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NHS Plus

Market
Research

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1. Executive Summary and Key Points

The following document represents Strategycom's findings and recommendations from a programme of primary market research, on behalf of NHS Plus, studying the market for occupational health services in England. The research consisted of a quantitative study of a representative sample of SMEs [387 organisations from all sectors employing 30-250 staff] and qualitative study of potential strategic partners.

Two key observations have underpinned the approach to this study:

1. A SME's propensity to purchase occupational health [OH] services is not dependent on its location.
2. Indirect channels to the target market provide the most significant opportunity for the NHS to sell OH services to SMEs.

Key findings, observations and recommendations are summarised below:

- The overall market for outsourced OH services is set to increase by 5% per annum between 2007 and 2011 from its current market value of £189m.
- In 2006, the market size for SMEs employing 30-250 staff, across the five pilot sites, is 15,897 of which 17% is currently un-serviced and 17.6% serviced by providers of OH. This represents a key opportunity where 50% of the potential current market is completely un-serviced.
- The NHS, as a brand, represents a strength in both the SME community and other SME business support organisations.
- The market proposition for OH must be underpinned by a new identity and product terminology. Providers of OH services to SMEs must use the language of business, articulate resultant business benefits and align the OH proposition to core business issues such as finance, HR, sales and legislation.
- The current OH proposition is confusing to a typical SME and is not clearly positioned within the health and safety [H&S] market. A typical SME does not recognise OH as a solution to sickness absence issues even though a significant proportion of SMEs are experiencing one or more staff related health issues.
- SMEs recognise the financial impact derived from staff health issues but do not understand the cause and effect between the OH solution and improved business performance.
- The OH proposition delivered by the NHS must educate the market prior to delivering a product based proposition. This proposition must be taken to the market through a mixture of direct and indirect channels using direct marketing and 'piggybacking' with intermediaries that already have established relationships with the target market.
- A coordinated, tiered approach, encompassing the RDAs, national portals and regional and local operators is fundamental to the success of the development of OH services through indirect channels.

- The report identifies key opportunities for collaboration with Strategic partners at both a regional [service] and national [policy] level.
- There is a requirement to establish a brand that can function for all OH centres with the NHS brand operating as the umbrella brand with leverage from regional brands where appropriate.
- Implementation of the OH proposition must be driven by NHS Plus at a national level where a services framework is introduced and used by all regional deliverers of OH services. It is essential that the NHS OH proposition achieves some standardisation through a national portfolio of services and quality and consistency of delivery.

2. Background

2.1 Project Background

Considerations underpinning Strategycom's approach to this project centre on the need for this work to achieve representation of the SME populations of interest [see section 4], together with qualitative input from other organisations recognised as market influencers [strategic partners]. As a result, Strategycom has delivered a programme of work that:

- evaluates secondary data used to underpin our approach to the primary phase;
- provides results from a quantitative survey of SMEs;
- provides insight from a series of qualitative interviews with strategic partners.

2.2 Market Background

It is believed that considerable opportunity exists, given the current provision of OH services into the SME market, to further enhance and use the clinical capability of the NHS to develop a market proposition within the Business-to-Business [B2B] channel. The overall market for outsourced OH services is set to increase by 5% per annum between 2007 and 2011 from the current market value of £189m¹. This market value [outsourced OH services] represented 45% of the overall OH market in the UK in 2006. Whilst existing competition primarily serves the corporate market, there will inevitably be increased demand and, subsequently, increased competition delivering OH services to the SME market.

This is an important area and one that is currently receiving considerable attention from both the private and public sectors. The government has committed to achieve a 20% reduction in the incidence of work-related ill health and a 30% reduction in the number of days lost to work-related ill health by 2010 under the 'Securing Health Together' scheme.

As a result, the key challenge facing the NHS is to develop services, within the NHS Plus initiative, that can quickly achieve market share and are driven by the principles that typically underpin a commercial offering in the B2B sector. The remainder of this report attempts to provide both market evidence and strategic insight that will enable NHS providers of OH services to meet this challenge.

¹ The UK Occupational Health Market Development 2007 - MBD

3. Project Objectives

Agreed outcomes for this project have been developed on the basis that the five NHS Plus pilot sites [Berkshire, Cambridge, Imperial, Portsmouth and York] need to establish the fundamentals of their OH proposition and identify the most effective channels to the target market. As a result, the project has been designed, managed and delivered to meet the following objectives:

- Further develop, at a micro level, the macro conclusions delivered by the Focus Group report from 2004².
- Establish knowledge levels and propensity to purchase OH across a representative population of SMEs.
- Show the current market positioning of OH type services [to include Health and Safety (H&S)] in relation to other business support services purchased by SMEs.
- Establish the key drivers used by SMEs to purchase external services and OH, in particular.
- Identify which elements of the OH proposition are determinant to this purchase decision and define how the NHS should structure the OH proposition.
- Provide a clear definition of how to market [communication channels] and sell [language] OH services to SMEs.
- Identify those channels to market most likely to provide ROI for each site.
- Identify a number of opportunities for each site to work in strategic partnership with intermediaries [the market influencers].

4. Approach

4.1 Secondary [Desk] Research

NHS Plus have made available to Strategycom a number of key documents to further inform this work which include the following key documents that have been used to underpin the approach and recommendations:

- Reaching Small & Medium Enterprises³.
- Sickness absence and rehabilitation survey⁴.
- The UK Occupational Health Market Development⁵.
- Workplace Health Connect Progress Report⁶.
- Health Matters: The small business perspective⁷.
- The NHS Plus Capital Fund business cases submitted by each pilot site.

A review of all documents made available to Strategycom, together with our discussions with each site, has enabled Strategycom to establish two issues that are fundamental to the approach adopted. These include:

1. A SME's propensity to purchase OH services is not dependent on its location.

² Reaching Small & Medium Enterprises, 2004 - The Focus Group

³ Reaching Small & Medium Enterprises, 2004 - The Focus Group

⁴ Sickness absence and rehabilitation survey, 2007 – The EEF

⁵ The UK Occupational Health Market Development 2007 - MBD

⁶ Workplace Health Connect Progress Report, 2007

⁷ Health Matters, 2006 – Federation of Small Business

2. Indirect channels to the target market provide the most significant opportunity for the NHS to sell OH services to SMEs.

These issues have enabled Strategycom to develop a quantitative phase using a smaller than anticipated sample [see 4.2 Quantitative Research] and introduce a qualitative phase [see 4.3 Qualitative Research] that establishes indirect channel opportunities with market influencers.

Typically, the results of desk research are used to underpin the approach adopted in the primary research phases. Therefore, in addition to the key issues outlined above, desk research has identified the following barriers that we believe the NHS needs to overcome in order to effectively market and sell OH services to the SME sector. These observations are drawn from the market reports cited earlier in this section and can be summarised as follows:

- OHS still sits at the margins of the SME corporate agenda in terms of actions.
- The number of SMEs monitoring sickness absence is still too low; subsequent research has, however, established that the number is increasing.
- There has been no real shift in the number of SMEs who would be prepared to pay for a service aimed at helping them establish good OHS policies and practices.
- Only a third of SME staff are directly involved in OH issues.
- SME spend on OHS suggests a reactive (non-risk assessed) approach.
- At present, SMEs view OH as primarily a health, as opposed to a business, issue.

Despite the fact that the SME sector does not typically place OH at the heart of its business performance management, secondary research has established a number of opportunities that providers of NHS OH services could take advantage of. These can be summarised as follows:

- An increasing number of SMEs have a H&S policy – with guidance this could be used to help SMEs consider the wider significance of OH.
- A larger number of SMEs say that they rate the importance of good OH practices as high.
- An increasing number of SMEs appear to be monitoring sickness absence.
- The majority of SMEs would like to access OH services as part of an integrated business support services 'package'.
- Four fifths of SMEs say they would find an OH assessment of their business helpful.

4.2 Quantitative Research

4.2.1 Rationale

A number of reports evaluated during the secondary research phase clearly identify that a SME's propensity to buy OH services is analogous to its size and sector of operation. In addition, secondary research has also established that the location of the SME has no influence over its propensity to purchase OH services. In effect, the profile of a SME is far more determinant, than its location, despite regional differences in terms of health indices. On this basis, Strategycom have designed the research on the following basis:

- The population of interest for this study is all SMEs within the serviceable regions of the five pilot sites that employ between 30 and 250 staff [i.e. those 'medium sized' SMEs most likely to provide a return on investment for the pilot sites in years 1 to 3].
- A single sample representative of all SMEs with the above profile was used and the results applied to each site [i.e. the need to achieve representation for each regional population of interest was not necessary].

In order to achieve representation, Strategycom designed the quantitative research to deliver results within 95% confidence levels and 5% confidence intervals [i.e. we can be 95% confident that a stated result (+/- 5%) is true for the population as a whole. The real figure in the population probably lies within a range + or - 5% of the stated figure]. These parameters are typical for research of this nature and were used as the basis for calculating sample size. If we apply these to one population of interest [all SMEs employing 30-250 in the five regions] then representation is achieved from the interrogation of a sample size of 380 responses.

Observation: It must be noted that references to an SME within this report relate to an SME whose profile is the same as that used to define the population of interest in this study – i.e. organisations with 30 to 250 staff.

Results from this sample size [see 6. Results] are representative of the population as a whole but do not enable representation from any filters [e.g. size, sector, or region, for example]. In order to achieve representation across filters, a stratified sampling approach would have been required. For research of this nature to achieve representation on a regional basis, for example, five samples representing the population of interest for each pilot site would be required.

Given that the population of SMEs for each site is large, five samples of 380 would be required. This would clearly have resulted in a significant and costly piece of research that Strategycom did not believe was necessary for this project. In essence, the research was designed to stratify the sample between each pilot site [i.e. achieves results for approximately 76 SMEs within each pilot site], which has enabled Strategycom to deliver representative results for SMEs in general and indicative results for SMEs using a number of filters, such as region and SME size.

Telephone interviewing was used to undertake the survey of this data set. Strategycom used a computer-aided telephone interviewing [CATI] system that delivered a number of key benefits to the process:

- Responses are directly entered into a SNAP survey software system for immediate, ongoing and real-time analysis. This negated the need for lengthy and expensive duplicate data entry.
- Interviewers were able to work to a loose script depending on the nature of the interview – i.e. the same end result was achieved through a variety of questioning techniques/script design.

