

MAY 2022

UK Strategic Suppliers

2022 Interim Report

tussell^o

Trusted Insight on Government
Contracts and Spend



Since our last report, **two new entrants** joined the list of **Strategic Suppliers**

Strategic Suppliers' **revenue increased by 24%** in the 12 months to Sep-2021, but their **market share remained flat**

Three of the group achieved **more than 100% growth** in public sector revenues, having been heavily involved in the Covid response

Central Government remains the **largest buyer** of goods and services from the Strategic Suppliers

20 buyers accounted for more than **75% of spending** with the group

Who are the Strategic Suppliers?









































A small number of companies do so much business with the government and provide such vital services that the Cabinet Office takes a more hands-on approach to managing procurement with them. It designates them "Strategic Suppliers".

Exceeding annual expenditure of £100m is a practical criterion for inclusion onto the list of Strategic Suppliers, although it is not a requirement. While being added to the list is a sign of success, it also comes with greater scrutiny of the suppliers to ensure that public funds are being well spent.

As of May 2022, there were 40 Strategic Suppliers. Two new organisations, BAE Systems and Thales, were added in 2021. It's Thales' first time being designated as a Strategic Supplier, while BAE Systems has been reinstated after losing the designation in 2019.

This report examines the UK public sector revenue earned and contracts won by the Strategic Suppliers. All the data in this report covers the 12-month period from October 2020 to September 2021 – a necessary time-lag due to delays in the publication of spend data by the underlying public bodies.

NOTE: There are some significant exclusions in this report, which have a meaningful impact on the figures. For a detailed methodology see the dedicated page at the end of the report.

How have we organised the Strategic Suppliers into sectors?



Aerospace & Defence

BAE Systems
Thales



Construction & Engineering

Atkins
Babcock
Balfour Beatty
Jacobs
KBR
Kier
Laing O' Rourke
Mott Macdonald



Consulting

Deloitte
EY
KPMG
PwC



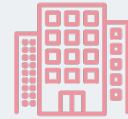
Technology

Accenture
Atos
AWS
Capgemini
Capita
CGI
Computacenter
DXC Technology
Fujitsu
IBM
Leidos
Microsoft
Oracle
Sopra Steria



