHBALLED in 2013
10. Inverness Concrete plant

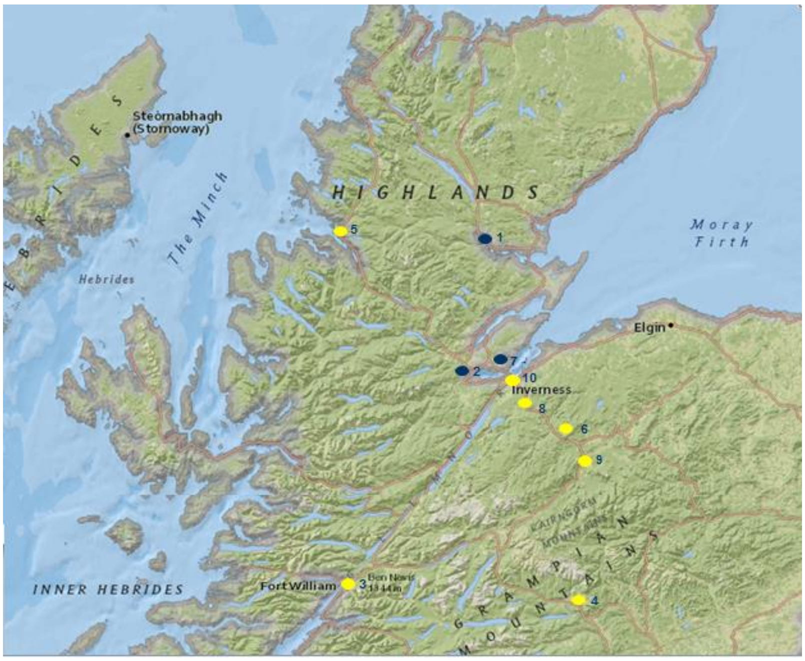


Figure 1.2 – AI/Breedon sites in the Grampian region

Breedon Sites / AI Sites

1. Corennie Quarry
2. Edzell
3. Kemnay Quarry - Non Operational
4. Tom's Forest
5. Boghead Quarry - Non Operational
6. Boyne Bay Quarry
7. Capo Quarry
8. Craigenlow Quarry
9. Longhaven (Stirlinghill replacement) - Non Operational
10. Netherglen Quarry
11. Rothes Glen Quarry
12. Stirlinghill Quarry
13. Woodlands (Sunnybrae) - Quarry SOLD Dec 2008
14. Dyce concrete plant
15. Peterhead concrete plant
16. Tullos concrete plant
17. Bridge of Don Concrete plant
18. Deeside concrete plant - MOTHBALLED in 2010
19. Inverurie Concrete Plant
20. Westhill Concrete Plant

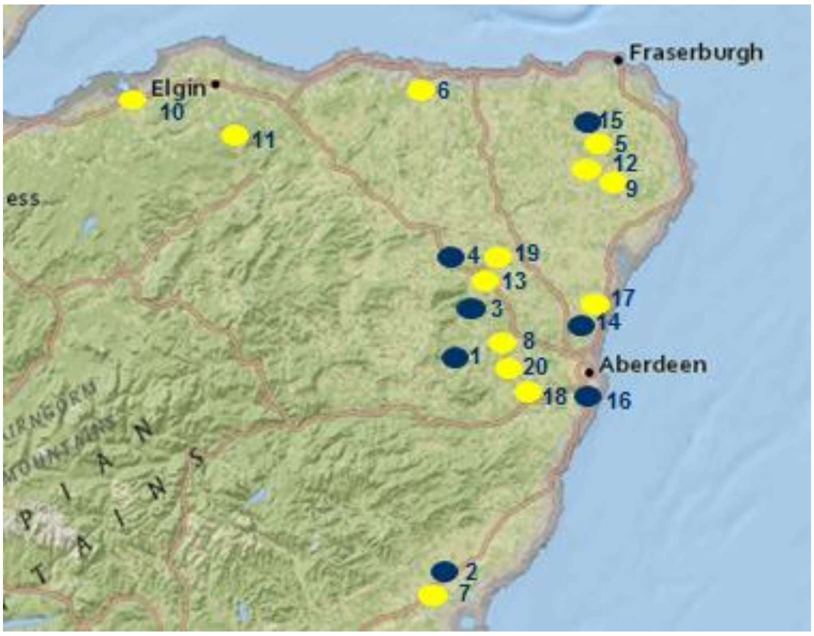
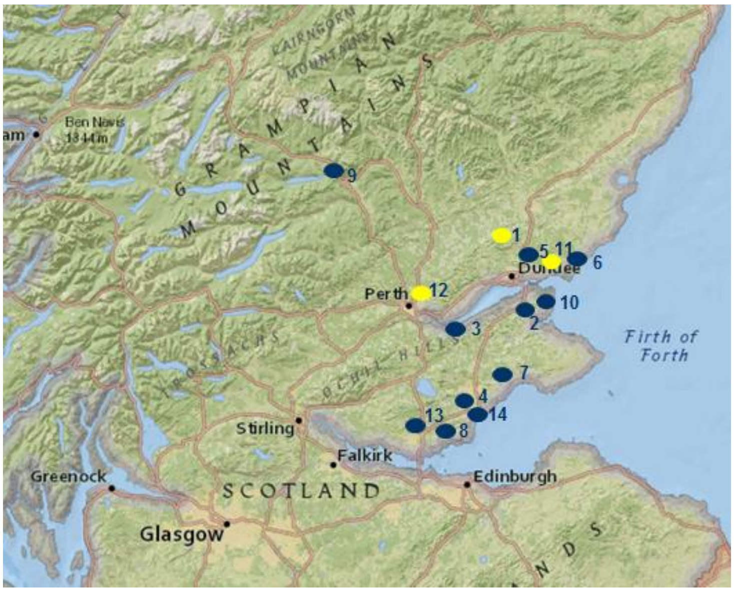


Figure 1.3 – AI/Breedon sites in the Tayside & Fife region

● Breedon Sites / ● AI Sites

1. Powmyre Quarry
2. Balmullo Quarry
3. Clatchard Craig
4. Craigs Quarry - Non Operational
5. Cunmont Quarry
6. Ethiebeaton Quarry
7. Langside Quarry SOLD Jan 2009
8. Orrock Quarry
9. Shierglas Quarry
10. St Michaels Quarry - Non Operational
11. Dundee concrete plant
12. Perth plant (mothballed in 2012 re-opened 2013)
13. Dunfermline concrete plant - Occasional Use
14. Kirkcaldy Concrete plant



1.4 Methodology

Coverage and Sampling

The parties were asked to provide lists of customers who made purchases of aggregates, asphalt and/or ready mix concrete from one or more of the Breedon/AI focal sites in 2012. Customers who only made purchases as part of the procurement of contracted services were removed from the list, as were a small number of very large customers who the CC gathered information from in market questionnaires or hearings. Customers who made only very small purchases were also removed from the list. This was done for each product-site combination by removing the smallest purchasers (by volume) until 10% (5% for the AI product-site combinations) of the total sales by volume had been removed.

The AI and Breedon lists were combined. Any customers who had only purchased a product at an individual site had that product-site combination designated as a focal site. If a customer purchased a product from more than one of the AI/Breedon sites, then the site from which they had purchased most of that product was designated the focal site. Each customer therefore had one focal site for each of the products purchased. The resultant customer lists with designated focal sites was then used as the contact sample by the interviewers. Focal sites are an integral part of the interviewing process and subsequent analysis for this survey. For example, questions about competitors in an area are made in reference to a focal site.

It is important to note that sample sizes are small in most of the tables presented in this report. We therefore recommend that base sizes are considered carefully when looking at the results in individual tables. It is also important to note that results presented in this report have not been weighted by customer spend; a respondent who bought a small volume of a product therefore has the same weight in the tables as a respondent who has purchased a very large volume.

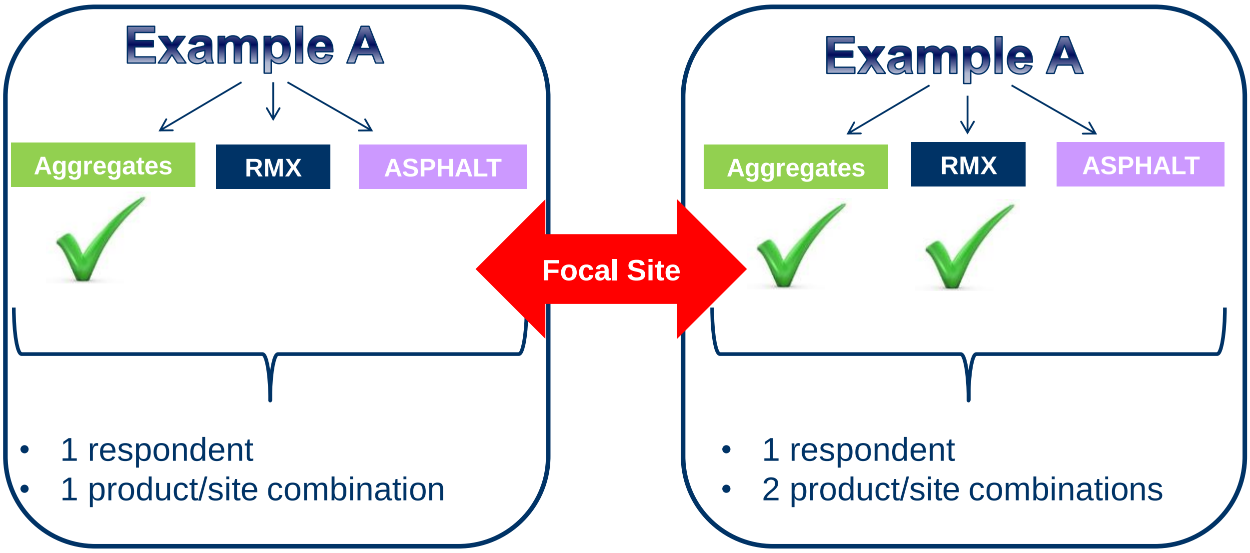
Fieldwork

The research was carried out using a telephone methodology during October and November 2013. DJS selected a small team of 4 interviewers who were particularly experienced in business interviewing, who carried out all of the interviews. Interviews were a mix of structured and open questions and took on average 15-20 minutes, a little more for customers who purchased more than one type of product and therefore answered questions separately in relation to each. A copy of the survey questionnaire is appended to this report.

DJS identified the employee within each customer who had purchasing responsibility for the relevant product from the focal site given. Each respondent was asked about each product type they were responsible for purchasing – in some instances a respondent purchased more than one of the products from more than on focal site, and therefore data throughout the report is shown by product type to account for these respondents (see Response Rates).

The diagram below illustrates the implications of the product/focal site combination in terms of number of respondents relative to the number of responses by product category. In the report the data is presented by product category and some respondents may be included within two or three of these product categories.

Figure 1.1 – Explaining the product/site combination



DJS completed interviews with 231 Breedon/AI customers. Some customers answered about more than one product/site combination and therefore the research comprised 300 separate product/site combinations.

The tables below summarise the response rates, including a breakdown by product and by company.

Figure 1.4 – Response Rates

Total Sample Loaded		478
	Refusals	131
	Unusable	9
	Non qualifier	15
	Non response/ unreachable	92
	Complete interviews	231
Conversion rate		**48%**

There were 300 product/site combinations in total

	Aggregate	RMX	Asphalt
Breedon	97	70	29
AI	49	41	14
TOTAL	**146**	**111**	**43**

2. Profile of Respondents

2.1 Introduction

This section profiles the research respondents and summarises:

- Which Breedon/AI focal sites were covered as part of the research;
- The purchase volumes of each product by customers (which was provided as part of the sample file derived from the customer lists);
- Categorisation of the types of company included in the research;
- Whether companies under each product category operated on a local, regional or national basis; and
- The number of site locations operated by each customer.

2.2 Focal Sites

A spread of AI/Breedon focal sites was covered. The table below summarises the number of customers who purchased from each focal site.

