

# INDUSTRY OVERVIEW



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# Definition of Primary, Secondary and Tertiary

The primary sector involves the extraction of raw materials from the earth, such as farming, fishing, mining, and forestry. For example, a farmer harvesting wheat or a miner extracting coal are both involved in primary sector activities.

The secondary sector focuses on manufacturing and construction, transforming raw materials into finished goods. This includes industries like car manufacturing, steel production, and construction of buildings.

Finally, the tertiary sector provides services to individuals and businesses, encompassing a wide range of activities such as retail, education, healthcare, finance, and tourism. A teacher, a doctor, or a retail worker are all examples of individuals working in the tertiary sector.



# Public, Private and Third Sectors

The public sector comprises organisations owned and run by the government. These organisations provide essential services to the public, such as healthcare, education, and social care. The NHS and state schools are examples of public sector organisations.

The private sector, on the other hand, is made up of businesses owned by individuals or groups of individuals. These businesses aim to make a profit by providing goods and services to consumers. Examples of private sector organisations include supermarkets, banks, and technology companies like Apple.

The third sector, also known as the voluntary or not-for-profit sector, consists of organisations that are independent of government and do not aim to make a profit. These organisations often focus on social or environmental issues, and rely on donations, grants, and fundraising to operate. Charities, social enterprises, and voluntary organisations are all part of the third sector.

# Ownership Introduction

- ▶ The public sector, owned by the government, often prioritises value for money, social impact, and compliance with regulations. Procurement strategies in this sector may focus on obtaining the best value for taxpayers' money, ensuring fair and transparent processes, and meeting specific social and environmental goals.
- ▶ The private sector, owned by individuals or companies, is driven by profit and shareholder value. Procurement strategies in this sector often prioritise cost reduction, quality improvement, and supplier performance management to enhance competitiveness and profitability.
- ▶ The third sector, consisting of charities and social enterprises, focuses on social impact and financial sustainability. Their procurement strategies may prioritise ethical sourcing, supporting local suppliers, and ensuring that purchases align with their mission and values.

# Ownership

<b>Sector</b>	<b>Ownership</b>	<b>Examples</b>
Public Sector	Government	NHS, Local Councils, State Schools
Private Sector	Individuals or Companies	Limited Companies (Ltd), Sole Traders, Partnerships
Third Sector	Charities, Trusts, Social Enterprises	Oxfam, The British Heart Foundation, Cooperative Societies

# Regulations

- ▶ The public sector, funded by taxpayers, provides essential services like healthcare and education. It faces stringent regulations to ensure efficiency, transparency, and accountability. For example, the NHS must adhere to strict quality and safety standards, while local councils are subject to financial regulations and planning laws.
- ▶ The private sector, driven by profit, encompasses a vast range of businesses from small startups to multinational corporations. It is subject to a complex web of regulations, including competition law, consumer protection laws, and environmental regulations. These regulations aim to ensure fair competition, protect consumer rights, and safeguard the environment.
- ▶ The third sector, comprising charities and social enterprises, relies on donations, grants, and fundraising. While less regulated than the other sectors, it still faces specific regulations, such as charity commission rules and tax laws. These regulations ensure transparency, accountability, and the effective use of funds to achieve their charitable objectives.

# Regulatory Challenges

Sector	Ownership	Examples	Regulatory Challenges
Public Sector	Government	NHS, Local Councils, State Schools	Compliance with government regulations and policies Financial constraints and budgetary pressures Public scrutiny and accountability
Private Sector	Individuals or Companies	Limited Companies (Ltd), Sole Traders, Partnerships	Competition law and antitrust regulations Health and safety regulations Environmental regulations
Third Sector	Charities, Trusts, Social Enterprises	Oxfam, The British Heart Foundation, Cooperative Societies	Charity Commission regulations Fundraising regulations Tax regulations

# Stakeholder Examples

<b>Sector</b>	<b>Examples</b>	<b>Typical Stakeholders</b>
Public Sector	NHS, Local Councils, State Schools	Taxpayers, Patients, Students, Staff, Government Ministers
Private Sector	Limited Companies (Ltd), Sole Traders, Partnerships	Shareholders, Customers, Employees, Suppliers, Creditors, Government
Third Sector	Oxfam, The British Heart Foundation, Cooperative Societies	Donors, Volunteers, Beneficiaries, Staff, Government





# Funding Explained

Procurement and funding are inextricably linked in strategic planning. In the public sector, government funding determines the scale and scope of public services, influencing procurement decisions. For instance, increased funding for healthcare might lead to larger procurement contracts for medical equipment and supplies.