Telecoms

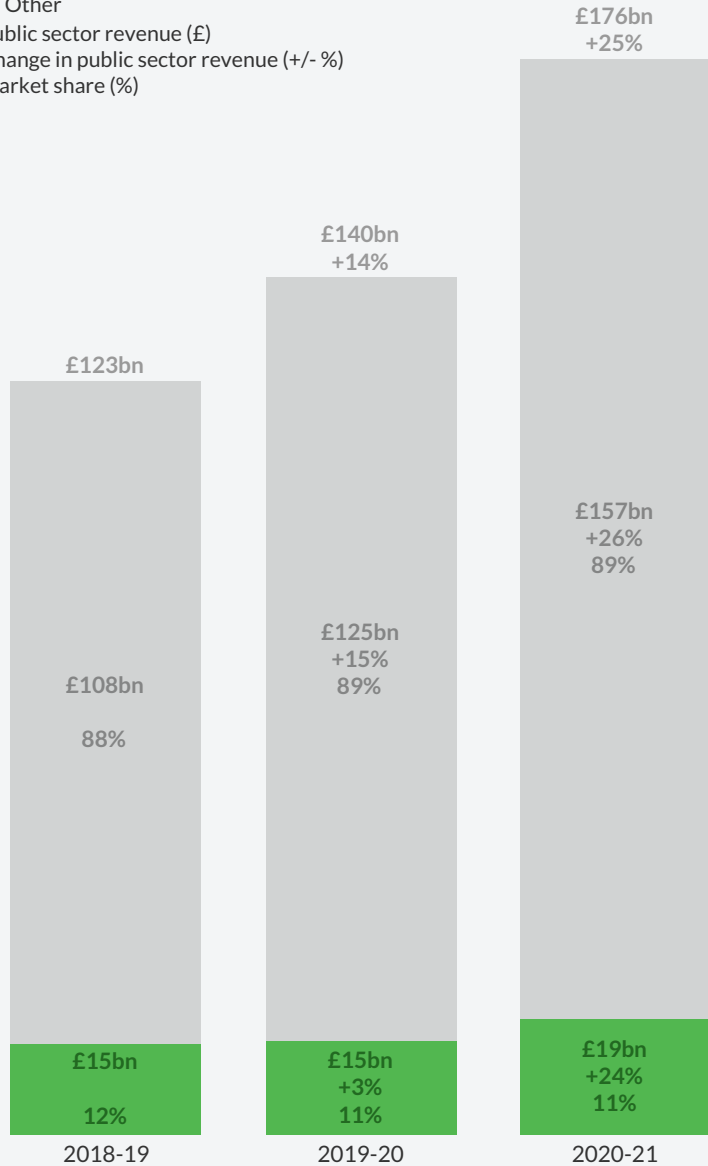
BT
Motorola
Virgin Media
Vodafone



Outsourcing & FM

Amey
Engie
G4S
Interserve
ISS
Mitie
Serco
Sodexo

■ Strategic Suppliers
■ Other
 Public sector revenue (£)
 Change in public sector revenue (+/- %)
 Market share (%)



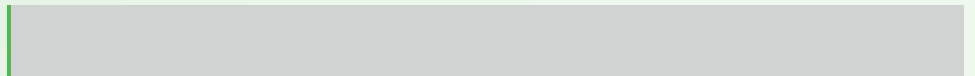
Strategic Suppliers' revenue has grown in line with the rapid increase in public sector spending

In total, the 40 Strategic Suppliers earned revenue of £19bn from the UK wider public sector in the 12 months to Sep-2021 (from here on referred to as "2020-21"), an increase of 24% year on year, which is in line with the significant growth in the overall market.

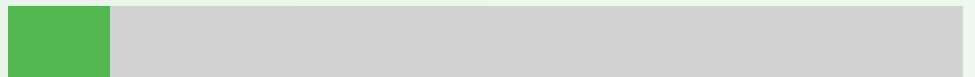
Their share of the total market has stabilised at 11%, equal to the prior period.

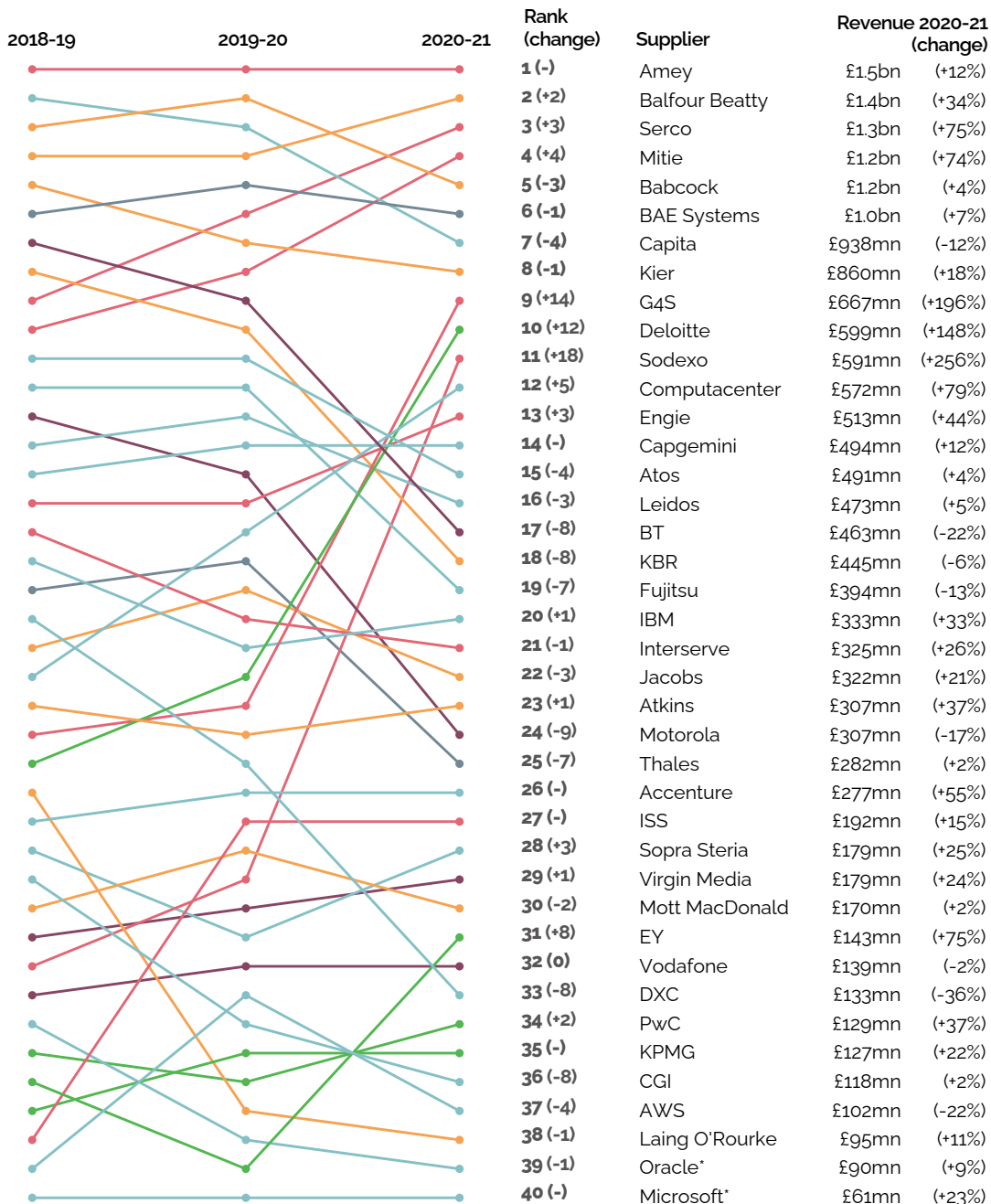
To put their revenue into context, these 40 companies earned almost half as much in public sector revenue as all SMEs combined.