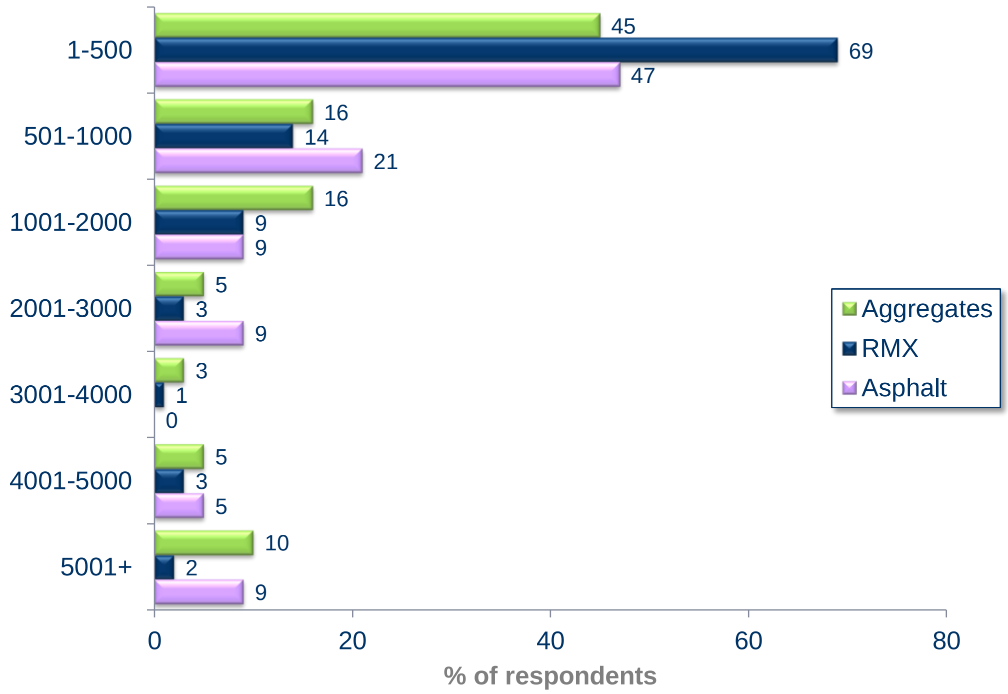
Figure 2.1 – Spread of respondents across AI/Breedon focal sites

<table>
<tr><th></th><th>Aggregate</th><th>RMX</th><th>Asphalt</th></tr>
<tr><td>Breedon</td><td>• Balmullo = 6
• Boyne Bay = 1
• Capo = 15
• Clatchard Craig = 8
• Craigenlow = 13
• Ethiebeaton = 7
• Morefields = 2
• Netherglen = 2
• Orrock = 13
• Rothes Glen = 18
• Shierglas = 6
• Stirlinghill = 6</td><td>• Aviemore = 4
• Boyne Bay = 1
• Bridge of Don = 1
• Capo = 4
• Clatchard = 3
• Craigenlow = 1
• Dunfermline = 1
• Ethiebeaton = 5
• Inverness = 14
• Inverute = 10
• Kirkcaldy = 1
• Netherglen = 5
• Orrock = 5
• Rothes Glen = 1
• Shierglas = 3
• Westhill = 11</td><td>• Clatchard = 2
• Craigenow = 6
• Daviot = 3
• Ethiebeaton = 4
• Netherglen = 4
• Orrock = 7
• Shierglas = 2
• Stirlinghill = 1</td></tr>
<tr><td>AI</td><td>• Beauly = 11
• Edzell = 2
• Powmyre = 5
• Tom's Forest = 31</td><td>• Beauly = 1
• Dundee = 8
• Dyce = 2
• Edzell = 3
• Perth = 5
• Peterhead = 4
• Tom's Forest = 8
• Tulios = 10</td><td>• Mid Lairgs = 6
• Tom's Forest = 8</td></tr>
</table>

2.3 Purchase volumes

In terms of 2012 purchase volumes the majority of purchases were less than 500 tonnes (m^3 for RMX) with 45% purchasing less than 500 tonnes for aggregates, over two-thirds (69%) for RMX and just under half for Asphalt (47%). The fact there were fewer large scale purchases is reflective of the sample composition, where some of the large scale purchasers were removed and interviewed via a separate forum.

Figure 2.2 – Purchase volumes



Base: AGG – 146, RMX – 111, ASP - 43

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2.4 Types of company

A mix of company types were interviewed with the majority being made up of general construction and contractor companies (55% for aggregates, 80% for RMX and 56% for asphalt). Road construction and maintenance companies accounted for almost a third of aggregates (30%), followed by 12% for RMX and 12% for asphalt. The remaining trades were made up of road construction companies, plant hire, exporters, local authorities, agricultural, landscapers, manufacturers and haulage.

Figure 2.3 – Company types (Q2)

Base: AGG – 146, RMX – 111, ASP - 43

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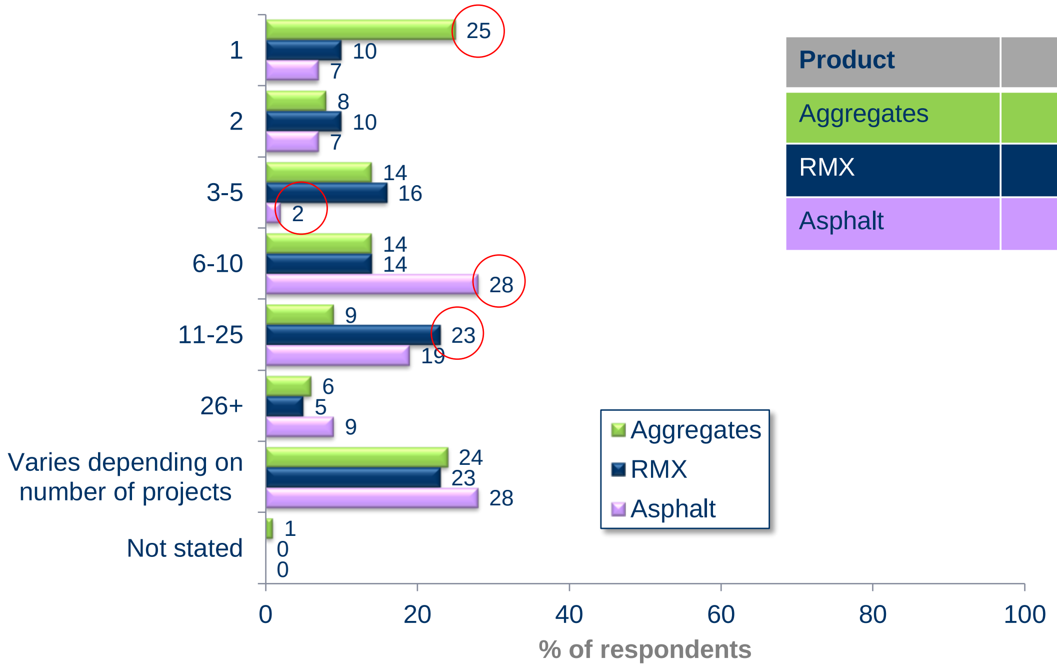
The chart overleaf shows how many job sites or delivery locations the companies have in Scotland. A range of site locations were identified with around a quarter of all companies across all three product categories (aggregates 24%, RMX 23% and asphalt 28%) saying it would vary depending on the number of projects. The mean number of deliveries was greatest for asphalt (19) with both aggregates (10) and RMX (13) generally being delivered to fewer destinations. The red circles indicate statistically significant differences between products, with aggregate deliveries more likely to be to a single site than the other products, and asphalt and RMX more likely to be delivered to a greater number of sites.

Figure 2.4 – Number of site locations (Q3)



Product	Mean
Aggregates	10
RMX	13
Asphalt	19

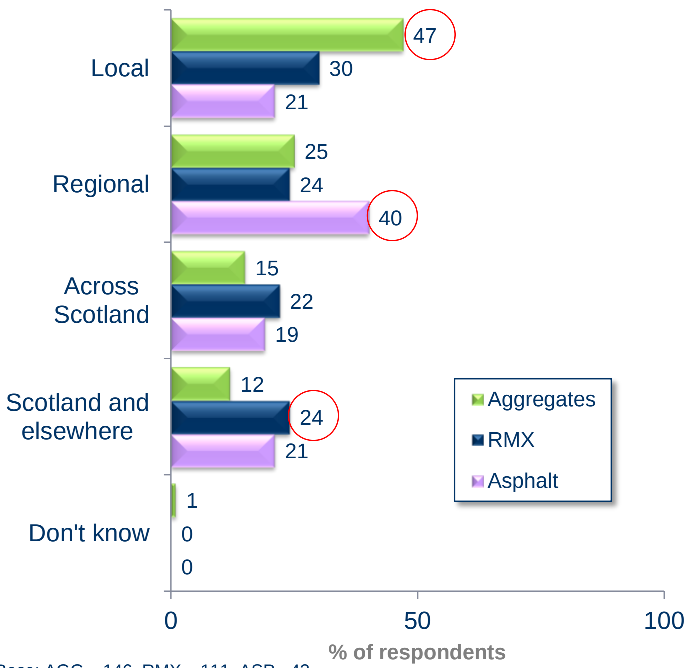
Base: AGG – 146, RMX – 111, ASP - 43

Denotes significant difference

16

The chart below shows that businesses which purchased aggregates were more likely to operate locally than those which purchased other product categories. Similarly those which purchased asphalt were more likely to operate on a regional basis, with RMX companies more likely to operate across the country compared to other product categories.

Figure 2.5 – Locality of business activities



Base: AGG – 146, RMX – 111, ASP - 43

Denotes significant difference

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3. Decision Making

3.1 Introduction

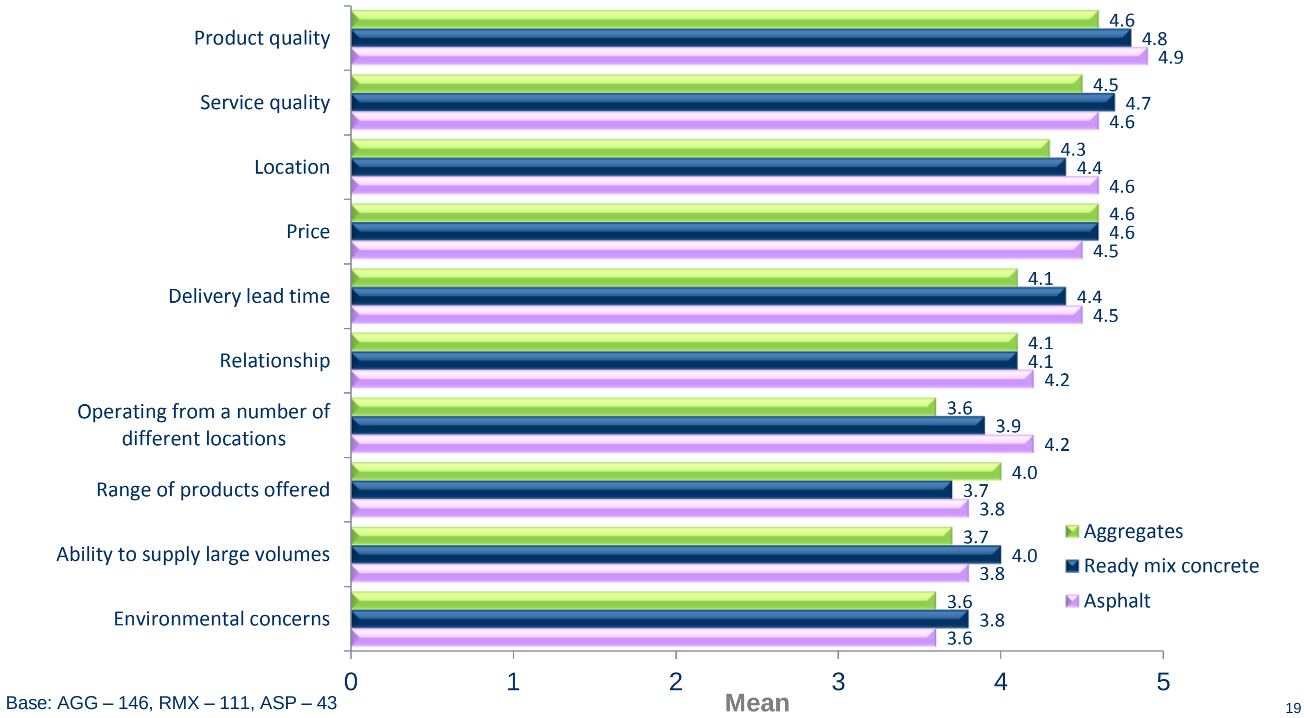
This section provides insight in to the decision making process of Breedon/AI customers when identifying and selecting a supplier of products. It summarises:

- The important attributes when selecting a supplier;
- Whether companies collect numerous quotes and/or negotiate on purchase price;

3.2 Selecting a Supplier

Product quality, service, location, price and delivery time lead time were all key considerations across all three product categories when selecting a supplier. Environmental concerns and the ability to supply large volumes were both given the least consideration. The chart below shows the mean importance on a score of 1 to 5 (5 being the most important) across the product categories.

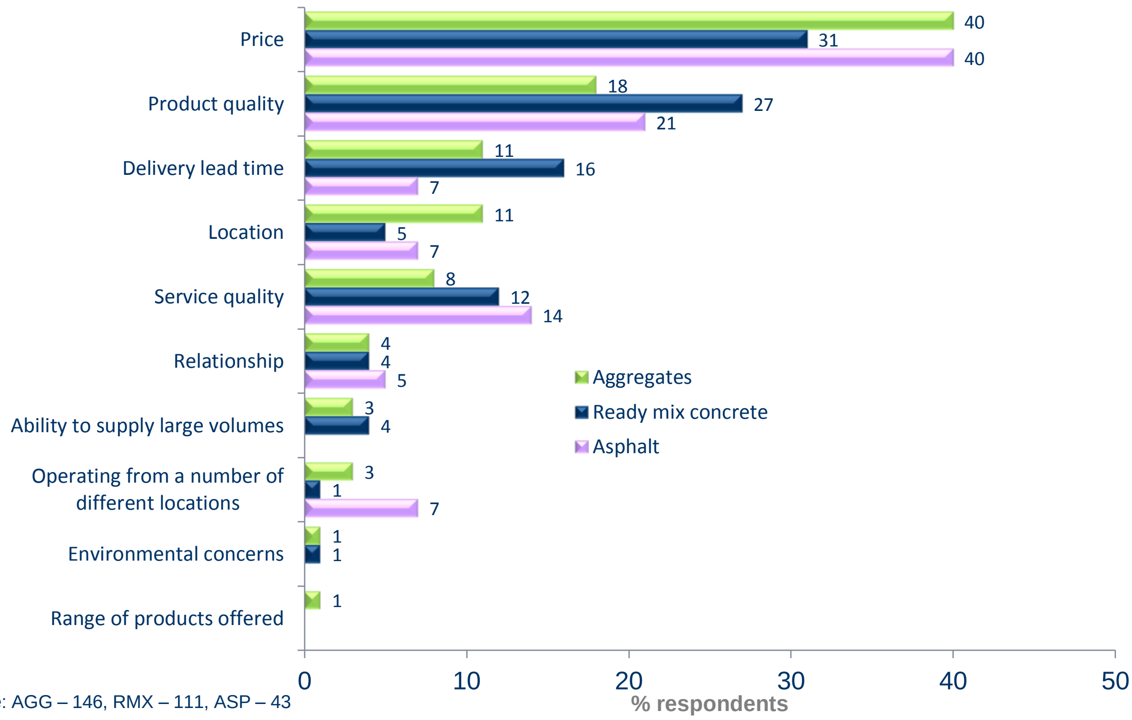
Figure 3.1 – Importance of attributes when choosing a supplier (Q5a)



When asked what was most important (see next slide) when choosing a supplier, price came out as the key driver, particularly for aggregates (40%) and asphalt (40%). Product quality was the second most frequently cited ‘most important’ attribute for each of the three products.