In the private sector, available funding, whether from loans, investments, or revenue, shapes procurement strategies. A business with ample funding might invest in advanced technologies or strategic partnerships, while one with limited funds may focus on cost-cutting measures and value-for-money procurement.

The third sector relies on donations, grants, and fundraising to fuel its operations. Procurement decisions must align with the organisation's mission and financial constraints. For example, a charity might prioritise ethical sourcing and support for local suppliers, even if it means higher costs.

# Funding and Objectives

<b>Sector</b>	<b>Examples</b>	<b>Sources of Funding</b>	<b>Main Objectives of Procurement</b>
Public Sector	NHS, Local Councils, State Schools	Government funding, taxes, fees	Value for money, social and environmental impact, compliance with regulations
Private Sector	Limited Companies (Ltd), Sole Traders, Partnerships	Loans, investments, sales revenue, profits	Cost reduction, quality improvement, supplier performance management
Third Sector	Oxfam, The British Heart Foundation, Cooperative Societies	Donations, grants, fundraising, trading income	Social impact, financial sustainability, ethical sourcing

# Public Sector Tendering

A public sector tender process is a formal procedure used by government agencies to procure goods, services, or works. It involves the following key steps:

## **1.Requirement Definition:**

1. Identify the specific need or problem to be addressed.
2. Develop a detailed specification outlining the requirements, including quality standards, delivery timelines, and performance metrics.

## **2.Tender Notice Publication:**

1. Publish a tender notice in relevant publications (e.g., government portals, newspapers, trade journals) to attract potential suppliers.
2. Clearly outline the scope of work, eligibility criteria, and submission deadlines.

## **3.Supplier Selection:**

1. Review and evaluate supplier responses based on the specified criteria, such as price, quality, experience, and financial stability.
2. Shortlist potential suppliers for further consideration.

## **4.Tender Evaluation:**

1. Assess the technical and commercial proposals submitted by shortlisted suppliers.
2. Evaluate factors like price, quality, delivery timelines, and overall value for money.

## **5.Contract Award:**

1. Award the contract to the most suitable supplier based on the evaluation criteria.
2. Negotiate final terms and conditions, including pricing, payment terms, and performance metrics.
3. Issue a formal contract document.

## **6.Contract Management:**

1. Monitor supplier performance throughout the contract period.
2. Resolve any disputes or issues that may arise.
3. Ensure compliance with contract terms and conditions.

Public sector tender processes are designed to be transparent, fair, and competitive, ensuring that taxpayers' money is spent wisely and that public services are delivered efficiently

# Public Vs Private

<b>Feature</b>	<b>Public Sector</b>	<b>Private Sector</b>
<b>Procurement Objectives</b>	Value for money, social and environmental impact, compliance with regulations	Cost reduction, quality improvement, supplier performance management
<b>Procurement Process</b>	Formal, transparent, and competitive tendering process	More flexible and informal processes, often negotiated directly with suppliers
<b>Supplier Selection</b>	Focus on quality, reliability, and compliance with regulations	Focus on cost, quality, and delivery time
<b>Contract Management</b>	Rigorous contract management to ensure compliance and value for money	More flexible contract terms, often renegotiated as needed
<b>Ethical Considerations</b>	Strong emphasis on ethical sourcing and sustainable procurement	Ethical considerations, but often balanced with commercial interests

# Adding Value: Private

## 1. Strategic Sourcing:

1. **Supplier Segmentation:** Categorise suppliers based on their strategic importance and leverage appropriate sourcing strategies.
2. **Supplier Relationship Management:** Build strong relationships with key suppliers to ensure reliable supply, quality, and cost-effective solutions.
3. **Global Sourcing:** Explore opportunities to source goods and services from international markets to reduce costs and improve quality.