Strategic Suppliers represent 0.3% out of 113,000 suppliers



But earned 11% of £176bn spent by the public sector





Significant movements in supplier rankings

Amey and Microsoft are the only two suppliers that have remained in their position consistently over three years. All other suppliers have changed rank - the majority in the last year - as their public sector revenue has fluctuated.

Six of the 40 Strategic Suppliers now earn more than £1bn.

While the biggest sector by revenue is Outsourcing & FM, the sector with the fastest growth is Consulting - where revenue almost doubled year on year. Telecoms is the only sector where the revenue to Strategic Suppliers has declined.

**Microsoft and Oracle are significantly understated since the chart only measures revenue from their direct sales to the public sector, whereas most of their revenue is derived from indirect sales of their products by third party partners and resellers. This may apply to a lesser extent to AWS as well.*

Sector	Revenue 2020-21	Annual change
Outsourcing & FM	£6.3bn	+59%
Construction & Engineering	£4.7bn	+16%
Technology	£4.7bn	+7%
Aerospace & Defence	£1.3bn	+6%
Telecoms	£1.1bn	-13%
Consulting	£1.0bn	+91%







Five out of the eight high-growth suppliers are in Outsourcing & FM

Strategic Suppliers public sector revenue 2020-21, and annual change



Strategic Suppliers earn nearly two thirds of their revenue from Central Government

Spending 2020-21 by public sector buyer type and Strategic Supplier sector

	 Outsourcing & FM	 Construction & Engineering	 Technology	 Aerospace & Defence	 Telecoms	 Consulting	Grand Total
Central Government	£3.9bn	£2.2bn	£3.5bn	£1.1bn	£0.7bn	£0.8bn	£12.1bn
Local Government	£1.0bn	£1.3bn	£0.4bn	£0.0bn	£0.2bn	£0.0bn	£3.0bn
NHS	£0.6bn	£0.3bn	£0.3bn	£0.0bn	£0.1bn	£0.1bn	£1.2bn
Other	£0.8bn	£1.0bn	£0.5bn	£0.2bn	£0.1bn	£0.1bn	£2.7bn
Grand Total	£6.3bn	£4.7bn	£4.7bn	£1.3bn	£1.1bn	£1.0bn	£19.0bn