- Explanations were provided where an interviewee was not sure or was unclear about a particular question.
- CATI provides the most cost effective market surveying technique in terms of effective cost per interview [this does depend on the technique used for non-interaction research such as postal and web surveys].

4.2.2 Approach

Each site was provided with business statistics relevant to their serviceable region [as specified by unitary authority]. This data was sourced from 2006 government statistics and provided an accurate guide to the size of the population of interest for each site.

In order to source this data for each site, the unitary authority regions were translated to postcodes [where possible] and these used to interrogate Experian data. As expected, the number of records sourced was fewer than the true market size but provided a significant population of interest from which a sample could be extracted [see section 5]. The SME data was purchased for each site and used to populate Strategycom's survey system. The data set was purchased on a multiple use basis, subjected to telephone preference screening [TPS] and copied to each region for future direct marketing use.

Strategycom, through consultation with each site, developed and agreed an interview script. A series of closed and open-ended questions were further developed into the questionnaire which was split into four key phases:

- Qualification of data.
- Measurement of specific business issues across the sample.
- Attitude and buyer behaviour with regard to H&S.
- Knowledge, attitude and buyer behaviour with regard to OH.

This questionnaire was loaded onto the SNAP survey system and the interviewers used a random number generator to select records to contact. Where the recorded individual was not available, another record was randomly selected from the data set. Interviews were conducted over a four week period throughout October and November 2007.

4.3 Qualitative Research

A key driver of the success of any campaign centres on the channels chosen to both market and deliver OH services into the SME sector. Strategycom firmly believes that the interface between client and provider should be delivered by intermediaries who already have established channels into the target sectors. It has been suggested that SMEs will react better to a proposition that delivers the business benefit as opposed to the health benefit; and that organisations, such as Business Links for example, are better placed to develop the interface on this basis. As a result of this, a key part of this research project looked to establish how to develop a proposition that can be taken to organisations that are key market influencers and that have a defined route to market.

4.3.1 Rationale

In order to establish how to engage with strategic partners, it was recommended that a number of interviews were undertaken with key decision-makers within the following organisations:

- The Regional Development Agencies [these bodies hold a number of business service contracts including Business Link, UKTI, MAS, etc.].
- Associations and industry bodies that represent the interests of their members.
- Other generic support agencies such as the CBI and the IoD.

In-depth interviews are designed to collect qualitative data that is often richer and provides more insight into the perceptions of the recipient. In-depth interviews allow the interviewer to assess fully the opportunities available and to understand the issues that are determinant in a successful strategic partnership or provider/client relationship. This qualitative research serves to underpin the approach and emphasis of the quantitative phase.

4.3.2 Approach

In order to agree which strategic partners should be contacted, each site was sent a list of support organisations located in their region. This list was generated from both internet research and from the existing contacts of Strategycom. Each site was invited to supplement this list with specific contacts that would be relevant to this research.

The lists were then ordered by region and further research was undertaken to identify the key decision makers relevant to this project. A two-stage approach was then initiated. The initial approach consisted of a telephone call to clarify that the named contact was the most appropriate person to interview; and if not, then to establish the most appropriate individual to approach. Once this was established, a face-to-face meeting or a telephone interview was arranged.

A semi-structured interview format was used, avoiding a formal script, to ensure that a range of key points were explored with each interviewee. Regarding the interviewee's organisation, questions were asked in relation to the following areas:

- Background of the organisation.
- Nature of services provided.
- How services are offered.
- How services are marketed.
- Organisational structure, including number of advisers in the field [if appropriate].
- Geography covered.
- Key projects in OH or related areas.
- Inter-relatedness with other business support organisations.
- National structure of the organisation.
- Key performance metrics.

The majority of interviewees were experienced and knowledgeable about SME business support and were invited to comment on how they perceived the NHS could target SMEs. Open questions were asked regarding the proposition to SMEs.

All interviewees were advised of the context of the research. Some requested information on the project and appropriate background information currently in the public domain was sent. The interviews took place during October and November 2007 and a short report was developed for each of these interviews.

5. Market Data

Detailed business data, collated from the latest government statistics⁸ for each site was extrapolated to identify the number of businesses by employee number [size] and sector of operation. This data, together with a number of quantitative statistics drawn from specific industry reports⁹, has enabled Strategycom to develop a set of base data from which a number of projections, both nationally and regionally, have been made.

Figure 1 summarises the market data that has been used as a base for a number of calculations. In addition, Figure 2 shows how we have cross-tabulated this data with market data and projected this at regional level to provide an estimate of market size for each of the five pilot sites.

Figure 1. The OH Market¹⁰

UK OH market size [2006]	£367m
% increase 2002 to 2006	35%
Projected annual increase 2007 to 2011	3%-5%
UK OH market size [2006] for outsourced services	£189m
% increase 2002 to 2006	54%
Projected annual increase 2007 to 2011	4%-6%

There is expected to be stronger growth levels in the outsourced sector which is anticipated to account for 53% of market share by 2011. This growth and market development is expected to be boosted by an increasing attention to healthcare by employers due to legislative pressures and, most importantly, an increased awareness of the link between OH and business performance [the NHS has a key role here which is further discussed in section 6].

Figure 2 establishes some estimates as to the market size for each of the five pilot sites. It must be noted that these are based on the unitary authorities each site suggested they could effectively service with an OH proposition and should be used as guide only. For the purposes of the quantitative research, the key SME target market for the NHS OH proposition has been identified as those SMEs with 30-250 employees [medium sized business] and data was purchased from Experian on this basis.

⁸ UK Business Rounded data report - 2006

⁹ The UK Occupational Health Market Development 2007 - MBD

¹⁰ The UK Occupational Health Market Development 2007 - MBD

Figure 2. Market Size/Value Estimate

	Bucks	Cambs	Hamm	Ports	York	Total
All UK businesses						2,088,885
All UK SMEs [0-250 emps]						2,074,400
All site businesses	23,998	16,995	117,860	27,050	86,020	271,923
<i>% of U.K</i>	<i>1.1%</i>	<i>0.8%</i>	<i>5.6%</i>	<i>1.3%</i>	<i>4.1%</i>	13.0%
Value of UK OH						£367m
Value of UK OH outsourced						£189m
Regional value [all OH]	£4.2m	£2.98m	£20.7m	£4.75m	£15.1m	£47.70m
Regional value [outsourced]	£2.17m	£1.53m	£10.6m	£2.44m	£7.78m	£24.60m
2011 value [all OH]	£5.13m	£3.77m	£26.1m	£6m	£19.1m	£60.34m
2011 value [outsourced]	£2.77m	£1.95m	£13.5m	£3.11m	£9.93m	£31.39m
Regional SMEs [0-250 emps]	23,875	16,890	116,400	26,900	85,425	269,490
<i>% of region</i>	<i>99.5%</i>	<i>99.4%</i>	<i>98.8%</i>	<i>99.4%</i>	<i>99.3%</i>	99.1%
Regional Micros [0-4 emps]	17,855	11,670	80,705	18,170	55,970	184,370
<i>% of region</i>	<i>74.4%</i>	<i>68.7%</i>	<i>68.5%</i>	<i>67.2%</i>	<i>65.1%</i>	67.8%
Regional Small [5-29 emps]	4,930	4,167	29,120	7134	23,873	69,224
<i>% of region</i>	<i>20.5%</i>	<i>24.5%</i>	<i>24.7%</i>	<i>26.4%</i>	<i>27.8%</i>	25.5%
Regional Medium [30-250]	1,090	1,053	6,575	1,597	5,582	15,897
<i>% of region</i>	<i>4.5%</i>	<i>6.2%</i>	<i>5.6%</i>	<i>5.9%</i>	<i>6.5%</i>	5.8%
Experian data by post-code	824	1,067	2,082	1,611	920	
Population of interest						6504
Sample achieved						387

6. Results

Given the volume of data collected from both the secondary and primary research, this report does not attempt to include all of Strategycom's findings. The following section does not provide a detailed review of all secondary research undertaken but uses the summary from this to underpin and support the conclusions and recommendations from the primary research.

Three key research projects undertaken recently, where the results are still statistically valid, include the FSB¹¹, MBD¹² and EEF¹³ studies. Where appropriate to this report, the results from these studies have been used to re-enforce and support the findings and conclusions [it must be noted that the sample SME profile for both the FSB (micro and small) and EEF (all SME size bands and corporates) studies was different to the sample used in this study]. In addition, some results from the Focus Group study¹⁴ from 2004 have been referenced as these provide some indication of changes within the SME market.

¹¹ Health Matters, 2006 – Federation of Small Business

¹² The UK Occupational Health Market Development 2007 - MBD

¹³ Sickness absence and rehabilitation survey, 2007 – The EEF

¹⁴ Reaching Small & Medium Enterprises, 2004 - The Focus Group

These results, however, are only indicative as this research was not statistically representative and also included all SME size bands. More importantly, there are inevitable variances in the results when the 0-30 employee SME size band is included in the sample.

With 141 variables per questionnaire, we have only extracted data and performed analysis from the quantitative results where key findings have emerged. Summary results from the primary research phases were presented to the project stakeholders on 15 November 2007. The result of this, and feedback following the presentation, suggest that the quantitative study, in particular, has not established any major shifts in the market or SME buyer behaviour but rather has re-enforced conclusions made from previous market studies.