The range of products offered and environmental concerns was rated the least important with only 1% of aggregates saying it was the most important, and 1% of asphalt saying the same.

Figure 3.2 – The most important attribute (Q5b)



Base: AGG – 146, RMX – 111, ASP – 43

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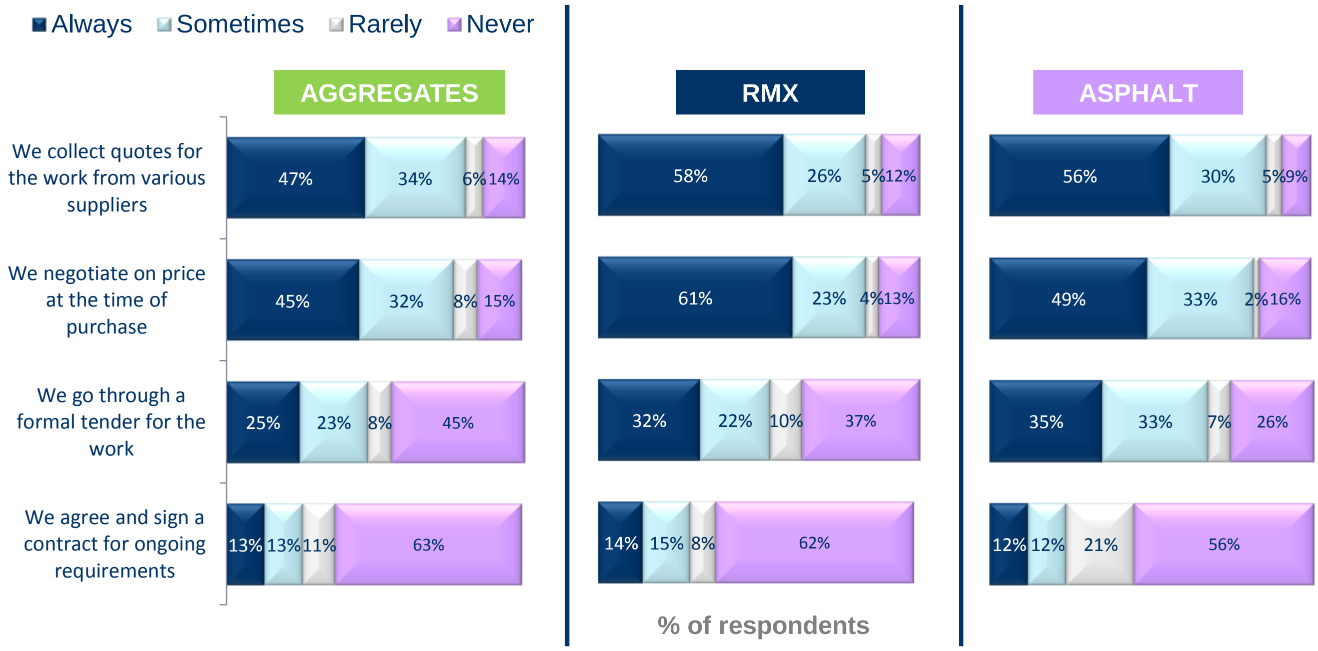
When asked about collecting quotes from various suppliers just under half (47%) of those in the aggregates product category said that they "always sourced quotes" with this practice being more common in the purchasing process for RMX (58%) and asphalt (56%). The majority across all three product categories said they either always or sometimes "negotiated on price" (45% aggregates, 61% RMX, 49% asphalt).

Under half (45%) of those in the aggregates product category said they never "go through formal tendering for work", with 37% of RMX and just over a quarter of asphalt (26%) saying the same. A higher proportion said they never 'agree and sign a contract for ongoing requirements' when they are purchasing the products, 63% of customers of aggregates, 62% of RMX and 56% of asphalt.

Figure 3.3 – Collecting quotes, negotiating on price and formal tenders (Q12)



Base: AGG – 146, RMX – 111, ASP – 43

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4. Supplier Usage

4.1 Introduction

This section summarises which sites/suppliers Breedon/AI customers used in addition to the focal site. It summarises:

- Non focal site purchases for each product category;
- Whether suppliers purchase from multiple sites;
- Whether customers have changed supplier in the recent past or whether they plan to change supplier in the future; and
- Which other sites customers would consider purchasing the products from.

Specifically for aggregates it answers:

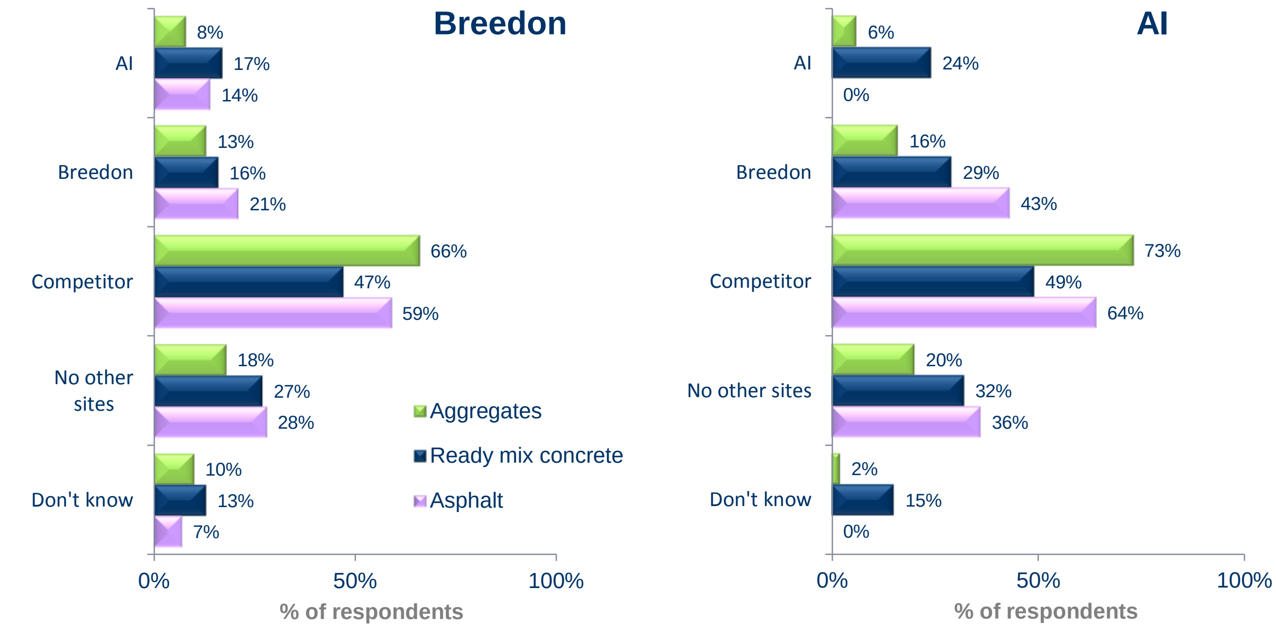
- What types of aggregates are purchased; and
- Whether primary aggregates are always specified and the substitutability of these by secondary/recycled aggregates.

4.2 Supplier usage across all three product categories

Respondents were asked to think about their purchases from focal sites and whether they purchased from any other site with 30 miles of the focal site. A pre-coded list of known competitor sites was available for the interviewers and for analysis the percentage who mentioned an AI site at all, the percentage who mentioned a Breedon site and the percentage who mentioned a competitor site are all summarised. The chart below shows this information separately for Breedon focal site purchasers and AI focal site purchasers.

The most common response for both Breedon and AI focal site users was a competitor site. However, around a substantial minority said “no other sites” and a substantial minority had bought from another AI or Breedon site (NB - some could have bought from an AI and Breedon and competitor site as multiple sites could be given).

Figure 4.1 – Non-Focal Site Usage (Q6)

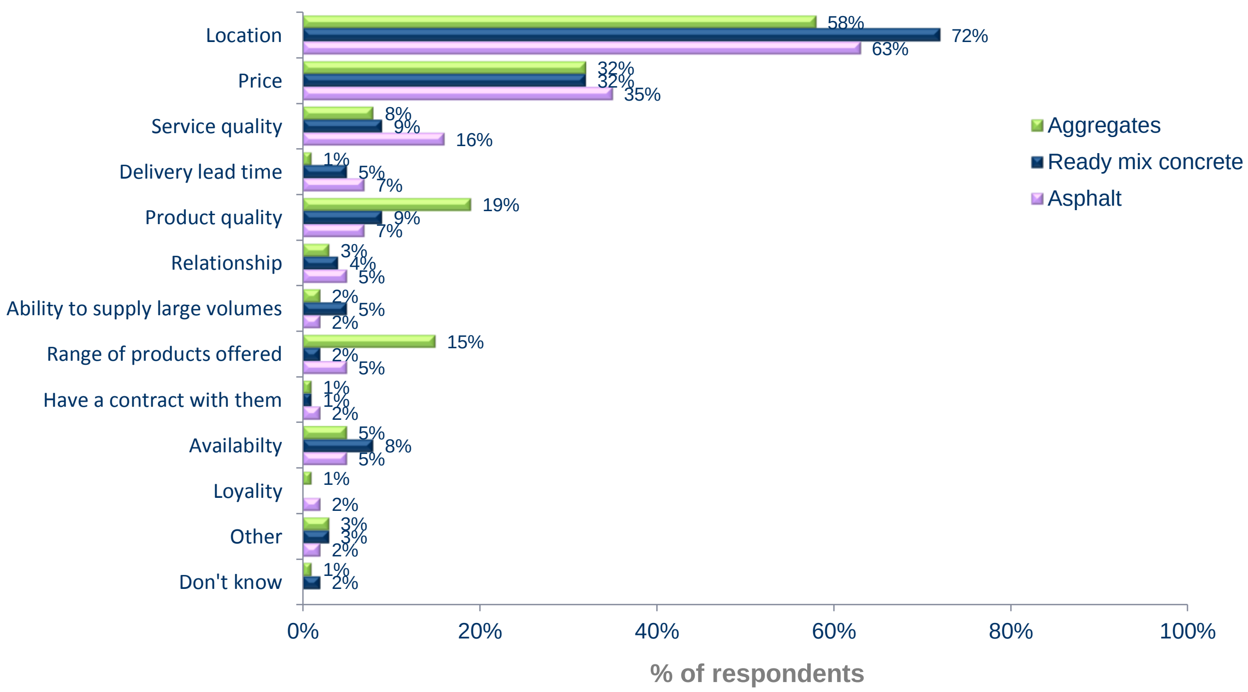


Base: ASP – 29*, AGG – 97, RMX – 70)

Base: ASP – 14*, AGG – 49, RMX – 41

When asked why they buy asphalt, aggregates or ready mix concretes from a focal site, location was found to be the key driver for site selection, whilst price and to a lesser extend service quality were also considered important.

Figure 4.2 – Focal Site Usage (Q19)



Base: AGG – 146, RMX – 111, ASP – 43

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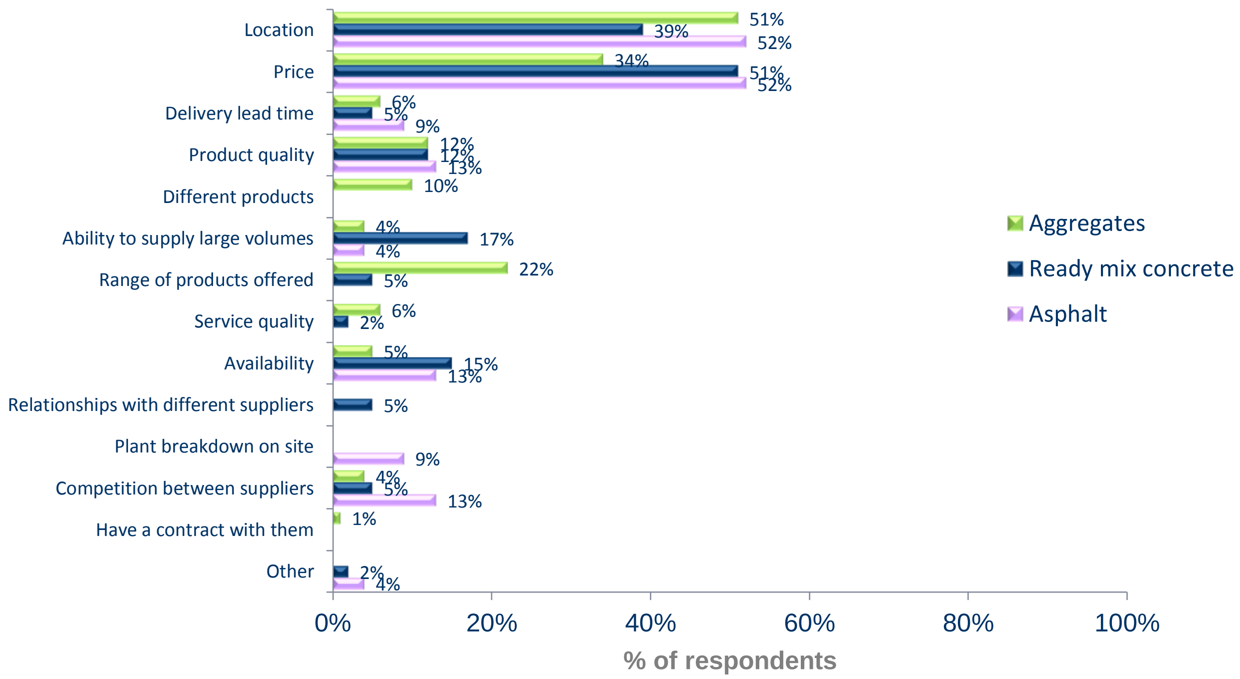
Location and price were again given as key reasons for using more than one supplier. Just over half of those in the aggregates (51%) and asphalt product categories (52%) said location, followed by 39% of those in the ready mix concrete category. Again, just over half of those in the ready mix concrete (51%) and asphalt (52%) product categories said that price is a reason they use more than one supplier, followed by just over a third (34%) of those in the aggregates product category. The chart below shows the usage of multiple suppliers.