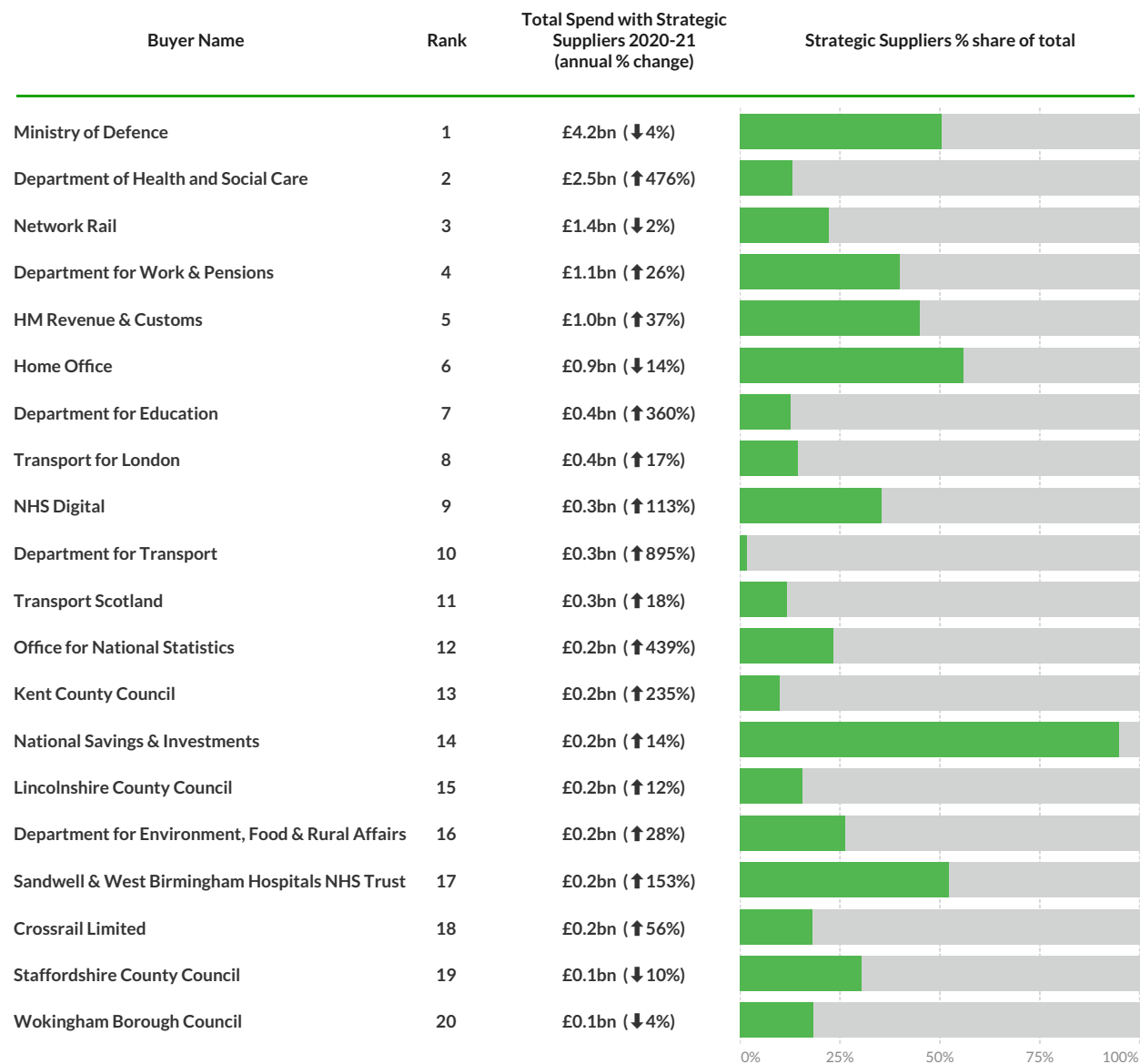
Top spenders with Strategic Suppliers

Of all public bodies that did business with the Strategic Suppliers in 2020-21, the top 20 by total spend accounted for £14bn of the £19bn revenue earned by the group (or 76% of the total).

15 of the top 20 spent more with the Strategic Suppliers in the 12 months to Sep-21 than in the previous period, including seven buyers that increased their spend with the group by more than 100% year on year.