## 2. Cost Reduction:

1. **Negotiation:** Develop strong negotiation skills to secure favourable terms and conditions with suppliers.
2. **Cost Analysis:** Conduct regular cost analysis to identify cost-saving opportunities and reduce procurement costs.
3. **Consolidation:** Consolidate purchases to increase buying power and negotiate better deals.

## 3. Quality Improvement:

1. **Supplier Performance Management:** Implement a robust supplier performance management system to monitor and improve supplier quality.
2. **Quality Assurance:** Establish quality standards and inspection procedures to ensure that procured goods and services meet specifications.
3. **Continuous Improvement:** Work with suppliers to identify and implement continuous improvement initiatives.

## 4. Risk Management:

1. **Supplier Risk Assessment:** Identify and assess potential risks associated with suppliers, such as financial instability, supply chain disruptions, and quality issues.
2. **Risk Mitigation Strategies:** Develop strategies to mitigate risks, such as diversifying suppliers, implementing contingency plans, and building strong relationships with suppliers.

## 5. Innovation and Sustainability:

1. **Innovation Sourcing:** Seek out innovative suppliers and solutions to drive innovation and improve business performance.
2. **Sustainable Procurement:** Prioritise sustainable sourcing practices, such as reducing waste, minimising environmental impact, and supporting ethical suppliers.

# Adding Value: Public Sector

## 1. Value for Money:

1. **Competitive Tendering:** Implement robust tendering processes to ensure fair competition and best value for money.
2. **Cost Reduction:** Identify opportunities to reduce costs without compromising quality or service delivery.
3. **Benchmarking:** Compare procurement practices with other public sector organisations to identify best practices and cost-saving measures.

## 2. Social and Environmental Impact:

1. **Sustainable Procurement:** Prioritise sustainable sourcing practices, such as reducing carbon emissions and supporting local businesses.
2. **Social Value:** Consider the social impact of procurement decisions, such as creating jobs and supporting disadvantaged groups.
3. **Ethical Sourcing:** Ensure that suppliers adhere to ethical standards and avoid exploitation of workers.

## 3. Compliance and Risk Management:

1. **Legal and Regulatory Compliance:** Adhere to strict procurement regulations and guidelines to avoid legal challenges and reputational damage.
2. **Risk Assessment:** Identify and mitigate potential risks, such as supplier failure or supply chain disruptions.
3. **Contract Management:** Implement effective contract management processes to ensure compliance and performance.

## 4. Innovation and Efficiency:

1. **Innovation Sourcing:** Seek out innovative solutions and suppliers to improve public services.
2. **Digital Transformation:** Leverage technology to streamline procurement processes, reduce costs, and improve efficiency.
3. **Collaboration:** Work with other public sector organisations to share best practices and collaborate on procurement initiatives.



# Industrial Sectors

The retail sector, exemplified by companies like Tesco and Amazon, prioritises efficient procurement to ensure a constant supply of products at competitive prices. This involves negotiating favourable deals with suppliers, managing inventory levels, and minimising costs.

The agriculture sector, represented by giants like Nestle and Cargill, focuses on securing reliable sources of raw materials, such as crops and livestock. Procurement in this sector is crucial for maintaining food security and ensuring quality standards.

The manufacturing sector, dominated by companies like Toyota and Samsung, relies on efficient procurement of components and raw materials to optimise production processes. This involves sourcing high-quality materials at competitive prices, managing supply chains, and minimizing downtime.

The services sector, encompassing companies like Google and Microsoft, prioritises procurement of IT equipment, software, and professional services. This involves selecting reliable suppliers, negotiating favourable contracts, and ensuring compliance with industry standards.

Finally, the construction sector, with companies like Bechtel and Vinci, focuses on procuring building materials, equipment, and labour. Procurement in this sector is crucial for managing project timelines, controlling costs, and ensuring quality standards.