6.1 Quantitative Results

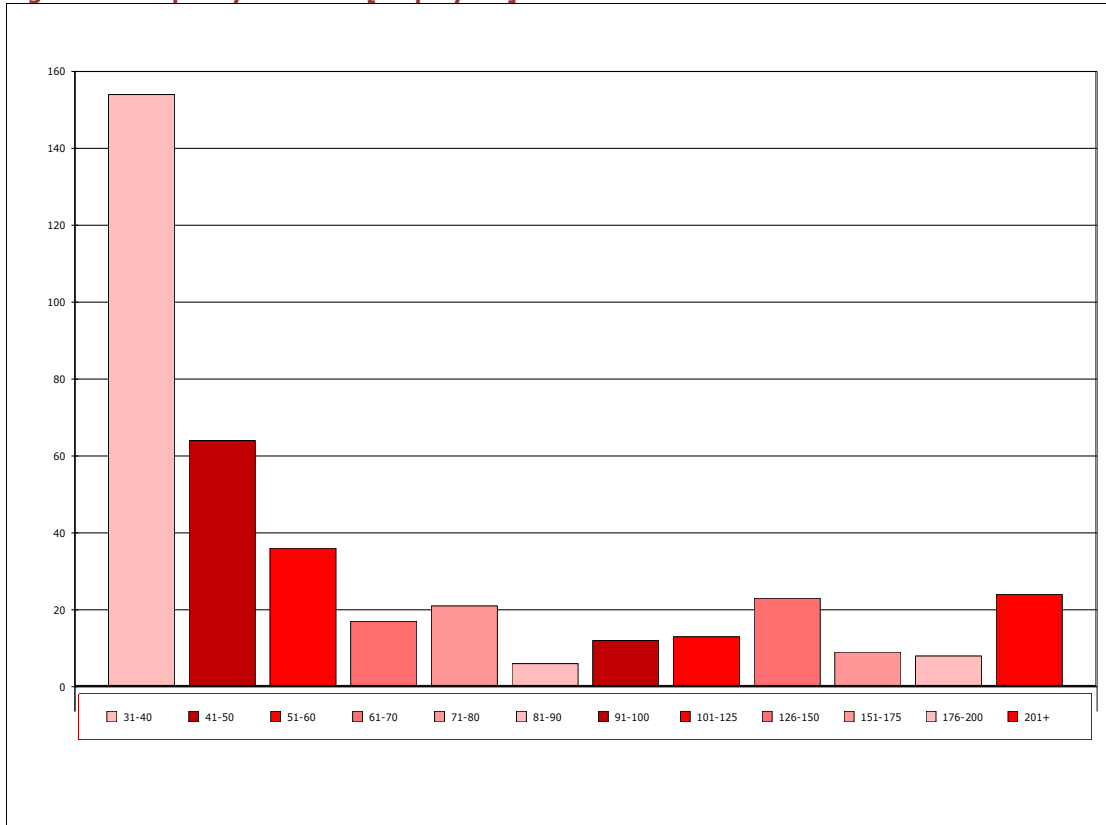
6.1.1 Sample Qualification

The population of interest across all five sites was 6,504 SMEs employing between 30-250 staff on a single site. Data was extracted from Experian and no selection based on sectoral [SIC] criteria was undertaken. Both private and public sector organisations within the postcodes selected by each site formed the basis of the population. The population was split by each region and records for interview were selected using a random number generator. Approximately 75 interviews were undertaken from the data for each site resulting in a completed sample of 387 interviews enabling 95% confidence levels and 5% confidence intervals to be applied to the data set.

The telemarketing exercise was undertaken over a five week period and was completed on 8 November 2007. A presentation of the results was delivered to the NHS Plus executive and managers from the five pilot sites on 15 November 2007. Response rates were excellent [19.2%] and the average interview time was 24.2 minutes.

Observation: Researchers reported that response rates were very high due to the fact that interviews were being conducted on behalf of the NHS. This suggests the NHS brand represents a potential strength and reduces barriers to entry in the SME market

The sample provided representation from the population of interest and Figure 3 provides this breakdown. This spread of results is important as a number of cross-tabulations have been performed using this data set to establish correlations between responses to specific questions and the size of the SME.

Figure 3. Sample by SME Size [Employees]

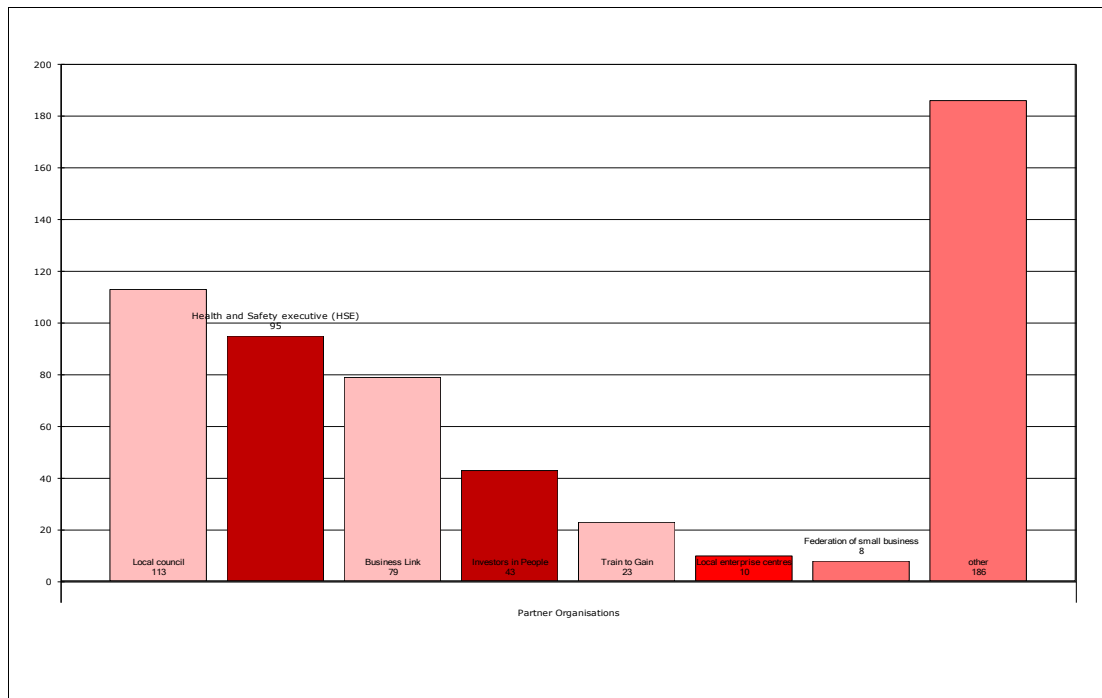
The sample also contained a reasonably representative spread of private and public sector SMEs and industry classes [SIC]. Other than the split between private and public sector, where themes can be identified, this information has not been used for further analysis in this report as results from applying these filters would only enable indicative observations.

6.1.2 Business Environment

In order to establish where H&S and OH, in particular, are positioned in the 'managerial mindset' of SMEs, interviewees were asked to identify those business issues most critical to the management and growth of their organisation. From a comprehensive range of business issues, interviewees identified financial management, marketing [sales], HR and legislation [legal] as the most important business issues affecting their day-to-day operation. OH is not considered important although it must be noted that a fair proportion of the sample do not fully understand what this is.

Observation: In order to sell services that are not considered core to the day-to-day management of SMEs, 3rd party providers of non-core OH services must align market propositions with core business issues such as sales, financial management, HR and legislation. This is further supported in section 6.2.4.

Key to this report is the channel through which the NHS should deliver its OH proposition [see section 6.2]. Interviewees were asked [unprompted] to identify external business support organisations they use. The significant results from this question can be found in Figure 4 below:

Figure 4. Partner Organisations

This question yielded some interesting responses. The government's simplification agenda states that all businesses looking for business services should use the www.businesslink.gov.uk gateway to source support. 20.4% of all SMEs have used Business Link and there is a clear correlation between the responses to this question and the nature and size of business – i.e. smaller, private sector SMEs are more likely to use Business Link and it is anticipated that this figure would be considerably higher if smaller [0-30 employee] organisations had been represented in the sample. 25% of interviewees have used the Health and Safety Executive [HSE] and just under 30% have accessed support from local government. It must be noted that most SMEs who access support from their local council will do so for assistance with infrastructure-type matters as opposed to a business improvement agenda.

48% of the sample identified other support organisations. There was, however, no significant occurrence in their responses other than 28% [13% of all responses] identifying individuals or private consultancies.

28% of the SME sample believe they will see significant growth, and 42% marginal growth, over the next three years. 24% believe they will stay the same and only 1.8% think they may see some decline.

6.1.3 Health and Safety

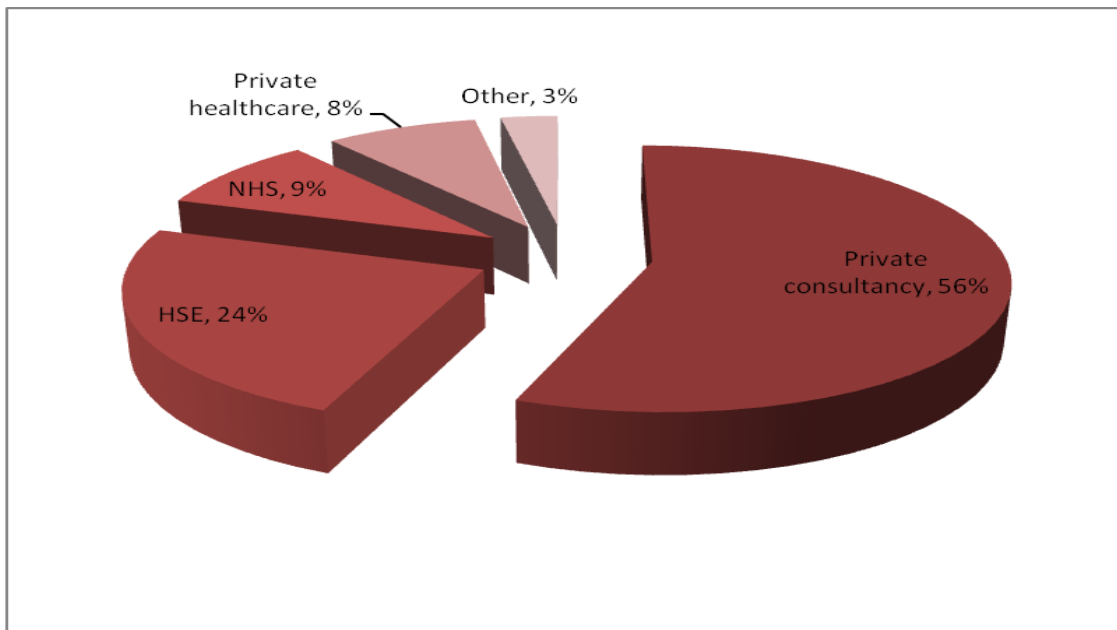
99.7% of SMEs have a H&S policy and 96% say that this is actively managed. The management of H&S is driven by safety in the workplace considerations together with the health and wellbeing of staff [93.5%]. Of the 5% who suggested that H&S is driven by safety in the workplace considerations, the majority were small [30-50 employee] engineering/manufacturing or office-based organisations. Only 44% of SMEs actually

differentiate between safety and wellbeing and again there is a correlation between the responses to this question and the size of business.