Nine out of 20 spent more than 25% of their total third-party procurement budget with the Strategic Suppliers.

The top 20 include four local authorities and one NHS Trust.



The Challengers

A number of suppliers to government earned as much revenue in the 12 months to Sep-2021 as the Strategic Suppliers, even within the same sectors. In our previous report, we referred to them as 'challengers' and highlighted Softcat and PA Consulting as potential Strategic Suppliers in the future. This was validated by the subsequent acquisition of PA Consulting by Jacobs.

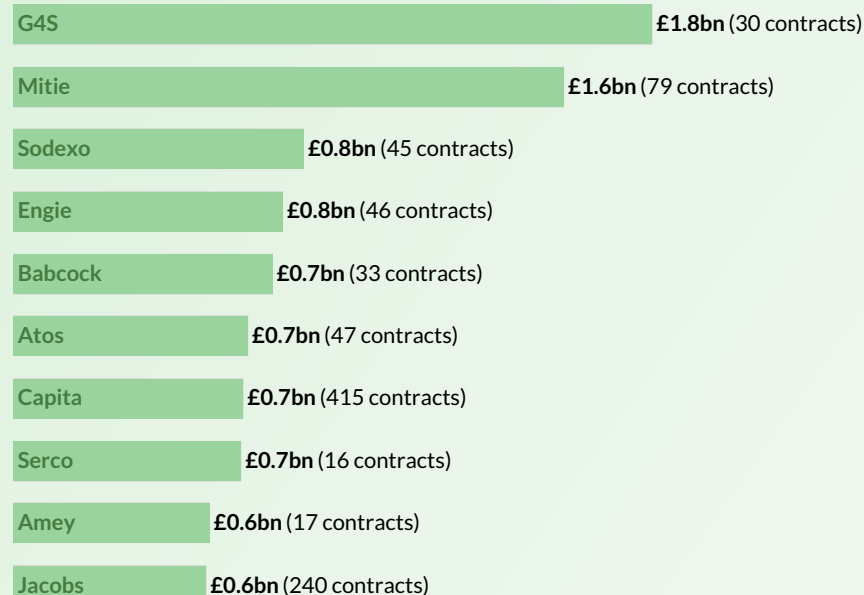
If they were Strategic Suppliers, Skanska would rank in 6th place behind Babcock, Veolia would rank in 10th place behind G4S, and Softcat would be in 20th place behind Fujitsu.

Suppliers with revenue comparable to Strategic Suppliers (12 months to Sept-2021 and annual change)

The Challengers

1	Skanska	Construction & Engineering	£1bn	+39%
2	Siemens	Construction & Engineering	£863mn	+41%
3	Veolia	Outsourcing & FM	£653mn	+4%
4	Costain	Construction & Engineering	£512mn	-1%
5	Boeing	Aerospace & Defence	£391mn	+13%
6	Softcat	Technology	£365mn	+27%
7	Suez	Outsourcing & FM	£340mn	0%
8	Leonardo	Aerospace & Defence	£180mn	-5%
9	McKinsey & Company	Consulting	£62mn	+105%
10	Equal Experts	Consulting	£57mn	+40%

Value of contracts expiring in 2022-25, by Strategic Suppliers



Challenging or partnering with the Strategic Suppliers requires careful planning.

The Strategic Suppliers currently have 2,400 live services contracts due to roll off by the end of 2025. Services are more likely to be re-procured than works or goods, and therefore contract expirations are a good indication of future opportunities for challengers to contest the business or for partners to supply the incumbent.

In aggregate, the Strategic Suppliers have £15bn of contract renewal risk in the next 3 years. The list is topped by G4S but includes many of firms in the Outsourcing & FM sector. In future, these companies will have to defend their public sector footprints, not just focus on new business.