Figure 4.3 – Usage of multiple suppliers (Q8)



Base: All respondents who purchase from more than one supplier/site (AGG – 78, RMX – 41, ASP - 23)

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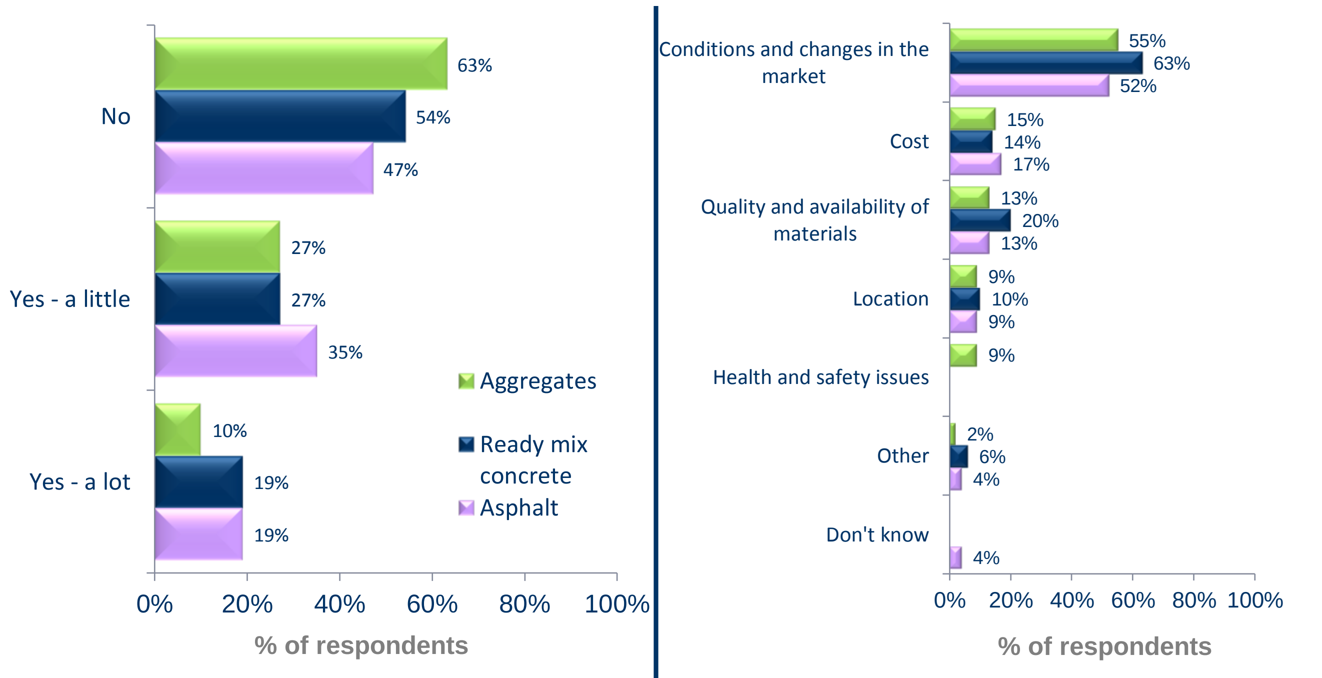
Around half have changed suppliers in the past few years, with the key reason being changes in the market. When asked if the sites/suppliers they have purchased from changed in the past few years, around a third (35%) of those in the asphalt product category said they had changed a little, followed by a just over a quarter (27%) of those in both the aggregates and ready mix concrete product categories. Just under a fifth of those in the asphalt and ready mix concrete product categories (19%) said the site/suppliers they had purchased from had changed a lot in the past few years, with ten per cent of those in the aggregates product category agreeing.

Changes and conditions in the market and cost were found to be the key reasons for change. To a lesser extent location was a reason for change with 10% of those in the ready mix concrete category saying location, followed by 9% of both aggregates and asphalt saying the same.

Figure 4.4 – Change in suppliers in the past few years (Q9/a)

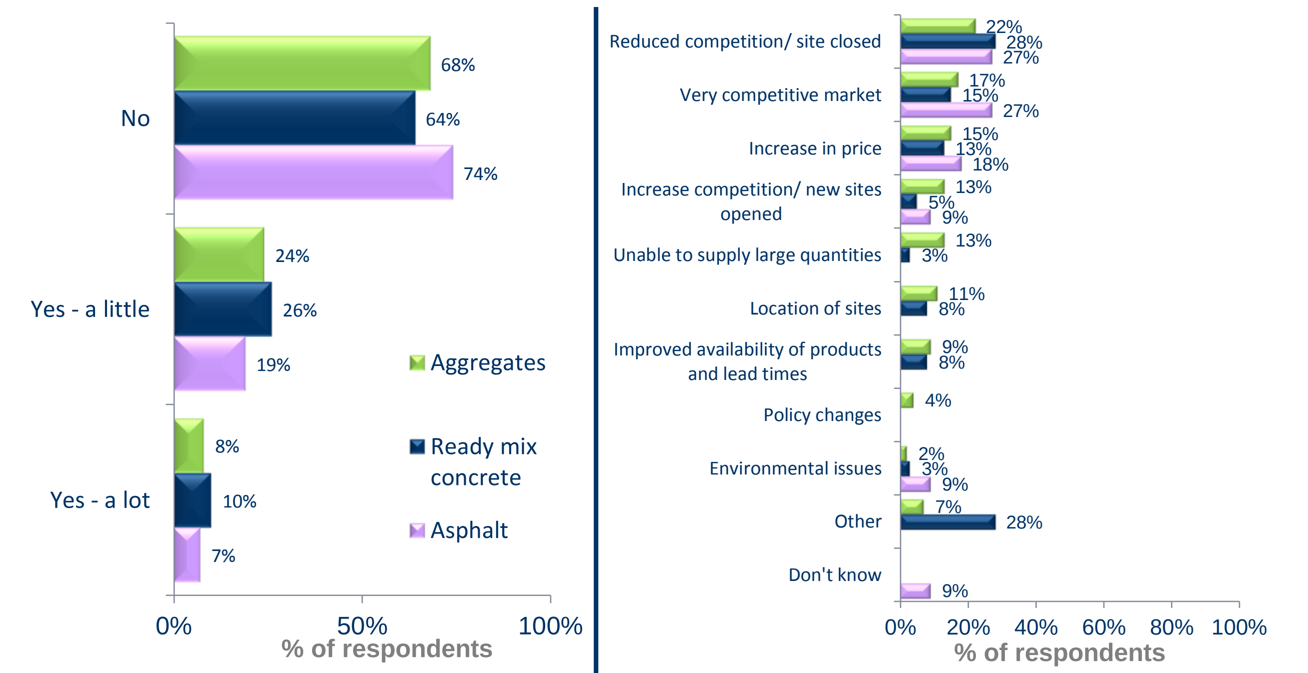


Base: ASP – 43, AGG – 146, RMX - 111

Base: ASP – 23, AGG – 54, RMX - 51

Around two thirds of customers do not expect the sites/suppliers they purchase from to change in the next two years. Of those that do expect to change this is mostly put down to the level of competition in the market including the opening and closing of sites.

Figure 4.5 – Expected change in sites/suppliers in the next two years (Q10/a)

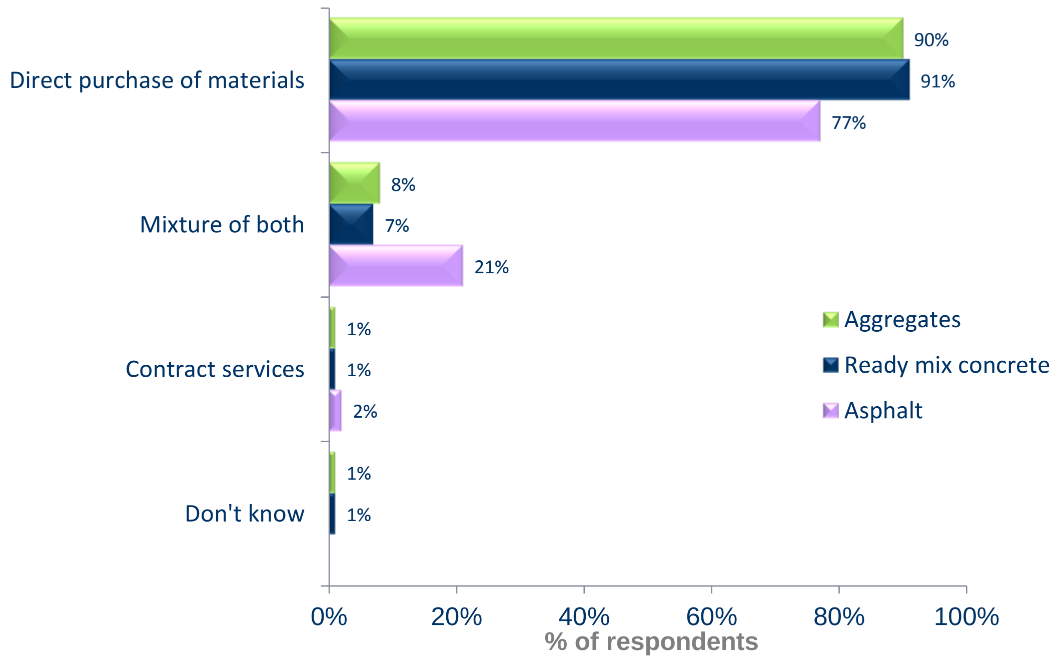


Base: ASP – 43, AGG – 146, RMX - 111

Base: ASP – 11, AGG – 46, RMX - 40

The chart below shows that the majority purchase products directly without the need for additional services, just over a fifth of those in the asphalt product category (21%) said they make direct purchases as well as a contract that includes other services (such as asphalt surfacing). A smaller number of those in the aggregates product category (8%) said they use a mixture of both, followed by ready mix concrete (7%).

Figure 4.6 – Purchase of materials (Q13)



Base: AGG – 146, RMX – 111, ASP – 43

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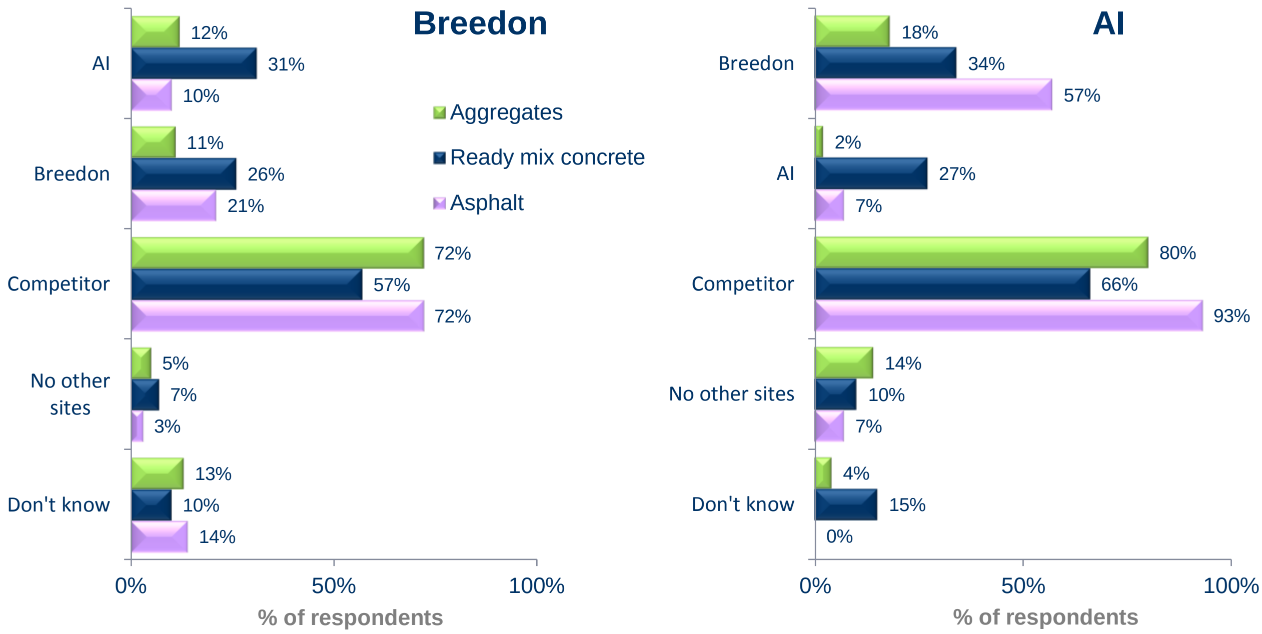
Respondents were asked to list any alternative sites that they would consider for purchase of the product. These were analysed by calculating the percentage who mentioned an AI site at all, the percentage who mentioned a Breedon site and the percentage who mentioned a competitor site. The chart overleaf shows this information separately for Breedon focal site users and AI focal site users.