Observation: There would appear to be a direct correlation between a SME's size and its need to differentiate between safety in the workplace and wellbeing of staff.

93% of SMEs have a designated individual responsible for Health and Safety and, again, it is the smaller business within this range that is most likely not to [73% for all SMEs in 2004¹⁵]. 40% of all H&S roles within the SME sample are undertaken by an operations director or senior operations manager and 11% by an HR director or HR manager. 45% of SMEs purchase H&S services from external organisations, 66% of these on an ongoing basis and 70% for more than three years. Of the 175 [45%] SMEs who purchase external H&S services, 56% purchase from private consultancies and 24% from the HSE [the HSE will refer enquiries to consultants] – see Figure 5 below. Not one SME mentioned Workplace Health Connect [WHC] despite the fact that WHC is where the www.businesslink.gov.uk portal¹⁶ refers organisations enquiring about H&S and/or OH.

Figure 5. H&S Sources of External Support



Observation: Many business support organisations offer brokered services and operate the IDB model [Information, Diagnostic, Broker] including Workplace Health Connect with three levels of service. It would appear that, presently, it is the private sector consultants who are best positioned to receive H&S referrals within this model.

Whilst the research has identified that many SMEs use suppliers for ongoing long-term support, only 30% of SMEs who purchase H&S services actually use the same supplier for all their needs. This further supports the observation that the H&S supply market consists predominantly of small consultancies and/or individuals specialising in specific areas of work. As expected, there exists a clear correlation between a SME's size and its propensity

¹⁵ Reaching Small & Medium Enterprises, 2004 - The Focus Group

¹⁶ www.businesslink.gov.uk achieves 700,000 unique hits per month

to purchase external H&S support. This is evidenced by this sample, where only 30% of SMEs employing 30-40 staff are likely to purchase services in relation to 65% of SMEs that employ in excess of 80 staff.

Over 50% of those organisations who purchase external H&S services did not know how much their annual spend amounted to. Of those that were able to respond [49.1%], 24% spend less than £1k, 42% spend £1k-£5k and 14% spend £5k-£10k. Again, and as expected, there is a clear correlation between SME size and annual spend on external H&S services.

Figure 6 summarises the responses from a prompted non-exclusive question used to establish if a number of statements were relevant to the interviewee's organisation. From these responses it is clear that in excess of 90% of SMEs consider the wellbeing of staff to be a key performance driver, are pro-active in implementing H&S policies [although 67% say this is driven by legislation] and believe there is a clear benefit to be achieved from a healthy workforce.

Figure 6. Key H&S Statements

	Base	387 100.00%
1.	We use the same provider for all H&S services required.	108 27.90%
2.	Our approach to H&S is reactive and driven by legislation.	258 66.70%
3.	The wellbeing of our staff is considered to be a key performance driver.	367 94.80%
4.	We are pro-active in implementing H&S policies and procedures.	354 91.50%
5.	We believe there is a clear financial benefit to be achieved from a healthy workforce.	361 93.30%
6.	We don't actually do anything about H&S within our organisation.	0 0.00%
7.	We would value additional support and help with H&S issues.	255 65.90%

Again, as expected, there is a clear correlation between the size of the SME and their responses to statements 2 and 7. The results further support conclusions from previous research, which establish correlations between the size of the business and their level of pro-active management in this area – i.e. the smaller businesses' management of H&S is more likely to be driven by legislation. Encouragingly, however, 87% of the 258 respondents who recorded this believe there is a clear financial benefit to be achieved from a healthy workforce. In addition, there is no correlation between the size or sector of the SME and their requirement for additional support.

Observation: 95% of SMEs, irrespective of their size, consider the wellbeing of staff to be a key performance driver and 68% of these would welcome additional support.

6.1.4 Occupational Health

The following section, concentrating on OH services in particular, extrapolates research data that can be applied to the baseline data outlined in Figure 2. In this way, indicative data of potential market size, together with key opportunities for each of the five pilot

sites, can be identified. It must be noted that whilst a number of the following results and observations are considered achievable, the ability of each of the pilot sites to deliver against these targets is dependent on a number of key operational factors. In addition, there are a number of questions where the research has requested interviewees to use a scale of 1 to 5 to indicate how important or critical certain issues are. Where interviewees have indicated either a 1 or a 2 as a positive, this has been taken as an indication that a SME would be open and willing to consider the purchase of an OH proposition specific to the particular question.

A key issue that has underpinned a number of conversations with both managers of OH services within the NHS and partner organisations, relates to the term 'occupational health'. This is further discussed in section 6.2.4. In order to establish the understanding within SMEs of this term, interviewees were asked if they felt they understood the meaning of the term 'occupational health' and if so, to articulate their understanding.

24% of SMEs interviewed did not understand the term 'occupational health' or what it involved. For those that felt they understood what the term meant [76%], an analysis of their descriptions [literal responses] was undertaken. This analysis has provided some key insights and Figure 7 summarises these literal responses.

Figure 7. Understanding 'Occupational Health' [Literal Responses]

	Base	314 100.00%
1.	Health and wellbeing of the workforce	229 72.90%
2.	Safety and prevention of injury	60 19.00%
3.	Wellbeing and safety	17 5.40%
4.	Caring for employees after injury/return to work	8 2.50%

Interestingly, only 17 [less than 5% of the complete sample] respondents suggested that occupational health was about wellbeing and safety whereas 60 [16% of the complete sample] suggested occupational health was about safety in the workplace.

"It's about making the environment you work in safe, so you can prevent illness and injury"

"It's about the ability of the employee to carry out a job safely"

If we apply these findings to the population as a whole, in excess of 40% of SMEs who employ between 30-250 staff do not understand what is meant by the term 'occupational health'. Given that the results to this question also establish correlation to the size of the organisation [larger SMEs are more likely to understand the term], it is clear that this figure would be higher if all SME size bands were included in the research.

Observation: In any market environment, a proposition or service name that is not understood by perhaps 50% of the target market has serious implications for the viability of the proposition and success of any market entry or growth strategy. Clinical or non-business terminology is not necessarily appropriate or relevant to business and the required market position may be difficult to achieve using the current product language.

Over 80% of SMEs with 30-250 staff think that effective health promotion, staff support and managing sickness absence is key to their business performance and 88% of SMEs actively manage their sickness absence levels [i.e. assess the impact of sickness absence on their business efficiency]. Interestingly, however, only 25% of the same sample have ever purchased, or believe they have ever purchased, OH services. These results would appear to support the observation made above and suggest that SMEs, whilst recognising the importance of sickness absence management, do not necessarily make the connection to OH or see OH as the solution to these important business issues. To further support this, a cross-tabulation of the 25% who have purchased OH with responses outlined in Figure 6 [statement 2], indicates that the majority of OH purchases have been driven by legislation and statutory requirements and not decisions driven by bottom line performance.

Observation: A typical SME does not necessarily recognise OH as a solution to sickness absence issues and the majority of OH purchase decisions are driven by legislation.

"I am struggling to identify what my legal requirements as an employee are."

"I cannot understand why there is not a legal requirement to have health surveillance, for example an on-site doctor or nurse. It is in Europe, why not here?"

Interviewees were asked to rate, in terms of the importance to their business effectiveness and performance, a number of services that typically constitute a portfolio within an OH proposition [using a scale of 1 to 5 where 1 is essential and 5 is unimportant]. This question was filtered between those SMEs that had purchased some OH services in the past 24 months [94 respondents (25%)] and those that had not [294 respondents (75%)]. Each service element has been ranked on its importance using a mean [from a scale of 1 to 5, where 1 is very important and 5 unimportant] of all responses. Figure 8 below summarises the results.

Figure 8. OH Buyer Behaviour

Not Purchased		Service Element	Purchased				
Importance			Importance		Purchases [24 months]		
Rank	Mean		Mean	Rank	No. of sample	% of all purchases	% of whole sample
1	1.72	H&S advice	2.25	2	64	68.1%	16.6%
2	1.92	Manual handling advice/training	2.60	4	50	53.2%	12.9%
3	1.97	Staff rehabilitation	2.59	3	36	38.3%	9.3%
4	2.01	Pre-employment screening	3.10	9	45	47.9%	11.6%
5	2.23	Environmental visits	2.93	6	47	50.0%	12.1%
6	2.30	Sickness absence management	2.04	1	32	34.0%	8.3%
7	2.33	Health promotion	2.94	7	32	34.0%	8.3%
8	2.47	Staff counseling	3.08	8	47	50.0%	12.1%
9	2.59	Health surveillance	3.26	10	56	59.0%	14.5%
10	2.63	Stress management services	2.76	5	27	28.7%	6.9%
11	2.96	Infection control advice	3.56	11	17	18.1%	4.4%
12	3.18	Physiotherapy referrals	3.76	12	32	34.0%	8.2%
13	3.37	Other specialist referrals	3.94	13	29	30.9%	7.5%
14	3.47	Vaccinations [workplace risks]	3.95	14	23	24.5%	5.9%
15	3.81	Drivers medicals	4.65	16	18	19.1%	4.7%
16	4.19	Vaccinations [travel]	4.35	15	19	20.2%	4.9%

Clearly, these results demonstrate that OH purchase patterns are not specifically related to the importance SMEs place on particular service elements. This further underpins the observation that purchase decisions are driven by macro factors typically affecting the SME environment – i.e. legislation. In addition, it could be argued that these figures indicate a level of market confusion driven by the lack of clear OH market propositions within the SME sector. Interestingly, the market perception of the importance of OH services to business performance is markedly higher than the perceived importance indicated by those SMEs that have purchased OH services in the past 24 months. It could be argued that the current provision of OH services has not delivered the business benefit and met the expectation of the SME prior to purchase. Alternatively, it is more likely that because the service has been purchased and solutions have been delivered, the issue is not as acute or as important to the organisation.