Strategic Suppliers nearly double their share of call-offs over two years

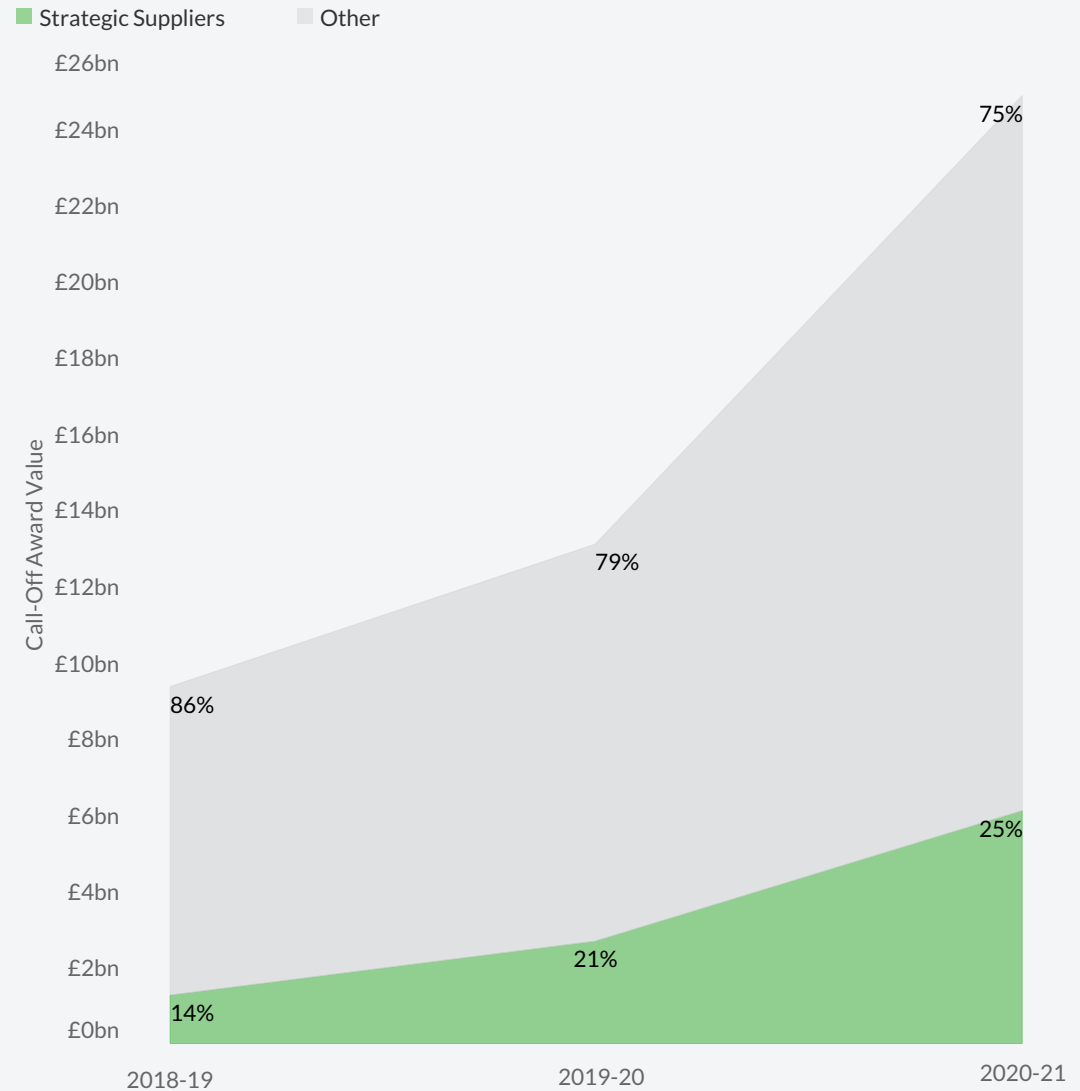
In 2021, Tussell made a significant step forward in public sector market intelligence, becoming the first provider to match almost 50,000 call-off contracts to their originating frameworks - and in doing so, provided entirely new insights into the market.

What we've learned is that frameworks are becoming more numerous, and we're seeing an increase in the value of contracts (or so called "call-offs") being awarded through them.

Strategic Suppliers are riding the wave of this growth, winning call-offs worth £6.1bn in 2020-21.

They're also outperforming the rest of the market. Their market share of total call-offs matched by Tussell was 25% in 2020-21, up from 14% in 2018-19.