A high number of competitor sites (not Breedon/AI) were mentioned as alternatives especially for asphalt (72% for Breedon focal site and 93% for AI focal sites).

Around a third (31%) of those with a Breedon focal sites and buying ready mix concretes would consider an AI site as an alternative, followed by those in the product categories for asphalt (10%) and aggregates (12%).

Over half (57%) of those purchasing asphalt from an AI focal site said they would considered using a Breedon site as an alternative, followed by 18% for aggregates and 34% for ready mix concrete. A high number of competitor sites were mentioned as alternatives especially for asphalt (93%) followed by 80% for aggregates and two thirds (66%) for ready mix concrete.

Figure 4.7 – Alternative sites would be considered (Q20)



Base: ASP – 29*, AGG – 97, RMX – 70

Base: ASP – 14*, AGG – 49, RMX – 41

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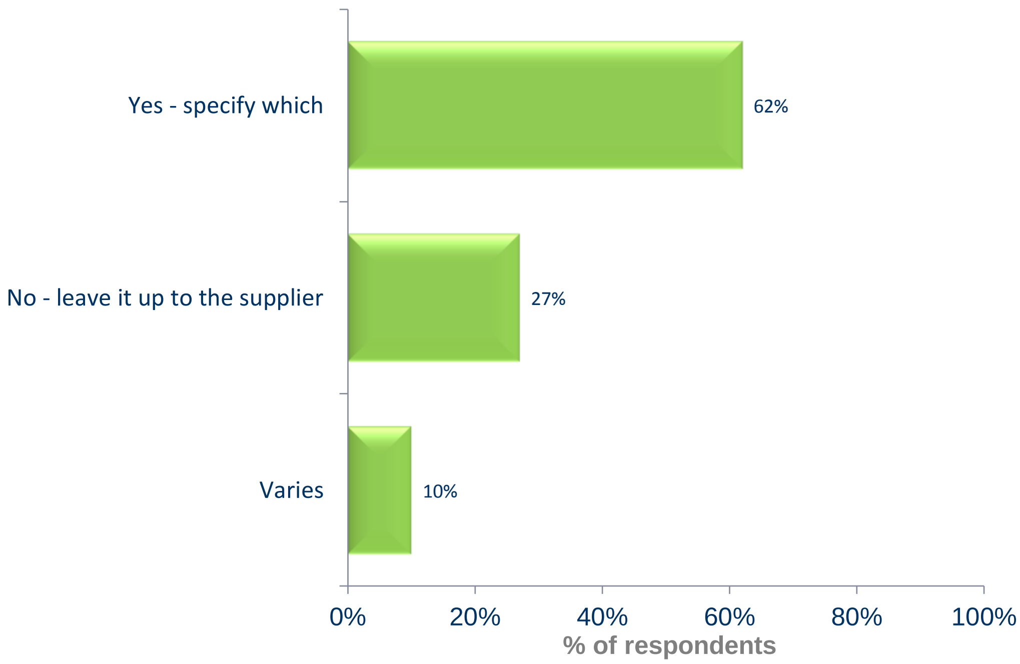
4.3 Supplier usage in the aggregates product category

When purchasing aggregates from the focal site around a quarter (27%) leave the choice up to the supplier, almost two thirds (62%) say they do specify whether they want primary, secondary or recycled aggregate's and for ten per cent it varies.

Figure 4.8 – Specification of aggregates (Q14)

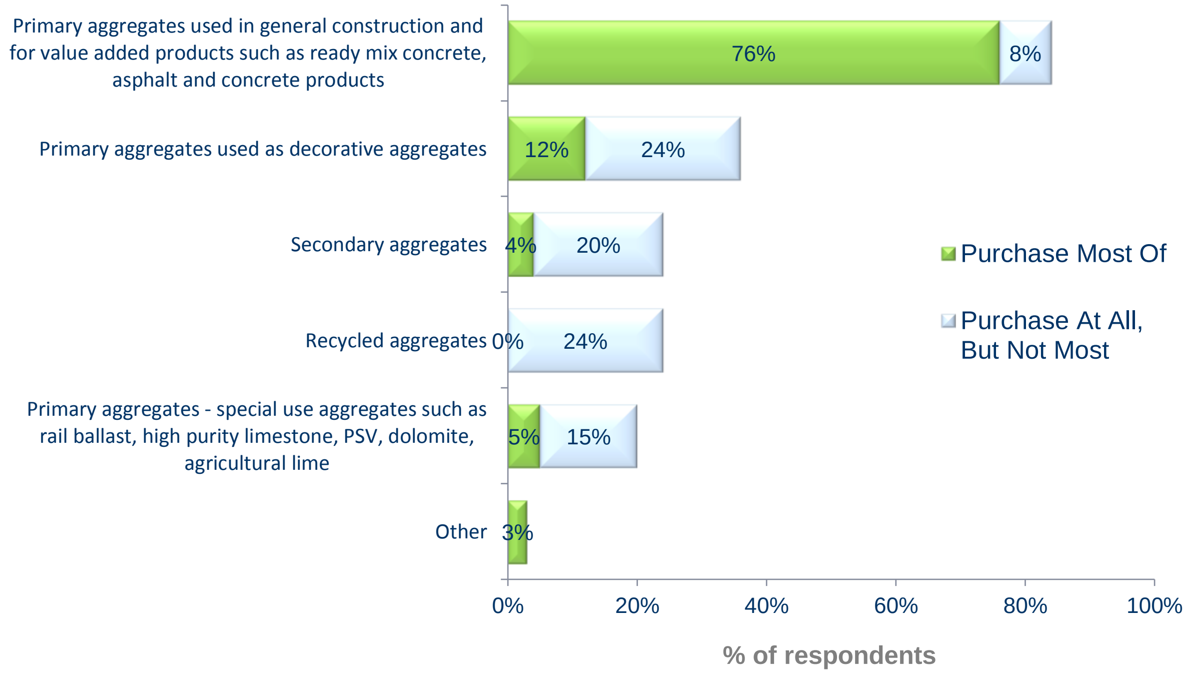


Base: AGG - 146

31

Primary aggregates are the most commonly purchased type of aggregate. Just over three quarters said that they used primary aggregates of the type used in general construction.

Figure 4.9 – Type of aggregates purchased (Q15/16)

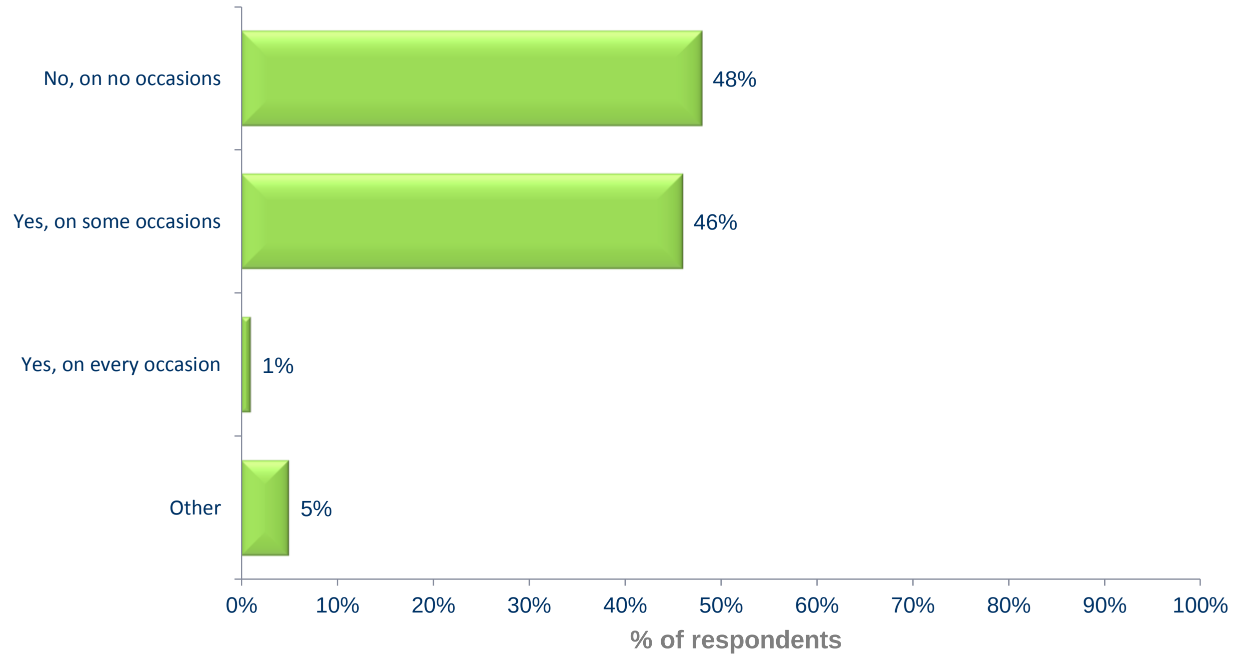


Base: Customers stated they do specify or 'varies' at Q14 (106)

32

When asked if they could have changed from primary aggregates to secondary/recycled aggregates, around half said they cannot change. About half (48%) said they could not change on any occasion, with most of the remainder (46%) saying they could change on some occasions. Only 1% said they could change between primary and secondary aggregates on every occasion.

Figure 4.10 – Opportunity to change between primary and secondary aggregates (Q17)

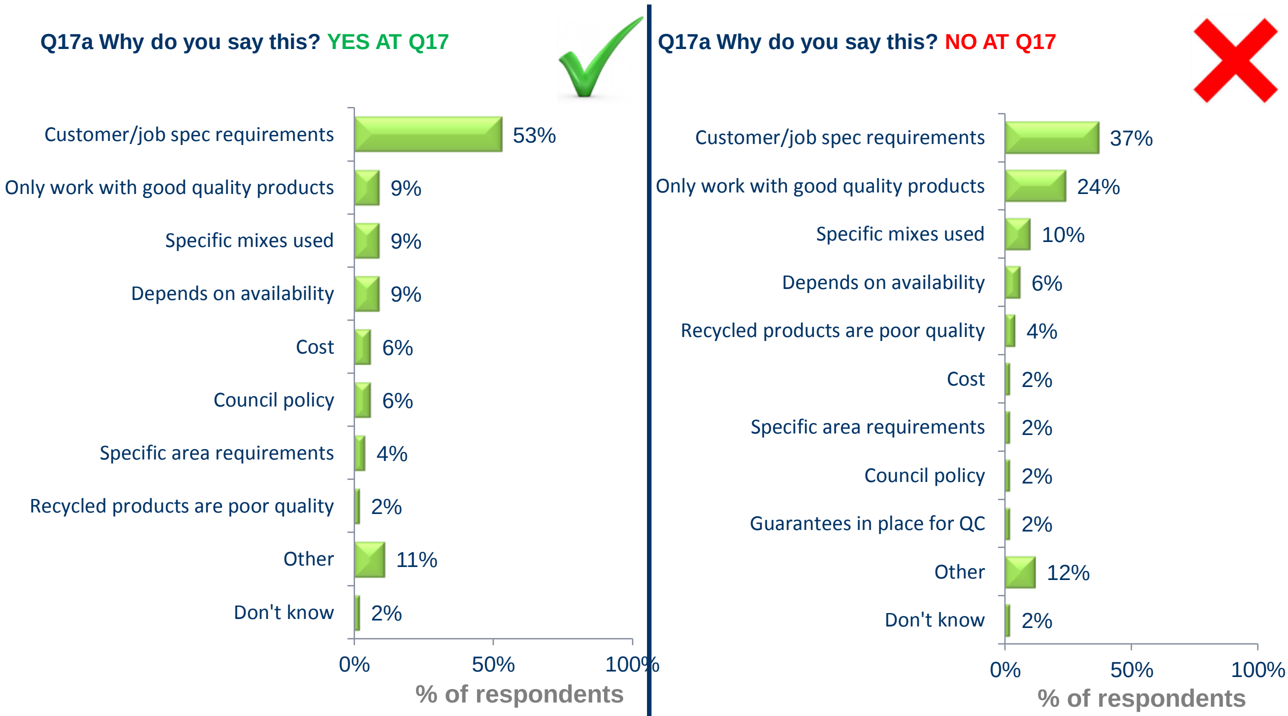


Base: Customers who purchased primary aggregates (102)

33

Customers are bound by job specification as to whether they can change types of aggregates. Over half (53%) of those saying they could change from primary aggregates to secondary aggregates said they could do so because the customer or job specification allowed it, with 37% of those who said they couldn't change on any occasions gave the same reason.