# Industrial Sector Examples

<b>Sector</b>	<b>Examples of Businesses</b>
Retail	Tesco, Amazon, Zara, Aldi
Agriculture	Nestle, Cargill, JBS, Unilever
Manufacturing	Toyota, Samsung, Foxconn, Tesla
Services	Google, Microsoft, Apple, Amazon
Construction	Bechtel, Vinci, Skanska, Balfour Beatty



# Sector Aims & Challenges

<b>Sector</b>	<b>Procurement Aims</b>	<b>Procurement Challenges</b>
Retail	Efficient supply chain management, cost reduction, quality assurance	Supply chain disruptions, price volatility, consumer demand fluctuations
Agriculture	Secure supply of raw materials, quality control, sustainability	Climate change, disease outbreaks, price volatility
Manufacturing	Cost reduction, quality improvement, supplier performance management	Supply chain disruptions, global trade tensions, technological advancements
Services	Cost-effective sourcing of IT equipment and software, ensuring service quality, managing supplier relationships	Rapid technological change, cybersecurity risks, global talent competition
Construction	Timely procurement of materials and equipment, cost control, quality assurance	Supply chain disruptions, labour shortages, material price fluctuations

# Barriers to Entry

<b>Sector</b>	<b>Barriers to Entry</b>
Retail	High capital costs, strong brand loyalty, distribution networks, economies of scale
Agriculture	Land ownership, access to water and other resources, regulatory hurdles, technological expertise
Manufacturing	High capital costs, economies of scale, intellectual property rights, technological expertise
Services	Brand reputation, regulatory barriers, intellectual property rights, customer loyalty
Construction	Licensing and certifications, capital intensity, project financing, regulatory compliance

# Buying Power

Sector	Buyer Power	Example
Retail	High	Large retailers like Tesco and Walmart can negotiate significant discounts with suppliers due to their large purchasing volumes.
Agriculture	Moderate to High	Large food processing companies and supermarkets can exert pressure on farmers to lower prices, especially for commodity crops.
Manufacturing	Moderate	Large manufacturers can negotiate favourable terms with suppliers, particularly for standardised components. However, for specialised components or scarce resources, supplier power may be higher.
Services	High	Large corporations can negotiate significant discounts on IT services, consulting, and other professional services.
Construction	High	Large construction companies and government agencies can leverage their purchasing power to negotiate lower prices for materials and labour.

# Services

The intangible nature of services presents unique challenges for procurement. Unlike physical products, services cannot be easily evaluated before purchase, making it difficult to assess quality and value.

## Key Challenges:

**Difficulty in Specification:** Defining and measuring the quality of services can be challenging. For example, how can one accurately specify the quality of a consulting service or software development project?

**Inseparability of Production and Consumption:** Services are often produced and consumed simultaneously, making it difficult to control quality and standardize processes. This can lead to variations in service delivery.

**Perishability:** Services cannot be stored or inventoried. This means that service providers must carefully manage capacity to meet demand and avoid wastage.

**Variability:** The quality of services can vary depending on the skills and abilities of the service provider. This can lead to inconsistencies in service delivery.

**Risk Assessment:** Assessing the risk associated with service procurement can be challenging, as it involves evaluating intangible factors like the provider's reputation, expertise, and ability to meet specific requirements.

# Overcoming Service Challenges

- **Clearly Define Service Requirements:** Develop detailed service level agreements (SLAs) that outline specific performance metrics and key performance indicators (KPIs).
- **Focus on Supplier Selection:** Carefully evaluate suppliers based on their reputation, experience, and ability to meet specific needs.
- **Implement Strong Contract Management:** Use robust contracts to clearly define the scope of work, payment terms, and performance expectations.
- **Monitor Performance Closely:** Regularly monitor and evaluate supplier performance to ensure compliance with contract terms and service level agreements.
- **Build Strong Relationships with Suppliers:** Foster open communication and collaboration with suppliers to address issues and improve service delivery.
- **Consider Alternative Procurement Methods:** Explore options like outsourcing, crowdsourcing, and co-creation to leverage innovative approaches to service delivery.