Again, H&S advice is ranked as extremely important and purchased by 68% of the sample who indicated that they had purchased OH services in the past 24 months. It must be noted that this service element was included here to further establish the market's understanding of OH in relation to H&S.

As expected, the importance rankings between the purchased/not purchased samples are similar; however, there are some notable differences. Sickness absence management is ranked as the most important service within the OH proposition by those SMEs that have purchased OH services in the last 24 months, despite the fact that only 34% had

purchased services specific to this area. Conversely, health surveillance is not ranked as being particularly important by both purchased/not purchased samples despite the fact that 59% of the 'purchased' sample have purchased these services in the last 24 months. Manual handling advice services are considered to be important to both purchased/not purchased samples [over 50% of the 'purchased' sample have purchased these services]. Further analysis of this through a cross-tabulation with the SME operational sector identifies, as expected, hotels, health and production as the key sectors driving the ranking and purchase patterns of this service element.

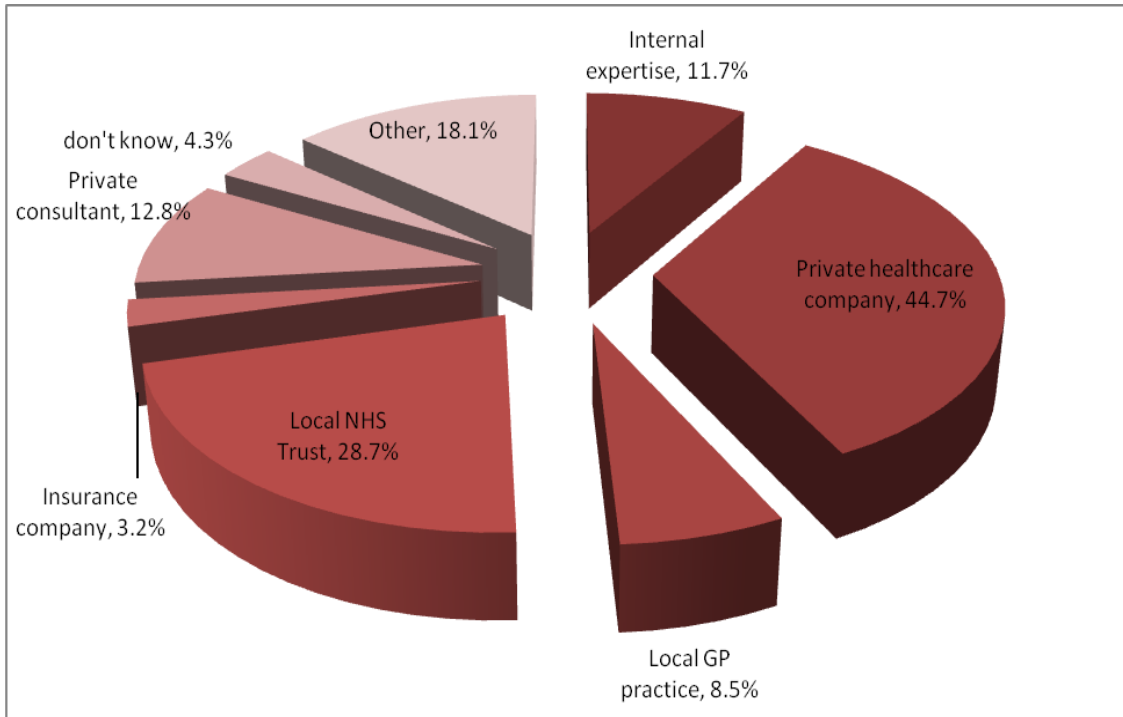
Observation: It has proved difficult to draw any significant conclusions from the results to this particular analysis. This typically suggests that the market is immature, unaware of the benefits OH can deliver and has not established any significant purchase patterns. In addition, it could suggest that barriers to entry are high; however, significant opportunities should exist for market entrants with a clearly defined and positioned OH proposition.

"It is essential to educate people about occupational health"

"Must raise awareness about occupational health issues and their impact on business."

Figure 9 establishes where SMEs have purchased OH services in the past 24 months. Over 50% of OH purchases within the past 24 months have used either a private consultant or private healthcare company whilst 8.5% have purchased services from a GP practice. Cross tabulations have established, not surprisingly, that larger organisations are more likely to possess internal expertise. Additional analysis from this data set has not established any specific difference between the choice of a private healthcare company and the NHS across the set of service elements. It should be noted that analysis of the 'purchased' data set draws data from only 94 respondents and detailed analysis of this would be indicative, not representative, of the population as a whole. It is, however, possible to achieve the required confidence levels from the complete data set to establish that approximately 29% of SMEs with 30-250 employees have purchased some OH services in the past 24 months. This can be applied to the population of interest for each site to establish the number of SMEs currently purchasing OH services within each region. Further analysis of SME purchase drivers is considered later in this section.

Figure 9. OH Sources of External Support



Projecting these figures to the population as a whole [15,897 SMEs within the 5 regions¹⁷ - see Figure 2.] suggests that approximately 4,000 SMEs employing between 30-250 employees have purchased OH services in the past 24 months and approximately 1,150 have purchased from the NHS.

Interviewees were asked [prompted] to identify the staff-related ill health issues they have experienced in the past 24 months. 47.6% [185] of the sample have experienced long-term sickness absence. No explanation as to what constitutes 'long-term' was provided during the survey process, however, which means that this data could be skewed by the interviewees' understanding of 'long-term'. The latest EEF¹⁸ report suggests that long-term sickness absence is measured as 4 weeks or more and that surgery and medical tests/investigations [27% of all causes] constitute the most important cause of long-term sickness absence. Their findings also indicate that this cause effects SMEs [28%] more than large organisations [19%].

In the past 24 months, 45% [175] of the sample have experienced a work-related injury, 41% [159] persistent sickness absence and 35% [139] stress/mental ill health.

Observation: A significant proportion of SMEs are experiencing one or more staff-related health issues where OH services could provide a solution. These proportions are not replicated in the proportions of SMEs purchasing specific OH services.

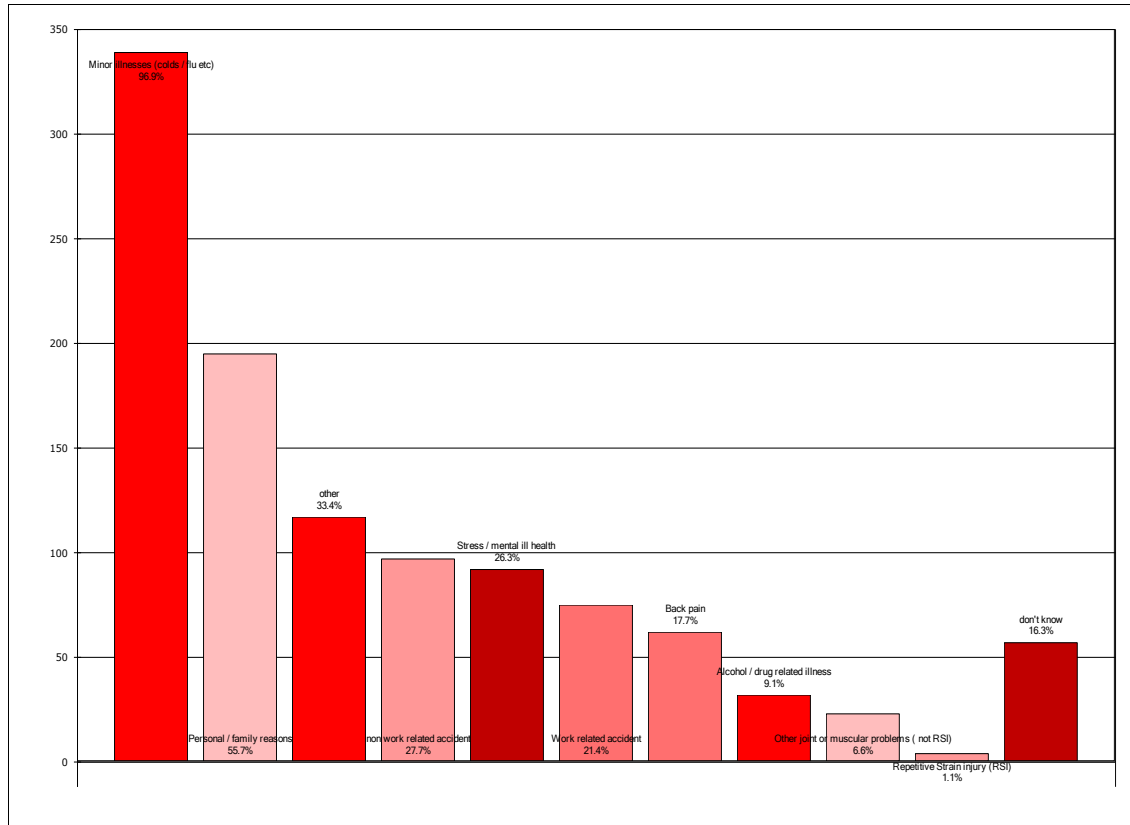
Interviewees were asked [unprompted] to identify the three main causes of health-related absence in the past 24 months. One in five SMEs from this sample have indicated that they have not experienced any staff related health issues. The remaining 80% perceive

¹⁷ UK Business Rounded data report - 2006

¹⁸ Sickness absence and rehabilitation survey, 2007 – The EEF

they experience some problems. Figure 10 establishes the most common causes within the SME sample. These findings correlate strongly with the results of the latest EEF¹⁹ and FSB²⁰ reports. The most common 'other' cause recorded was gastroenteritis, indicated by 23 [6%] respondents.

Figure 10. Most Common Causes of Health Related Absence



These health-related absences have impacted on SMEs in a number of ways. 40% of the complete sample have suggested that staff health-related absence has had a significant or noticeable financial impact on their organisation in terms of the costs incurred for staff cover. In addition, over 30% believe health-related absence has impacted on the organisation's productivity and approximately 20% believe they have actually experienced loss of revenue and/or operating profit. Finally, over 40% believe staff morale has been adversely affected by health-related absence within their organisation.

Observation: SMEs would appear to understand and recognise the financial impact that staff-related health issues can have on their organisation. As previously observed [see section 6.1.2] this suggests that the OH proposition needs to establish the cause and effect between the OH solution and improved bottom line performance.