Figure 4.11 – Bound by job specification (Q17a)



Base: Customers who purchased primary aggregates on every/some occasions (48)

Base: Customers who do not purchase primary aggregates on any occasion (49)

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5. Diversion

5.1 Introduction

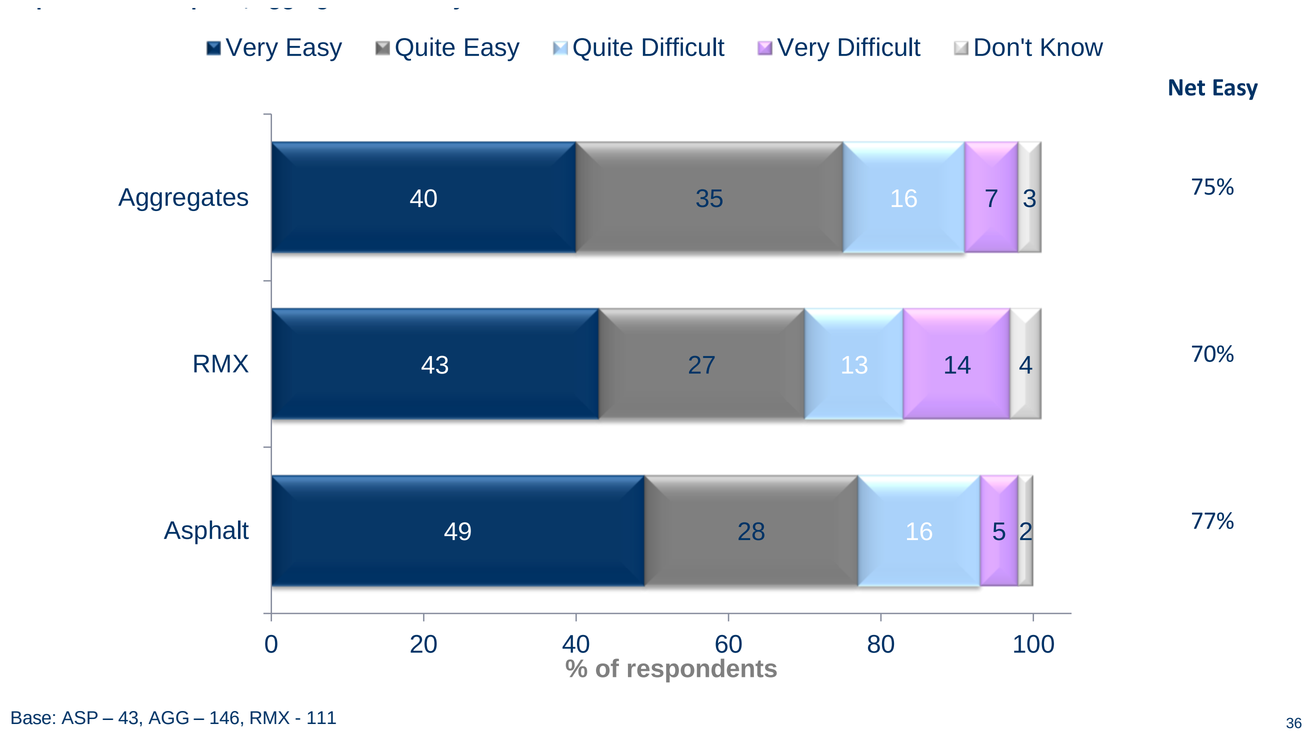
This section summarises the stated diversion behaviour:

- How easy it is to move business;
- What respondents would do if the focal site closed;
- Competitor choices the respondents are aware of;
- Diversion behaviour in aggregates.

5.2 Diversion across all three product categories

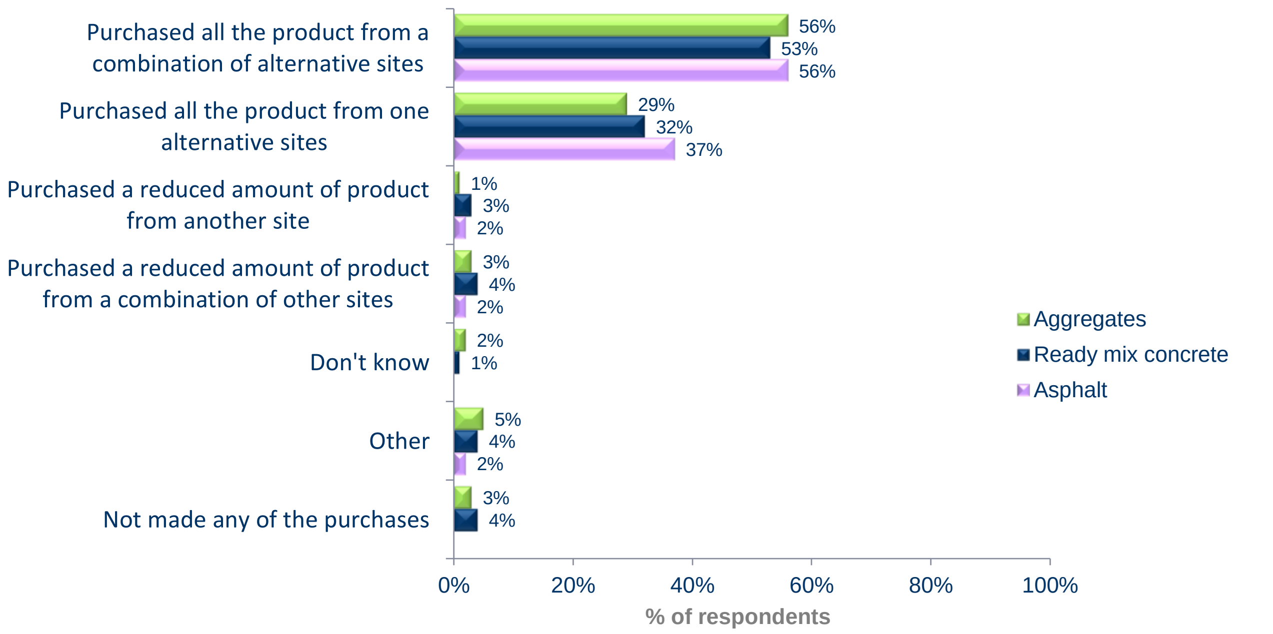
Around three-quarters said they would find it easy to switch purchasing from their main focal site to a different site to purchase asphalt (77%), aggregates (75%) or ready mix concrete (70%). Almost half (49%) of those in the asphalt product category said they would find it very easy to switch purchase sites, followed by 43% for ready mix concrete and 40% for aggregates. Just over a quarter of those in the ready mix concrete product category (27%) said they would find it quite difficult or very difficult to switch sites, followed by 23% of aggregates and just over a fifth of those in the asphalt product category (21%).

Figure 5.1 – Difficulty of switching to a different site (Q21)



When asked what they would have done if their focal site had been closed since 2012, over half said they would have purchased products from a combination of other sites – very few would not have purchased the product at all. Around a quarter would have purchased all the products from one alternative site - to a lesser extent they would have purchased a reduced amount of product from another site or a combination of sites. A small proportion (4%) of those in the ready mix concrete product category said they wouldn't have made any of the purchases, followed by just 3% of aggregates saying the same.

Figure 5.2 – Closure of sites (Q23)

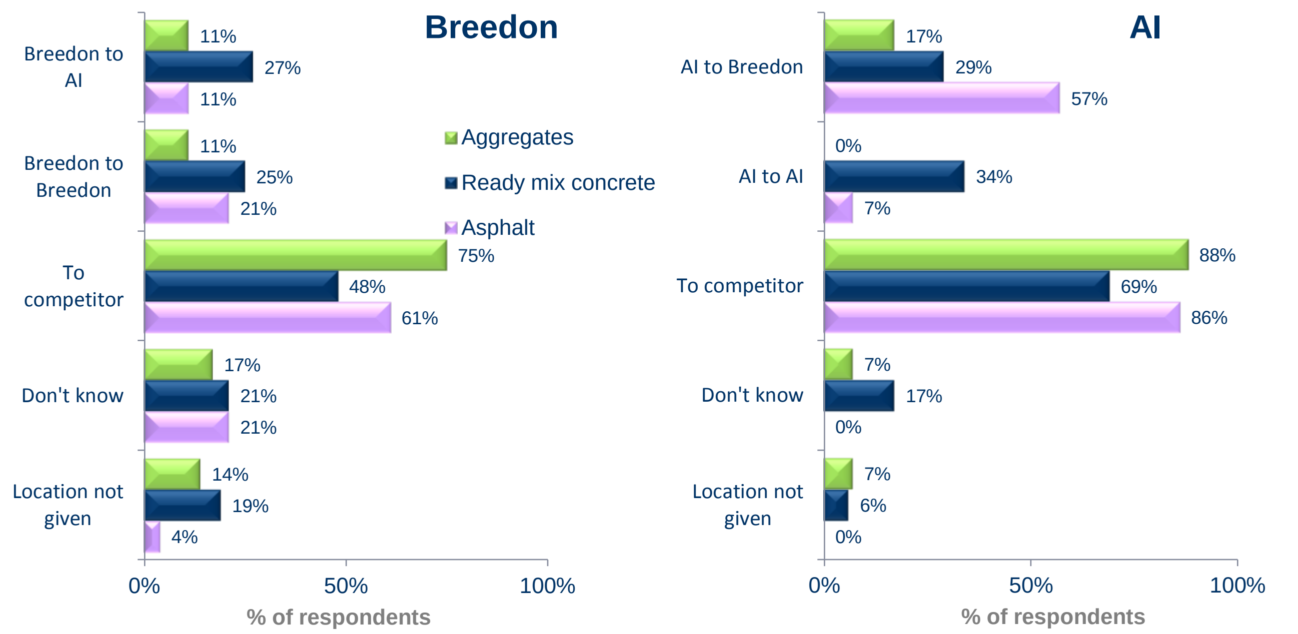


Base: ASP – 43, AGG – 146, RMX - 111

Customers who stated that they would consider another site were then asked which site or sites they would consider. For analysis the percentage who mentioned an AI site at all, the percentage who mentioned a Breedon site and the percentage who mentioned a competitor site are shown. The chart below shows this information separately for Breedon focal site users and AI focal site users.

It shows that the most common response from AI and Breedon site purchasers was to consider a competitor. However, there was also a substantial minority who purchased from Breedon focal sites who would move to an AI site (11% aggregates; 27% ready mix concrete; 11% asphalt) and a substantial minority from AI focal sites who would move to a Breedon site (17% aggregates; 29% ready mix concrete; 57% asphalt).

Figure 5.3 – Alternative sites would be considered (Q23a/b)

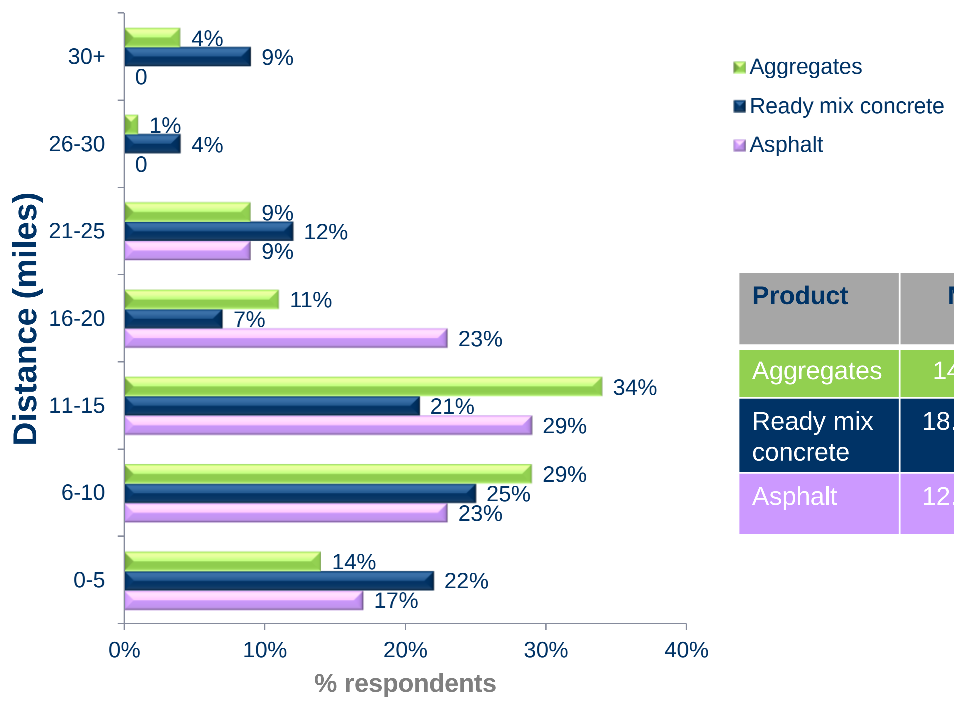


Base: All who would consider another site (ASP – 28, AGG – 88, RMX – 67)

Base: All who would consider another site (ASP – 14, AGG – 42, RMX – 35)

Further analysis of alternative sites was undertaken in which the distance from the focal site to each alternative site mentioned by a respondent was calculated. For a respondent who said that they would divert to more than one site an average distance was then calculated. Figure 5.4 shows the distribution of distances derived from this analysis. The insert box further shows distances averaged across all respondents and the minimum distance required to reach 80% of alternative sites.