Proportion of call-off award value won by Strategic Suppliers, 2018-19 to 2020-21



What next? Three strategies for turning these insights into action



Compete

- Monitor Strategic Suppliers' expiring contracts to build a pipeline of opportunities
- Use spend data to see where they're doing business and you're not
- Explore which [frameworks](#) Strategic Suppliers are using most heavily, by seeing call-off contracts they've won matched to the original agreements
- Contact key [decision-makers](#) and start to develop relationships in target accounts, building the case for your proposition well in advance of future procurements



Partner

- See which Strategic Suppliers have a leading position in the public bodies you want to sell to
- Find major deals that are likely to require support from subcontractors or partners
- Use expiring contracts to prepare for joint or consortium bidding – together with a Strategic Supplier
- Get onto their approved supplier list(s) to tap into the vast tier 2 market
- Find [frameworks](#) likely to use your products or services and sell to suppliers on those agreements



Avoid

- Find niche areas that the Strategic Suppliers are not active in and focus your attention there
- Sell direct using key [decision-maker data](#) to win lower value opportunities where Strategic Suppliers are less likely to be interested
- Target customers with limited use of Strategic Suppliers or high spending with SMEs, to improve your chances of success
- Focus on local and regional supply where you're likely to have a better social value proposition

All the data in this report comes directly from the Tussell online market intelligence platform

The screenshot displays the Tussell online market intelligence platform interface. The main navigation bar includes 'PINs', 'Frameworks', 'Contract Awards', 'Spend Data', 'My Hub', and 'My Account'. The central area features a 'Data Table' tab, a 'Trend over Time' chart, and a 'Transaction' sidebar. The chart shows spend data from 2016 to 2021, with values ranging from £0 to £370M. The table below the chart has columns for Buyer, Supplier, Supplier city, Supplier country, Total transactions, and Total value. The sidebar includes filters for 'Contract Awards', 'Key Decision-Makers', 'Frameworks', and 'Spend Data'. The 'Contract Awards' filter includes 'Contract' (Contains any of these keywords: Human Resources, HR). The 'Key Decision-Makers' filter includes 'Job Title' (Job title, Commercial Director). The 'Frameworks' filter includes 'By Framework' (Contract framework: G-Cloud 12, Technology Services 2 - RM3804). The 'Spend Data' filter includes 'Transaction' (Spend type, category or description contain any of these keywords: Facilities Manager, FM). The 'By Contact Information' filter includes 'Has email', 'Has phone number'. The 'By Function' filter includes 'Finance'.

To learn more and see it in action
visit tussell.com

Data coverage and considerations

This report is based on open procurement data from official sources aggregated, organised and augmented by Tussell.

Except for the analysis of expiring contracts and frameworks, all the charts in the report are based on spend data. This refers to the supplier invoices published by public sector bodies for transparency purposes. This disclosure is a legal requirement for all Central Government departments in the UK (including most of their executive agencies), and for Local Government and NHS bodies in England (but not in the other UK nations). In total, Tussell collects spend data from 922 live sources, encompassing nearly all of the sources for which viable spend data is available.

Due to a publishing lag of 3-6 months by many of the underlying bodies, we have analysed spending for the 12 months to September 2021 to allow for as complete data coverage as possible. Nevertheless, spend from 307 public bodies still had to be excluded from the analysis on account of publication delays of more than six months. In order to make meaningful year-on-year comparisons, spend from these bodies has been excluded from prior years as well.

While most of the exclusions are small public bodies, they include a number of large public bodies that have yet to publish their spend data up until Sep-2021, such as:

- National Highways (previously Highways England)
- NHS England
- Ministry of Justice, including its executive agencies HM Prison and Probation Service and HM Courts and Tribunal Service

This is an interim report. Data coverage permitting, Tussell intends to update the analysis in Q4 2022 for the government's fiscal year 2021/22, ending 31st March 2022.

Analysis of the Strategic Suppliers includes their main subsidiaries as listed in FAME, a company database owned by Moody's, but not associate companies or minority investments.

The analysis covers only *direct* spend with the Strategic Suppliers, not revenue earned by sales of their products/services by third party resellers. For this reason, the spend attributable to the IT companies Microsoft and Oracle is relatively small as most of their sales are made by channel partners.