The latest annual EEF²¹ report establishes a marginal decline [across a sample of 625 member organisations] to 3% or 6.7 days per employee and an improvement in the number of SMEs reporting no issues with sickness absence. The FSB²² reported that more than 50% of their sample identified an impact on productivity and approximately 40%

¹⁹ Sickness absence and rehabilitation survey, 2007 – The EEF

²⁰ Health Matters, 2006 – Federation of Small Business

²¹ Sickness absence and rehabilitation survey, 2007 – The EEF

²² Health Matters, 2006 – Federation of Small Business

identified a tangible financial impact. In addition, the same report establishes a correlation between the impact of employee sickness absence with the size of the business [in terms of employees]. This suggests that the larger SMEs [30-250 employees] will perceive less impact from employee sickness absence than micro and small businesses [0-30 employees].

30% of the SME sample did not know what constituted the key barriers to overcoming sickness and absence levels within their organisation and one in four did not believe they had a problem they needed to overcome. The remainder of the sample suggested they did not feel they had any control over sickness absence, were confused about legislation [employee rights, etc.], did not understand what services were available and did not know where to go for help. Interestingly, of the 45% who cited one or more barriers to managing sickness absence, just fewer than 10% suggested that they had experienced employee resistance to rehabilitation.

Observation:

- SME employers feel they have no control over employees' sickness absence levels.
- SMEs do not understand the cause and effect between this and business performance.
- SMEs are confused about legislation.
- SMEs do not know where to go for help.
- SMEs do not know what services are available.

Just over 18% of SMEs from the sample have suggested they would like help to monitor and manage sickness absence and only 15% of these are not prepared to pay. If we cross-reference these results to those SMEs in the sample that already purchase OH services, we can form a four point matrix that establishes both serviced and un-serviced market size. This can be summarised as follows:

1. 6.7% of SMEs who currently, or have recently, purchased OH services require additional support [un-serviced market].
2. 10.3% of SMEs that have not purchased OH services would like help with managing sickness absence [un-serviced market].
3. 17.6% of SMEs who currently, or have recently, purchased OH services do not require additional support [serviced market].
4. 64.4% of SMEs have never purchased OH services and do not require any help [untapped market]

These results suggest that the current and potential market [both serviced and un-serviced] for OH is approximately 35% of the complete population of SMEs that employ between 30-250 staff. Applying these figures to the market size [15,897] for this profile of SME across the five UK regions suggests a current serviced market size of 2,800 SMEs and an un-serviced market of 2,870.

Further analysis of these responses suggest that 85% [2,440 SMEs] of the un-serviced market are prepared to pay although 75% [1,830] of these need to better understand the cost-benefit argument. This, together with the market that already purchases OH services, suggests that the potential market size for fee or subscription based OH services is 32.9% of SMEs that employ between 30-250 staff.

Finally, 29% of the un-serviced market have indicated that they would prefer to access services from the NHS and 14.7% from the private sector. The remaining 66.3% of SMEs have indicated no preference of organisation type and that their choice depends on the proposition that delivers the best quality of service. Previous results have indicated that approximately 60% of the current serviced market purchases OH services from the private sector and 28% from the NHS. The preferences for the un-serviced market do not mirror these results and suggest that barriers to entry, given the correct proposition, are potentially low and that the NHS could achieve significant market share. It is important to note, however, that there are some key challenges to overcome. These centre on the management of the client interface and the nationwide co-ordination of resources which are discussed in more depth in section 6.2.

"The NHS would not be able to sell its services to me because it is not geared up to be an effective provider of bespoke services to the business sector."

Observation: Prior to any specific marketing or development of the OH proposition, the un-serviced market size is approximately 50% of the total market size for OH services. This suggests that significant opportunities exist for organisations that are able to correctly position OH services and articulate and/or demonstrate a proposition based on financial return on investment. This is further supported by the results from the qualitative research phase in section 6.2.3.

In order to establish key elements of the OH proposition, interviewees were asked to rank a range of criteria in terms of perceived importance. This question was designed to better understand how SMEs within the sample would make purchase decisions or what providers need to offer to secure buyer engagement. Responses have been aggregated and a mean score [where 1 is very important and 5 is unimportant] has been calculated to develop criteria rankings. In addition, where an interviewee has responded with a 1 or a 2 on the five point scale, the responses have been recorded to indicate the proportions of the sample [calculated from a base of 387] who view the criteria as either very important or important to their decision making process.

These results are summarised below in Figure 11.

Figure 11. Buying Criteria

Rank	Mean	Criteria	Important
1	1.66	Cost of services	84%
2	1.75	Access to a telephone helpline	85.8%
3	1.82	Experience/specialism of a particular type of work	81.1%
4	1.87	Sector experience	78.5%
5	2.05	Direct contact with an account manager	74.4%
6	2.08	Ability to pick and choose from a range of services	74.2%
7	2.21	Personal recommendations	68.5%
8	2.24	Knowledge through previous use	72.4%
9	2.38	Recommendations from other business support organisations	63.3%
10	2.40	A proposition that outlines the business benefit	62.6%
11	2.52	Facility to buy services on-line	54.3%
12	2.58	Location of provider	50.4%
13	2.67	Access to a local business resource centre	46.7%
14	2.78	Delivery of services as part of an holistic support package	45.9%
15	2.81	Subscription-based services	41.3%
16	3.00	The provision of tools for self-diagnosis	37.2%
17	3.03	Quality of the marketing materials	33.3%

As expected, the costs of external services purchased by the SME sector is of key importance to their decision-making process. Encouragingly, 85.8% of SMEs believe access to a telephone helpline to be important and consideration must be made to deliver information and or services in this way. A telephone helpline can be developed to not only deliver services to clients but to engage with new business and cross-sell other services within the portfolio. Providers of OH services must demonstrate experience and specialism of the relevant service elements [the NHS should achieve competitive advantage] together with experience of delivering services within a specific sector.

"The NHS need to be very aware of sector needs and issues applicable to that sector."

It would appear that SMEs require direct face-to-face contact with a representative of the provider and want to be able to select services from a clearly defined range. Whilst not ranked particularly high, 63.3% of SMEs still consider recommendations from other business support organisations to be important. This further suggests that the development of the intermediary channel to market is fundamental to securing market share in this sector.

Observation: A successful OH proposition should provide a telephone helpline, a clearly-defined and benefit-driven range of services, and demonstrate clinical expertise and sector experience [business experience]. SMEs, with services that are not on their corporate agenda, require face-to-face interaction. This interaction could be managed and delivered by channel influencers and not necessarily the OH service providers.

"...Definitely the ability to be able to pick and choose from different services on a fee basis."

Interestingly, the majority of the sample did not see subscription-based services as particularly important [in relation to other criteria] or the ability to be able to self-diagnose their OH requirements. Only 6.7% of SMEs would prefer to access services on a subscription basis in contrast to 13.7% on-line. The majority of SMEs, however, do not know what they don't know and are happy to engage with a service that is able to rationalise, demonstrate and deliver return on investment, bottom line improvements and core business benefits [see section 6.1.2].

Whilst this research has established a number of key issues that must underpin an OH proposition, interviewees were asked to identify through which communication channels they would like to receive information about OH services. This question was unprompted and non-exclusive and 72.6% of the sample indicated that their preferred method was via specific e-mail offerings or access to information through a web resource. 46.6% indicated that they would be happy to receive information through direct mail. Only 7% suggested regular newsletter type marketing and only 6.2% suggested that they would like to attend a specific seminar or event. It must be noted that these results are not necessarily analogous to what actually works within the SME environment, more a representation of what SMEs feel more comfortable with.

As previously mentioned, the research project has established that the NHS brand represents a strength although no measurement or analysis of brand attributes relevant to the SME market has been undertaken. It is anticipated that the majority of market perceptions of the NHS are driven by individual experience and not those necessarily used to underpin organisational buyer behaviour. As a result, interviewees were asked if they felt the NHS, as a brand, represented a strength or a weakness with regard to the delivery of OH services into the SME sector. Encouragingly, less than one in three thought it could represent a weakness which, applied to the complete population of interest across the five sites, suggests that approximately 11,000 SMEs across the five sites would consider an NHS commercial proposition favourably.

Observation: SMEs will progress through a number of stages of engagement with a new proposition. The results of this research suggest that stage 1 of the engagement process should be non-invasive and should attempt to educate the market prior to selling specific services. The responses that indicate the importance of a number of proposition attributes suggest that, once educated, SMEs could require a more personalised and product-specific approach using different media [events, for example]. The NHS brand should be considered a key attribute of the OH proposition.

Throughout the survey, a number of questions provided interviewees with the opportunity to expand on their answers. These are captured in 'open ended' questions and are referred to as 'literals'. A number of these have been used to re-enforce particular points or issues highlighted in the report. The final question in the survey provided interviewers with the opportunity to add anything further that they did not feel was covered in the questionnaire. Whilst it is not possible to apply quantitative analysis to these responses, some important key themes have arisen and are summarised below:

- The NHS does not market itself or make the market aware of its services.
- The NHS needs to be aware of the health needs and issues relevant to specific sectors.
- Doubts exist as to whether the NHS is geared up to deliver services to the business sector.
- SMEs want to see an integrated and coordinated approach to OH provision [information and services].
- SMEs want someone to 'hold their hand'.

"For SMEs where HR contacts are not always in place, it would be great to be able to access a service which would guide them through every stage of a particular problem or issue...."

"I like the concept of the NHS as socialist ideal of the 1950s but don't think it does a good job of marketing itself at the moment"

6.2 Qualitative Results

As set out in section 4.3, the purpose of the qualitative research was to examine the thesis that an indirect channel approach would be most appropriate for the OH proposition. Potential strategic partners for this indirect channel were identified and interviewed using a semi-structured interview format to explore their understanding of OH, the relevance to SMEs and what the interviewees' organisation's stance was on the provision of OH. In virtually all cases, the approach was received enthusiastically with expressions of interest in the development of the OH proposition by the NHS. As part of the interview process, follow-up actions were identified and agreed with the interviewee. These are set out in section 7.2.4.

6.2.1 Potential Strategic Partners

Figure 12 below lists the organisations that were approached. Information has been gathered on a total of 51 offices of the organisations listed. It should be noted that some organisations operate regionally, servicing two or more of the geographical areas covered by the five sites. For example, MAS South East services the region covered by Imperial, Bucks and Portsmouth.

