MARKET TESTING IN BRITISH GOVERNMENT HOUSEHOLD SURVEYS

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Introduction

In Britain, government surveys of households and individuals may be commissioned from the government's own survey research agency - the Social Survey Division (SSD) of the Office of Population Censuses and Surveys, or from other organisations such as market research companies, independent research institutes, or academic establishments. Customer funding is required from wherever the survey work is commissioned; and, for studies carried out by SSD, the principle is that the prices charged should represent the full economic cost of the work, ie. including all fixed overheads and capital charges as well as variable staff and data collection costs. It is incumbent on government departments, as customers for survey research, to decide where to place the contracts to secure best value for money, taking account of product quality and service reliability as well as of cost. Until a few years ago this process was one of single tender decisions with regard to SSD, and often to commercial agencies. Now, however, the requirement is increasingly for market testing, through competitive tendering processes, to apply to work commissioned not only from external suppliers but also from SSD. This is consistent with the broader thrust towards market testing for many spheres of government activity, that began in 1992, in an effort to secure better value for public money.

SSD Work Programme

SSD surveys are broadly of two kinds: continuous and non-continuous (ie. ad hoc or repeat). The continuous surveys account for about 80% of the work programme and are the following.

Survey	Year started	Annual Sample size
Family Expenditure	1957	10,000 h'hlds
International Passenger	1961	223,000 passengers
General Household	1971	12,000 h'hlds
Labour Force	1973	240,000 h'hld interviews
National Travel	1988	5,000 h'hlds
Omnibus	1990	24,000 adults
Family Resources*	1992	25,000 h'hlds
Health in England	1992	17,000 adults
English Housing	1993	20,000 h'hlds

*The FRS is carried out jointly with an independent research institute (SCPR)

The non-continuous studies are too numerous and varied to list but there are usually 20-30 in progress in any one year and they cover all kinds of topics important to social policy.

Market testing and SSD

Competitive tendering for SSD's work actually began on a small scale at the end of 1988 when the Division bid for, and won, a tender for just one ad hoc survey project. But it was not until 1991 that the process developed substantially when SSD bid for three large scale ad hoc surveys and was successful in two of these. In 1992 four out of eight tenders were successful, including two that were new continuous survey enquiries. In 1993, so far, eleven bids have been submitted, four of these have been won, six lost, and the outcome of one is not yet known.

The table below sets out year by year the SSD bidding experience. In all, 26 bids have been submitted for which the outcome is known, of which 11 have been successful. This which gives a success rate of just over 40%.

Table 1 SSD - competitive bidding experience

Year	Bids made successful	Bids made unsuccessful	Bids made not known	No bids	Total
1988	1	-	-	-	1
1989	-	2	-	4	6
1990	-	2	-	4	6
1991	2	1	-	10	13
1992	4	4	-	4	12
1993	4	6	1	3	14
TOTAL	11	15	1	25	52

Currently, work commissioned through competitive tender accounts for about 15 per cent of the total work programme of SSD. So far the competition has been mainly for new survey work. However, over the next two or three years it seems certain that the Division will increasingly need to bid competitively for continuous survey projects that it already carries out. For example plans are in hand to market test the Family Expenditure Survey, the Labour Force Survey, and the National Travel Survey, in 1994, and the General Household Survey in 1995: surveys that SSD has undertaken continuously for many years. The signs are therefore that the proportion of SSD's work that is competitively tendered will increase sharply over the next few years.

SSD's market share

It is difficult to compile precise figures on all government surveys of households and individuals, but approximate estimates are that SSD accounts for just over 50 per cent of all government expenditure on such work, market research companies for about 25 per cent, and other research agencies for about 25 per cent. However, in terms of number of projects, the SSD share is only about 10 per cent. The implication is clear: the work programme for SSD, the government agency, tends to comprise the larger scale, more complex, type of survey enquiry where the customer emphasis is on technical rigour, quality, and reliability, rather than on low cost. This is borne out by the competitive tendering experience so far where the successes have mainly been, though not exclusively, with that kind of project.

This raises an important point about market positioning. One of SSD's main objectives is to carry out survey research to the highest technical and quality standards achieved by any agency in Britain. This is easier said than measured, but being able to demonstrate the point is important because this is SSD's competitive advantage, this is what makes SSD different from the competition, and this is what needs to be promoted .

But obviously not all bids are won and customers may make value for money decisions in favour of the competition. The question then is, if the market generally goes for lower standards because of lower price, what marketing response should SSD make. Should it effectively re- position itself and reconsider its strategic business goals? It has concluded that it should not go 'down-market', because that position is already well catered for, and that it exists only so long as the government market for survey research wishes to buy sufficient of the kind of product SSD produces, for it to remain viable in business terms.

Problems and Stimuli

Market testing and competition have inevitably caused some problems for SSD as a research agency working within government. For example public sector accounting requirements prevent the full flexibility of budget management and pricing strategies that are open to private sector competitors. There are also concerns about disclosure of some aspects of operational methods where such disclosure is important to the maintenance of competitive advantage. Thirdly, there are potential conflicts of interest between SSD's role as a competitive supplier of survey research and its advisory role to government, especially in the handling of competitive tender processes. Fourthly, the SSD programme of work comprises, mainly, large projects: the fact that SSD's market is confined to the public sector makes it difficult to compensate quickly for the loss of any of these large items through competitive forces. And there may sometimes be difficulties over intellectual property rights if customers obtain free design work through the competitive tender process and then award the contract elsewhere.

However, in spite of the problems and greater uncertainties that market testing creates, the competitive stimulus has undoubtedly sharpened the focus both of the customer, through the need to be clear about research objectives and specifications, and the operational suppliers, who set out to meet those objectives in the most cost effective way. SSD has needed to develop a firmer, more customer orientated, management approach to its business, including a properly designed marketing strategy, more formal target setting and business planning, performance monitoring and customer feedback, and improved cost control mechanisms. It has needed to establish and clarify its market position as specialists in high quality, complex, enquiries involving the design, collection, processing, and analysis of survey data.

Technical advance and innovation have been essential to improve efficiency of operation and to maintain competitive advantage. Nowhere is this better seen than in the increasing application of computer methods to survey processes, especially computer assisted personal interviewing (CAPI). The Division has become the lead agency for CAPI in Britain, and it is envisaged that by end '94. CAPI will be used on nearly all its major continuous surveys and on many of its ad hoc enquiries as well. Market testing has also encouraged business enterprise, such as the setting up of an Omnibus Survey -a speculative venture which has so far proved successful both in business terms and as a technical operation.

Conclusions

So, provided they are properly and fairly applied, market testing and competition can be beneficial developments, at least as far as survey work is concerned. In spite of the problems and threats posed by competition, SSD's business has expanded by about 40 per cent in real terms over the last 4 years.