Figure 5.4 – Distance of other sites considered (Q23a/b)



Product	Mean	80% Coverage
Aggregates	14 miles	16 miles
Ready mix concrete	18.4 miles	24 miles
Asphalt	12.1 miles	18 miles

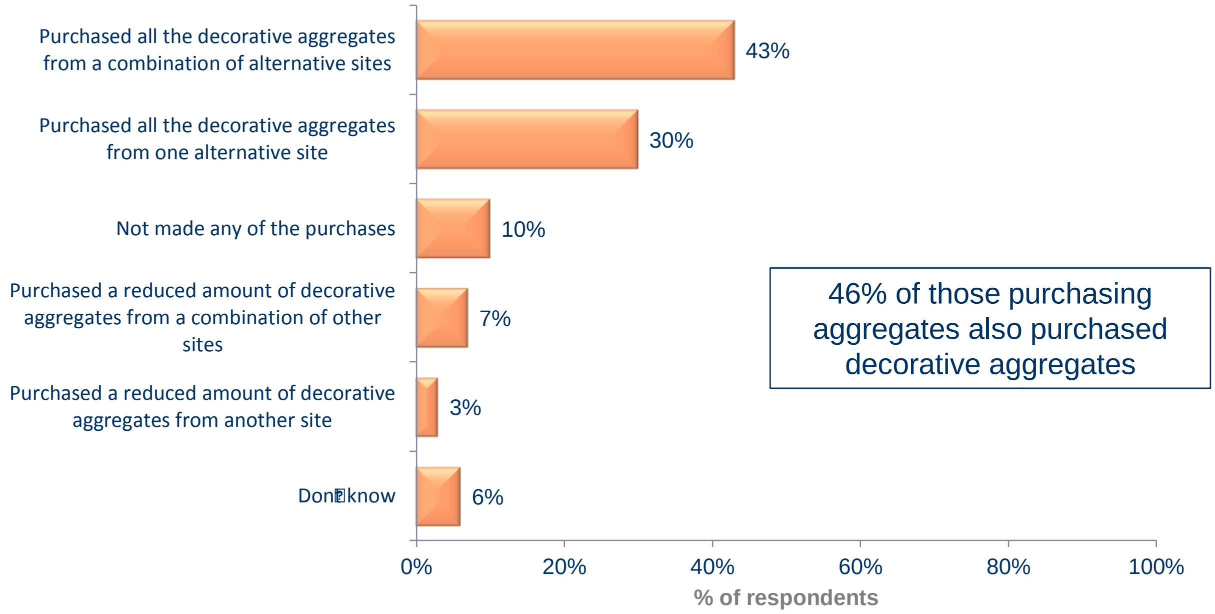
Base:: All giving a distance (ASP – 35, AGG – 109, RMX – 76)

39

5.3 Decorative Aggregates

When asked what they would have done if their focal site had been closed since 2012 about three quarters (73%) said they would purchase decorative aggregates from one or more alternative sites. Ten per cent said they wouldn't have made any of the purchases, followed by ten per cent saying they would purchase a reduced amount of decorative aggregates from a combination or one other site. Six per cent said they didn't know what they would do in that circumstance.

Figure 5.5 – Site closures when purchasing decorative aggregates (Q24)



Base: Customers who use aggregates and purchase decorative aggregates (67) 41

6. Impact of the merger

6.1 Introduction

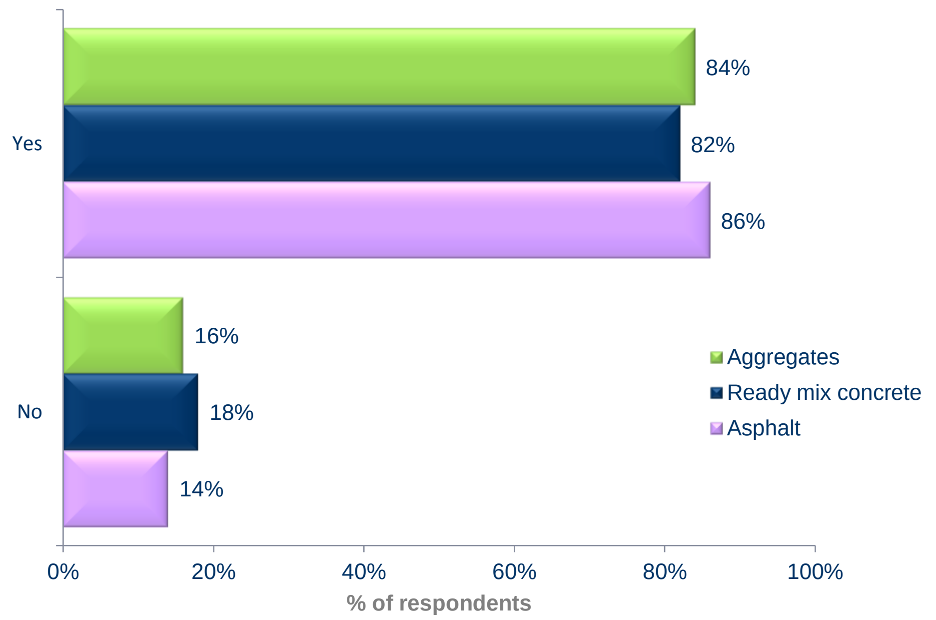
This section summarises the views of the market on the merger, including:

- Awareness of the merger;
- Views on the likely impact of the merger.

6.2 Awareness of acquisition

Respondents were asked whether they were aware of the acquisition. Eighty six per cent of those in the asphalt product category said they were aware of the acquisition, followed by 84% of aggregates and 82% of ready mix concrete. Under a fifth said they weren't aware that Breedon had acquired a number of sites.

Figure 6.1 – Awareness of acquisition (Q25)



Base: All respondents (231)

43

6.3 Views on the acquisition

DJS asked customers their views on the potential impact of the merger. On the whole there was a mix between those who felt there would be no impact and those who felt there would be a more substantial impact. The slide below shows as selection of comments given.

Figure 6.2 – Customer views on the merger

7. Summary

7.1 Market dynamics

The key drivers for purchase across all three product categories are price and location. Issues such as product and service quality are important, but not necessarily key drivers as it appears customers would only consider suppliers offering an adequate level.

When purchasing, most do collect quotes and negotiate on price, but a formal tender is less frequent as well as any contract for ongoing requirements.

Customers do purchase products at alternative sites although on average a quarter only purchase from the Breedon/AI focal site. Nearly half have changed sites/suppliers in the past few years and about a third expect to change sites/suppliers in the next two years, mostly as a result of changes in market conditions (i.e. competition between local sites as sites open and close).

Around half of aggregates purchases could switch to secondary and/or recycled, although the type to be used is often contained in the client job specification.

7.2 Diversion

Across the three product categories if a particular focal site is closed and that choice is taken away from the customer then most would simply go to a different local site. Very few customers would reduce their purchases if the focal site was closed. This is also true of decorative aggregates.

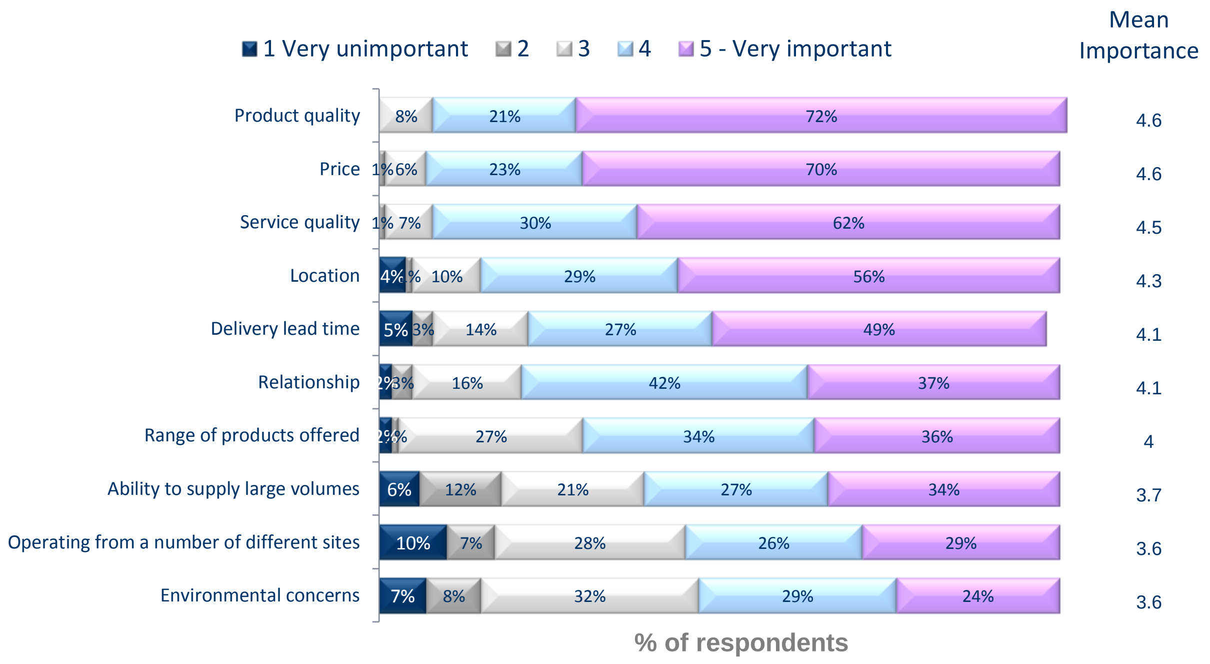
An analysis of the sites that would be used instead includes some diversion between the two inquiry parties, particularly from AI to Breedon sites. However, the majority of respondents did include a competitor site and only a small minority could not give an alternative.

The average travel distance to the nearest alternative site is:

- Asphalt – 12 miles
- Aggregates – 14 miles
- Ready mix concrete – 18 miles

8. Appendix

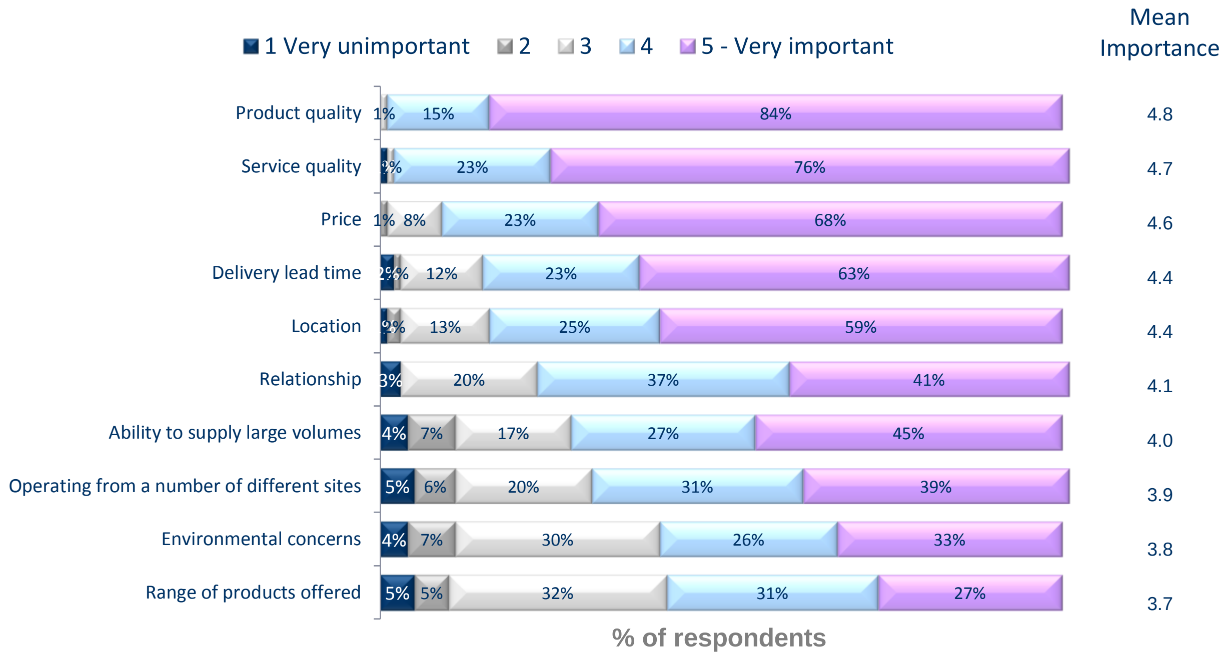
Figure 8.1 – Importance attributes when choosing a supplier of aggregates (Q5)



Base: AGG - 146

50

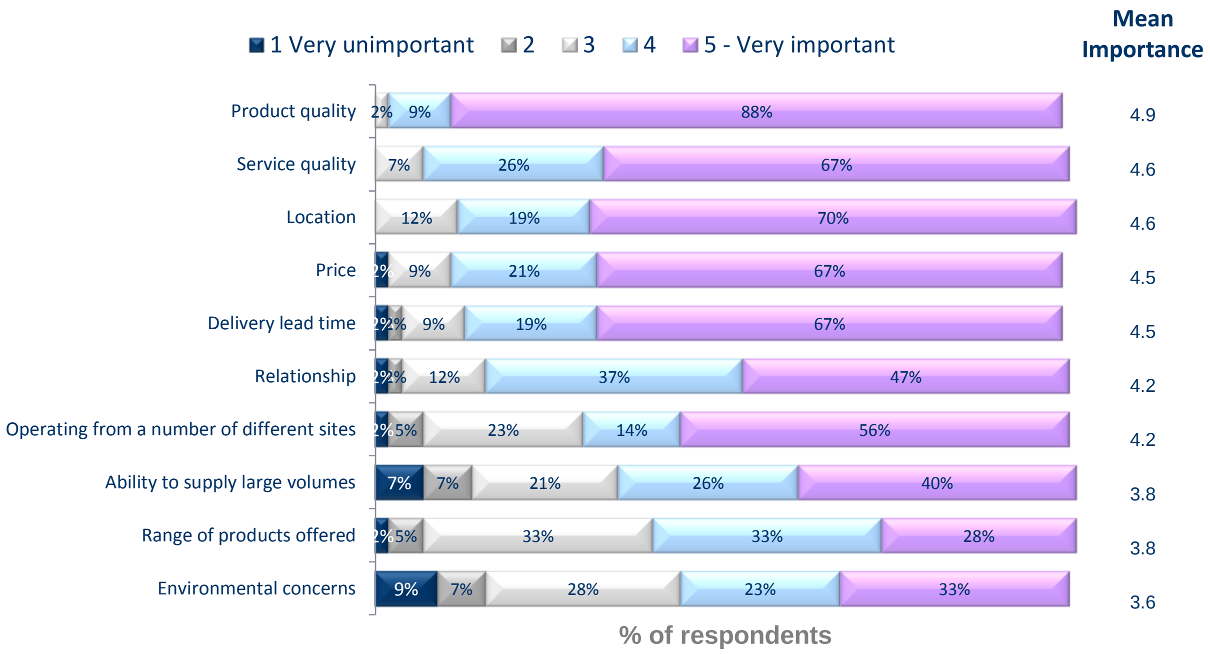
Figure 8.2 – Importance of attributes when choosing a supplier of RMX (Q5)



Base: RMX - 111

51

Figure 8.3 - Importance of attributes when choosing a supplier of asphalt



Base: ASP - 43

52

Copy Of Questionnaire

ASK TO SPEAK TO THE NAMED CONTACT OR THE PERSON RESPONSIBLE FOR PURCHASING [Insert up to three products from sample file - AGGREGATES, ASPHALT AND/OR READY MIX CONCRETE]. EXPLAIN WE ARE CONDUCTING A STUDY ON THIS MARKET FOR THE COMPETITION COMMISSION

INTRODUCTION

Good morning/afternoon/evening. My name is ....from DJS Research Ltd and we are working on behalf of the Competition Commission.