The response rate was extremely good. Of the 51 people contacted, 37 full interviews were conducted. There were 10 people with whom initial contact was made, where there was interest expressed, but where it was not possible to conduct a full interview. Typically, the reason for not progressing to a full interview was because of pressure on diaries. There were two people with whom it was concluded that the services would be of little relevance and a further two that simply could not be contacted or did not respond.

The interviews were conducted over a seven week period with the final interview completed on 23 November 2007. A presentation of the findings was delivered to the NHS Plus Executive and managers from the five pilot sites on 15 November 2007 together with the results from the quantitative research.

Observation: As already reported in section 6.1.1, the response rates were very high due to interviews being conducted on behalf of the NHS. This suggests a willingness to engage with the NHS and confirms the underlying strength of the NHS brand with these organisations.

Figure 12. Potential Partners by Site

	Bucks	Camb	Imp	Ports	York	Natl
Business Link	✓	✓	✓	✓	✓	
Manufacturing Advisory Service	✓	✓	✓	✓	✓	
UK Trade & Investment						✓
Engineering Employers Federation						✓ ✓
Regional Development Agency	✓		✓	✓	✓	
Chamber of Commerce	✓	✓	✓	✓	✓	
Federation of Small Business		✓	✓			
Enterprise Agency	✓		✓			
Confederation of British Industry	✓	✓			✓	
Investors in People	✓	✓		✓		✓
Others	✓	✓ ✓	✓		✓	
Others (no full interview)	✓ ✓ ✓ ✓	✓ ✓	✓ ✓ ✓	✓ ✓ ✓	✓	

'Others' includes the Institute of Directors, Economic Partnerships and Incubation Units.

There is no suggestion that this list is complete. There will be other organisations and networks of organisations that should, in time, be included in the marketing of OH. An example of this is the independent HR consultancies that will be aware of OH and may well make recommendations in this area. It has not been possible to include small independent consultancies of this type in this study. Effort has been concentrated on a number of the key organisations that deliver or broker services to SMEs.

Workplace Health Connect [WCH] was not included in the list of organisations. It was concluded from the desk research that WCH was unlikely to be a suitable channel and this was supported by the quantitative research and reported in section 6.1.3 where no reference was made to WCH when SMEs were questioned on H&S matters.

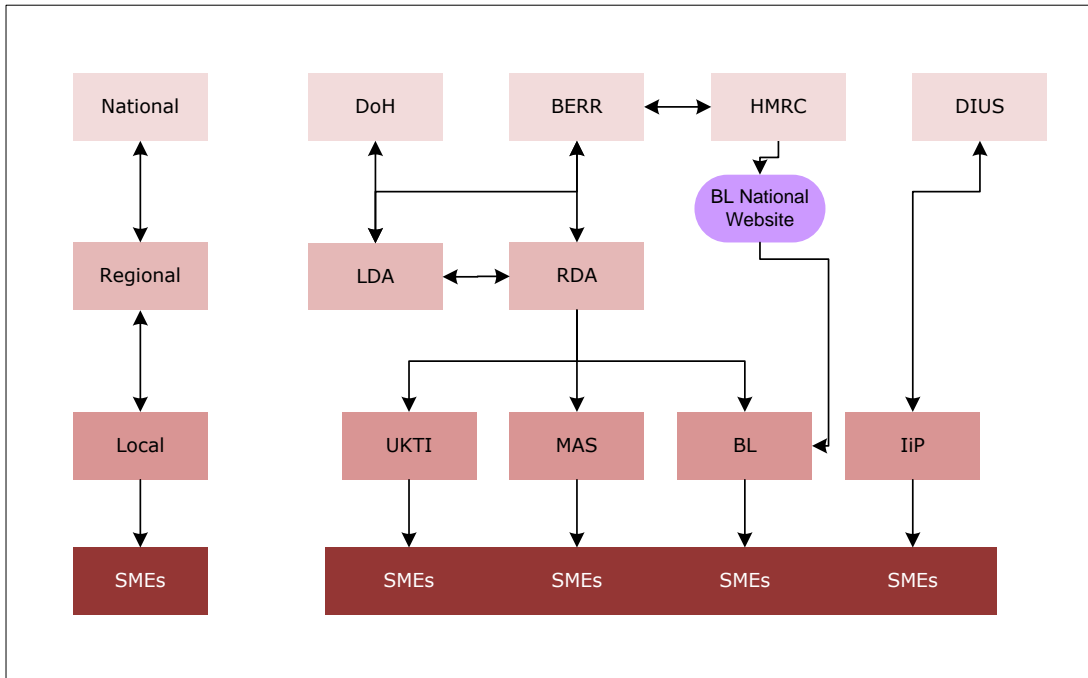
6.2.2 Route to Market

The central proposition in this study was that the NHS should not attempt to market directly to SMEs but that it should develop a channel marketing strategy through the use of selected strategic partners.

Business support for the SME community is provided through a number of routes from major national organisations, in both the state and independent sectors, through to small independents. This study has concentrated on the larger support organisations. There are some commonalities in the way in which these organisations are structured and the way services are brought to market. Typically, strategy is set at national or regional level, determining what services are provided and how they are delivered, with regional or local operators charged with delivery of services either through their own staff or via third parties.

The network of relationships between these strategic partners and the relationship between the government departments is important in considering how to approach the development of a channel marketing strategy. Figure 13 illustrates the relationships and reporting lines of some of the organisations interviewed.

Figure 13. Potential Partners and Reporting Lines



Reference is made here to the relationship between the Regional Development Agencies [RDA & London DA], the government Departments of Health [DoH], Business Employment and Regulatory Reform [BERR] and Revenue and Customs [HMRC]. It also illustrates the relationships between the RDAs and the service delivery operators UKTI, BL and MAS. All of the service delivery operators have national portals through which services and local or regional delivery organisations can be accessed. The BL national website is shown here as an example. IIP has a different reporting line to the Department for Innovation Universities and Skills [DIUS]²³. These organisations cross-refer to each other on their websites with Business Link most evident as the core referral agency.

It was evident from the interviews that the assertion that the NHS should partner with organisations already providing business support services to SMEs is sound. However, the

²³ The re-structuring of former DTI functions has resulted in these new lines of reporting

responses from those organisations that deal primarily with start-ups and early stage businesses clearly indicated that there was little need at this level. Therefore, the focus of attention should be on those organisations with a client base of companies with more than 10 employees and preferably with more than 30 employees.

The responses from those organisations, such as the Enterprise Agencies and the FSB, that deal primarily with start-ups and early-stage businesses, clearly indicated that there was little need for OH for these businesses. There is likely to be little value for either the NHS or these organisations in investing in developing a full strategic partnership. There would be value in maintaining communications with these organisations and ensuring the awareness of the value of OH. In this way, OH will not be new to their clients when they develop to the stage that they are legitimate targets for the OH proposition.

Observation: Emphasis should be placed on those organisations that deal with later-stage businesses, with businesses that have progressed beyond the early dilemmas of start-up and early stage growth and are turning their attention to both the efficiency and the effectiveness of operations.

Business Link [BLO]

Representatives from the four²⁴ Business Links were interviewed. It was important to ensure breadth of perspective from interviewees. So, for example, in Business Link SE, both the Deputy Chief Executive and a Partnership Manager were interviewed providing a regional and local view of business support.

These organisations are funded by the RDAs and have been through a period of considerable turbulence in the past two years. There has been a general restructure of the Business Links with mergers and consolidation of smaller offices into broader, regional offices. There has also been a shift from a delivery model to a brokerage model with advisers being expected to manage a large number of clients where they broker in services from third parties. This is referred to as the 'IDB' model: Information, Diagnostic, Broker. Business Links' performance measures include the number of businesses they 'interact' with and the number businesses for whom they provide 'intensive assistance'. In simple terms, interaction means maintenance on a database and regular communication of some form, whereas intensive assistance means a face-to-face meeting and an agreed action plan. Adding further to the turbulence is the fact that every three years the BLO contract is put out to tender and this can cause short-term disruption in the market if the incumbent is not awarded the contract. Note that this is the situation in York where the contract for 2008-2011 has been awarded to a new operator with the consequential market disruption.

Business Links do include advice on starting a business but the emphasis remains with those businesses that are likely to demonstrate some form of business development or growth. The key measures here for Business Links are Gross Value Added [GVA²⁵] which, when reviewed over time, is a measure of business development, and employment numbers where the Business Links and the RDAs review jobs 'created' and 'safeguarded'.

²⁴ Note that Bucks and Portsmouth are covered by Business Link SE

²⁵ Calculated by adding back the total salary bill and depreciation to net profit before interest and tax.

Therefore, the generic approach to Business Links should concentrate on how to improve their performance as measured by interactions, intensive assistance, the recording of GVA and on jobs. It should be noted that Business Links are aiming to be the default business support organisation for all businesses and, as such, they are charged with maintaining high penetration rates into their local market. For example, Business Link East's [BLE] target for 2007/08 is 95,000 interactions in a community of 200,000 businesses [47.5%]. Given the standard profile of businesses by size, this means, naturally, that there will be a concentration of businesses at the smaller end in the database of Business Links.

The approach can be narrowed by supporting the way that the advisory teams in Business Links target businesses for intensive assistance. BLE's target for intensive assistance is 5,000 businesses [2.5%]. These businesses are likely to be beyond the early development stage and seeking efficiency and effectiveness improvements perhaps through the use of external advisers. They are more likely to be open to the notion of using external advisers to support their business and are more likely to have the funds to pay for them.

Observation: The key to developing the Business Links as a route to market is to work with them to integrate the OH proposition into the range of services that they identify can deliver benefit to their clients. For this, the NHS must align the OH proposition with core business benefits and ensure that this can be articulated by those that have direct contact with SME clients, in particular Business Link advisors.

The importance of the Business Links and a route to market cannot be overstated. For example, BLE restructured in April 2007 from six units into one covering all six counties of the East of England on a new three-year contract for from the RDA. They have 10 Partnership Relationship Managers and 90 business advisers. They have multiple communication channels to their 200,000 customer base across the six counties. Whilst BLE is now clearly a regional organisation, the 90 advisers are split up into 10 teams operating locally with their Partnership Relationship Manager.