We are conducting a study about the construction material industry in the Grampian, Tayside and Fife and Highlands regions.

The interview will take around 20 minutes and we can call back at a more convenient time if you prefer. As we are members of the Market Research Society all information collected is treated in accordance with the code of conduct laid down by the Society.

Add reassurances, if necessary

- Everything you say is confidential and any response will not be attributed to you

This interview will also be recorded, Are you ok with that?

From sample:

1st product/ site combination: Site; Product; Volume (tonnes); Value
2nd product/ site combination: Site; Product; Volume (tonnes); Value
3rd product/ site combination: Site; Product; Volume (tonnes); Value

1. Q1 Firstly, can I check that you are responsible for purchasing [Insert up to three products/ site combinations from sample file i.e. P1S1 (Product 1/ Site 1), P2S2, P3S3]

INTERVIEWER INSTRUCTION: Some customers will not have purchased from a site, but from a supplier. If this is the case continue the questionnaire as if they had purchased from Breedon, or Aggregate Industries (also called AI or Bardon)

Purchase P1 (Product 1) from S1 (Site 1)

Yes

No – ask for referral, then go onto next combination

P2 from S2 (if in sample file)

Yes

No – ask for referral/ check if same as above referral, then go onto next combination

P3 from S3 (if in sample file)

Yes

No – ask for referral/ check if same as above referrals

If any yes's - go to those Q2 then onto product/ site loops

If all no's thank and close – move referral/s to sample file

Background and usage of products

I'd now like to understand a bit about your business and where these products sit within this. **NOTE IF CANNOT ANSWER FOR THE ENTIRE BUSINESS THEN ANSWERS FOR THEIR AREA OF RESPONSIBILITY IS OK**

Q2 Which of the following best describes your company and its requirement for [aggregates/asphalt/ ready mix concrete – from sample]?
READ OUT
SINGLE CODE

General construction / contractor
Road construction/maintenance company
Merchant/distributor of building materials
Plant hire company
Exporter
Local authority
Other **SPECIFY**
Don't know
Refused

Q3 How many job sites or delivery locations does your company have in Scotland? **WRITE IN**

____

Varies depending on number of projects
Don't know
Refused

Q4 Are your company's business activities local, regional, Scottish, or more widely based? **READ OUT**

Local
Regional
Across Scotland
Scotland and elsewhere
Don't know/refused

2.

PRODUCT/SITE COMBINATION SPECIFIC QUESTIONS

ASK Qs 5-24 FOR EACH OF THE PRODUCT/SITE COMBINATIONS GIVEN IN THE SAMPLE FILE

(DP NOTE – INTERVIEWER WILL ASK ALL QUESTIONS ABOUT FIRST PRODUCT/SITE COMBINATION GIVEN* IN THE SAMPLE FILE*, THEN THE SECOND COMBINATION (IF APPLICABLE), THEN THE THIRD (IF APPLICABLE))

First I would like to ask some general questions about purchasing [Product from sample file]

Q5 How important are each of the following when choosing a supplier of [aggregates/asphalt/ready mix concrete]? Please use a score from 1 to 5 where 1 is very unimportant and 5 is very important.
(**READ OUT** - Rotate ordering)

Price
Operating from a number of locations
Ability to supply large volumes
Delivery lead time
Location
Product quality
Range of products offered
Relationship
Service quality
Environmental concerns

Q5a Which of these is most important?
[Prompt equal top scorers from previous question if necessary]
3.

4. Q6 Thinking about your purchases from [site – FROM SAMPLE], did you purchase [aggregates/asphalt/ ready mix concrete] from any other sites within 30 miles of where you used the aggregates/asphalt/ ready mix concrete

DO NOT PROMPT

INSERT LIST FROM COMPETITOR LIST
Other site (s) - please specify (write in up to three)
Purchased from supplier rather than from sites (write in names of up to three suppliers)
No other sites
Don't know

DP INSTRUCTION: Use above answers to identify whether to use 'site' or 'supplier' in following questions

If sites given at Q6:

5. Q7a From which of these sites did you buy most aggregates/asphalt/ ready mix concrete in 2012? **LIST ALL GIVEN AT Q6**

If suppliers given at Q6

6. Q7b From from which of these suppliers did you buy most aggregates/asphalt/ ready mix concrete in 2012? **LIST ALL GIVEN AT Q6**

IF 1 or more sites given at Q6

7. Q8 Why do you purchase from more than one [site/ supplier – from Q6]?

8. DO NOT PROMPT

Different products
Price
Ability to supply large volumes
Delivery lead time
Location
Product quality
Range of products offered
Relationships with different suppliers
Service quality
Environmental concerns
Have a contract with them
Other **SPECIFY**
Don't know

Q9 Have the [sites/ suppliers] you have purchased from changed in the past few years?
READ OUT

Yes – a lot
Yes – a little
No

If Yes at Q9

Q9a Ask why

Q10 Any do you expect the [sites/ suppliers] you purchase from to change in the next two years
READ OUT

Yes – a lot
Yes – a little
No

If Yes at Q10
Q10a Ask Why

Decision making

I'd now like to understand a bit about the decision making for [aggregates/asphalt/ ready mix] concrete.

Note - no Q11

Q12 When you purchase [aggregates/asphalt/ ready mix concrete] how often does each of the following apply? Always, sometimes, rarely or never.
DISPLAY OPTIONS IN A GRID Rotate
READ OUT

We collect quotes for the work from various suppliers
We go through a formal tender for the work
We negotiate on price at the time of purchase
We agree and sign a contract for ongoing requirements

Purchasing behaviour

INT SAY: I'd now like to ask about your purchases of **aggregates/asphalt/ ready mix concrete (FROM SAMPLE)** from **INSERT SITE FROM SAMPLE**

Q13 Do you purchase materials directly (to be delivered or collected) or are they included as part of a contract that includes other services (such as asphalt surfacing)?

Direct purchase of materials

Contract services
Mixture of both
Don't know

IF AGGREGATES LOOP

Q14 When you purchase aggregates from [site from sample] do you specify whether you want primary, secondary or recycled, or do you leave that up to the supplier.

Yes - specify which
No – leave it up to the supplier
Varies

If Yes or Varies at Q14
Q15 What types of aggregates do you purchase at [site from sample]? **READ OUT**

Primary aggregates used in general construction and for value added products such as ready mix concrete, asphalt and concrete products
Primary aggregates used as decorative aggregates
Primary aggregates – special use aggregates such as rail ballast, high purity limestone, PSV, dolomite, agricultural lime
Secondary aggregates
Recycled aggregates
Other **SPECIFY**
Don't know

IF AGGREGATES LOOP
9. Q16 And which of the aggregates that you purchase at [site from sample] do you buy most of? **LIST ALL GIVEN AT Q15**

Primary aggregates used in general construction and for value added products such as ready mix concrete, asphalt and concrete products

Primary aggregates used as decorative aggregates

Primary aggregates – special use aggregates such as rail ballast, high purity limestone, PSV, dolomite, agricultural lime

Secondary aggregates
Recycled aggregates
Other **SPECIFY**
Don't know

ASK ALL BUYING PRIMARY AGGREGATES AT ALL AT Q15

Q17 I'd now like you to think about your purchase of primary aggregates from [site from sample] in 2012 (Please don't think about decorative aggregates and/ or specialist aggregates). I'm interested in understanding whether you could have changed your purchases to different types of aggregates. Could you have changed primary aggregates to secondary or recycled aggregates ?

Yes, on every occasion
Yes, on some occasions
No, on no occasions.

Q17a Why do you say this? [answer at Q17]

If decorative aggregates not mentioned at Q15

Q18 Did you purchase decorative aggregates from [site from sample] in 2012?

Yes
No

.

10. Q19 Why do you buy [product from site – FROM SAMPLE]

11. **DO NOT PROMPT**

Price

Operating from a number of locations
Ability to supply large volumes
Delivery lead time
Location
Product quality
Range of products offered
Relationship
Service quality
Environmental concerns

Have a contract with them
Other **SPECIFY**
Don't know

12. Q20 Which sites would you consider as alternatives for purchasing [aggregates/asphalt/ ready mix concrete] in place of **[site FROM SAMPLE]**? Please give us a full list of all those you would reasonably consider as we are interested in understanding the full list of competitors.

DO NOT PROMPT. CODE TO LIST PROVIDED
INSERT LIST OF COMPETITOR SITES FOR SAMPLE PRODUCT/SITE FROM COMPETITOR FILE

INT NOTE: Only sites within 30 miles of the main site are shown in the pre-coded list. Please use the write in box for any others mentioned and probe location/ownership etc.

Other site (s) - please specify (write in up to three)
Purchased from supplier rather than from sites (write in names of up to three suppliers)
Don't know

Q21 How easy or difficult would it be for you to switch your purchase from [sample site] to a different site for the purchase of [aggregates/asphalt/ ready mix concrete] ?
READ OUT
SINGLE CODE
Very easy
Quite easy
Quite difficult
Very difficult
Don't know
Refused

ASK FOR EACH PRODUCT/SITE CATEGORY FROM SAMPLE
ASK IF QUITE OR VERY DIFFICULT AT Q9
Q22 Why is it difficult to change?

Q23 I now want to think about what you would have done during 2012 if [site from sample] (from which you purchased [product]) had been closed since January 2012. Which of the following best describes what you would have done? [Rotate]
READ OUT

1. Purchased all the [aggregates/asphalt/ ready mix concrete] from one alternative site
2. Purchased all the [aggregates/asphalt/ ready mix concrete] from a combination of alternative sites
3. Purchased a reduced amount of [aggregates/asphalt/ ready mix concrete] from another site
4. Purchased a reduced amount of [aggregates/asphalt/ ready mix concrete] from a combination of other sites
5. Not made any of the purchases
6. Don't know

ASK IF RESPONDENT ANSWERS CODES 1 OR 3 AT Q23
Q23a Which other site would you have made the purchases from?
INSERT LIST OF COMPETITOR SITES FOR SAMPLE PRODUCT/SITE FROM COMPETITOR FILE

Other site - please specify (write in one only)
Purchased from supplier rather than from sites (write in the name of one supplier)
DK

ASK IF RESPONDENT ANSWERS CODES 2 OR 4 AT Q23
Q23b Which other sites would you have made the purchases from?
INSERT LIST OF COMPETITOR SITES FOR SAMPLE PRODUCT/SITE FROM COMPETITOR FILE

Other site (s) - please specify (write in up to three)
Purchased from supplier rather than from sites (write in names of up to three suppliers)
DK

DECORATIVE AGGREGATES

ONLY ASK IF PURCHASED DECORATIVE AGGREGATES AT Q15 (Code 1) or Q18 (Code 1)

Q24 I now want to think about what you would have done during 2012 if [site from sample] (from which you purchased decorative aggregates) had been closed since January 2012. Which of the following best describes what you would have done? [Rotate]
READ OUT

1. Purchased all the decorative aggregates from one alternative site
2. Purchased all the decorative aggregates from a combination of alternative sites
3. Purchased a reduced amount of decorative aggregates from another site
4. Purchased a reduced amount of decorative aggregates from a combination of other sites
5. Not made any of the purchases
6. Don't know

ASK IF RESPONDENT ANSWERS CODES 1 OR 3 AT Q24
Q24a Which other site would you have made the purchases from?

NOTE – As limited number of sites just write in what said

Other site (s) - please specify (write in up to three)
Purchased from supplier rather than from sites (write in names of up to three suppliers)
DK

ASK IF RESPONDENT ANSWERS CODES 2 OR 4 AT Q24
Q24b Which other sites would you have made the purchases from?

NOTE – As limited number of sites just write in what said

Other site (s) - please specify (write in up to three)
Purchased from supplier rather than from sites (write in names of up to three suppliers)
DK

Q25 Prior to this interview were you aware that Breedon had acquired, from Aggregate Industries, a number of quarries, asphalt plants, and ready mix concrete plants in North Scotland.

Yes

No

Q26 What impact, if any, do you think this will have on you?

Collect and report verbatim answers

ASK ALL

Q27 Would you be willing to be re-contacted by any of the following regarding this research?

READ OUT

MULTI CODE POSSIBLE

Competition Commission
DJS Research
Another agency

CONFIRM DETAILS

Interviewer assure respondent: This is purely for quality control purposes to back check our interviewers work

Name
Phone
Job title
Company
E-mail

Are you able to refer us the details for the person that is responsilble for purchasing [product]?

Name
Phone
Referred by (respondent name):
Notes:

Are you happy for your answers to be attributed?

Yes
No

Thank you for your time.