To support an approach to the BLOs, it is essential that there is buy-in within the RDAs. The RDAs oversee the contract with the BLO, reviewing the performance measures referred to above. Whilst the central theme of the RDA network is economic development, matters such as regeneration, sustainability, inclusion and skills are a sub-set of this. Health features as a central strand of their activities with the London Development Agency [LDA] taking the lead. The LDA has a direct connection with the Department of Health and facilitates collaborative working on health matters with other RDAs across England. An opportunity exists, therefore, to explore an approach that fits with the RDA's strategy on health.

The economic development theme is paramount with the key measures, as set out above, being around GVA and employment, both jobs created and safeguarded. All of the support agencies that contract with the RDAs are charged with reporting on these indicators of economic performance. Essentially, they are 'lag' indicators; measures of past performance. The 'penetration' and 'intensive assist' measures can be thought of as 'lead' indicators, where activity in this area should lead to improvement in the lag indicators in due course. Therefore, the challenge for the NHS is to secure the interest of the RDAs in considering OH activity, through 'intensive assist', as a lead indicator.

In parallel with the contractual reporting arrangement with the RDAs, Business Links are coordinated nationally. The Business Link website [www.businesslink.gov.uk] is a portal through which one can access the local Business Links and where there is a full listing of standard services available from every outlet. The portal is funded by HMRC and is cited as an example of inter-governmental department work. Naturally, whilst there are standard offerings, there are local variations to the services provided with the individual Business Link tuning its services in to the requirements of its local market.

Manufacturing Advisory Service [MAS]

Managers were interviewed in the three²⁶ MAS agencies delivering services in the areas covered by the five sites.

MAS is similar in many respects to the Business Links in that it reports to the RDAs on a similar range of measures although an additional measure sits alongside GVA. QCD [Quality, Cost, Delivery] is a combination of efficiency measures that are recorded by company for each MAS intervention. These are aggregated and reported back to the RDAs along with the other measures to justify the funding support for this service.

Whilst the RDAs oversee the contract for MAS, the branding very clearly identifies it as a BERR [Government Department for Business, Enterprise & Regulatory Reform] funded operation, unlike Business Link where the Business Link brand stands alone.

The main difference between MAS and the Business Links is that the Business Links operate an IDB business model whilst the MAS advisers are manufacturing practitioners who provide hands-on advice, working closely with clients. Some MAS advisers are employees, some are independents who are contracted in as required. They do broker in services but they will take businesses through specific funded programmes such as 'Lean Manufacturing'. In the last few years all of the MAS regions have extended their service provision to include strategic advice although the picture is variable in terms of what is actually provided and by whom under this banner. The MAS holds an extensive listing of preferred suppliers.

Because of the nature of services provided and because of the sector [manufacturing], the organisations tend to be larger than those sourcing support from the Business Links. The MAS approach is narrower and deeper than that of the Business Links with long-term, in-depth relationships being developed with client businesses. As such, the MAS operators have a smaller database than that of the Business Links; MAS Yorks and Humberside, for example, has 4,000 manufacturers on its database.

Observation: The opportunity with the MAS is to add the OH proposition to the range of services provided by the MAS advisers. As with the Business Links, the challenge is to identify the means of making the cause and effect linkage between the provision of OH services and material improvement in the client performance data as recorded for the RDA of GVA, the creation and safeguarding of jobs and, specific to MAS, QCD.

As with the Business Links there is a national portal [www.mas.dti.gov.uk] through which services can be identified and through which the regional MAS operator can be sourced.

²⁶ MAS SE covers London and the SE, including Imperial, Portsmouth and Bucks

The tiered approach incorporating the RDAs, the portal and the regional MAS operator will be critical in the roll-out of OH services to SMEs.

Engineering Employers' Federation [EEF]

Two key members of the EEF management were interviewed: Andy Taylor, CEO of the West Midlands division and Professor Sayeed Khan, Chief Medical Adviser.

The EEF is an independent national body with 6,000 members in manufacturing, engineering and technology. It is engaged currently in structural change from 11 regional centres to one national body with regions providing specialist services.

The services provided include a range of business services such as HR and legal, training and development, environmental, H&S, research and insurance. The EEF has a lobbying component and it sees itself as one of the major voices speaking out for manufacturers in the UK. Under its H&S banner it runs OH services alongside safety management, manual handling and other such services. That said, the emphasis on the EEF provision is H&S with numerous HSE guides available through the EEF.

The specific advice from Professor Kahn was to concentrate on firms with more than 30 staff as costs would outweigh benefits below this threshold. He also advised application of the value pyramid as a guide to what services should be provided [see Figure 14].

As the EEF is a membership body, an approach should be developed that can enhance the value of membership. To achieve this, the NHS could offer services that complement the EEF's existing HSE-biased services.

Investors in People (IIP)

IIP is a national organisation with a local delivery network of 12 centres around the UK. There are four centres²⁷ that cover the five sites in this study and interviews have been carried out with two of the four delivery centres plus the national coordinating body, IIP UK.

IIP is in a period of reorganisation of their delivery network from Quality Centres to Investors in People Centres under new licensing arrangements. This period of reorganisation is nearly complete. The IIP reporting line is to the Department for Innovation, Universities and Skills [DIUS] and the Treasury. This reporting line mirrors the changes for other support organisations following the restructuring of the Departments for Trade and Industry and Education and Skills.

The IIP centres are organised broadly on the same geographical basis as the RDA network. For example, IIP in the East of England is provided by The Assessment Network [TAN]. TAN delivers IIP to the six counties of the East of England. It is structured with a small management and administration team of 16 plus 60 business associates [self-employed] who deliver IIP to clients. It is worth noting that IIP is delivered to all sizes of organisation

²⁷ IIP SE covers Portsmouth and Bucks

from small through to large enterprises and that 37% of the clients serviced by TAN are schools.

Within the current standard there is reference to 'work-life balance' and IIP advisers have a good appreciation of the value of OH services, making referrals to OH specialist as appropriate. The standard is being reviewed by IIPUK, the London-based strategic wing of IIP with the new standard scheduled for 2008. IIPUK indicated that there will be greater emphasis placed on occupational health with a specific OH element within the new standard.

There is clearly an opportunity to review the proposition with IIP centre managers in light of the emerging new standard. As with the other national organisations there is an obligation to ensure that the approach is coordinated with the IIPUK. Following on from this, the approach to the regional IIP centres should be to develop a preferred supplier relationship.

UK Trade and Investment [UKTI]

The report authors have worked extensively with this organisation and recently developed the marketing strategy for the SW regional operation. UKTI are a government-funded organisation who receive operational budgets from the RDAs. UKTI's remit is twofold: to help SMEs trade internationally and encourage international organisations to trade in the UK [inward investment]. The area of most interest to this study is the relationship the organisation has with SMEs and to establish partnering opportunities. UKTI, much like Business Link with their business advisors, operate teams of International Trade Advisors [ITA] and targets SMEs with a range of services such as Passport to Export [P2E], Overseas Market Information Service [OMIS], Export Marketing Research Scheme [EMRS] and overseas trade missions, etc.

Unlike Business Link, UKTI delivers these specific services and does not undertake generalist or holistic business support where a diagnostic would establish the need for OH services. However, interviews with senior Operations Managers have established that opportunities exist for specific services/products within the OH portfolio. OH services that impact on, or are a direct result of, staff travelling overseas [such as travel vaccinations, for example] could be targeted specifically through this organisation. UKTI, in all regions, manage a comprehensive series of events targeted at both new and existing exporters. Opportunities exist to market specific and relevant OH services through this channel.

Chambers of Commerce

Chambers of Commerce are independent membership organisations situated throughout the UK. Many are accredited by the British Chambers of Commerce [BCC]. BCC is an organisation that makes the claim to be *the* voice of British business and, with the network of Chambers, has formidable lobbying capability. It also has considerable buying power in negotiating national supplier contracts for members such as AXA Healthcare. The five chambers in the locale of the sites in this study were interviewed. Note that for Imperial, both the London Chamber and the Hammersmith and Fulham Chamber were interviewed. BCC has not been contacted directly.

Although membership organisations, Chambers typically have a range of services available to both members and non-members, which may be discounted for members. There are specific services available to members only. Services that separate the Chambers from other support organisations include export documentation services and the Euro Information Centres that link British chambers with those located in continental Europe. There is also a long history behind the Chamber network with considerable knowledge built up in local areas. For example, Thames Valley Chamber of Commerce [TVCC] is made up of nine local chambers with 50 full-time staff and over 3,000 members. It holds over 240 networking events per year. TVCC has a very active overseas department that delivers the majority of its revenue. It is co-located with Business Link and works closely with UKTI. TVCC has an OH Helpline offering advice on a limited range of OH services.

Typically, chamber memberships are a mix of SMEs and large corporates for whom membership may fit with their corporate social responsibility activities. Many of the smaller SMEs are professional service providers, such as accountants and lawyers. They operate a number of communication channels including e-newsletters, magazines and directories. Typically, they are well reported in the local newspapers and are seen as a regular source of business news.

Clearly, Chambers are an important element in the mix of support organisations with access to the NHS target clients. As with the EEF, the main driver for Chambers is membership. Therefore, the generic approach to Chambers should be to develop an approach that can enhance the value of membership. As mentioned above, AXA Healthcare offer discounted health insurance and there could be an opportunity to offer some form of OH package to Chamber members, through BCC, alongside this insurance. The advice from the Chambers interviewed was that any OH package should be uniform across the Chamber network and, therefore, BCC should be involved.

Other Organisations

It should be noted that the six organisations referred to above represent a significant proportion of the market for business support. It is by no means a comprehensive list and there are many other organisations that provide services and could well be valuable as strategic partners. Probably the largest single grouping would be the independent HR consultants. Typically, small independent HR consultants could be reached through their institute, the Chartered Institute of Personnel and Development. Also, the independent OH consultants that number perhaps 500 in the UK²⁸ should be identified both from a supply perspective and as a potential specialist network for targeting SMEs.

There are other organisations in the state sector that have not been contacted. A sister organisation to IIP is Train to Gain [T2G]. T2G is organised in a similar manner to IIP with a national portal and a regional and local delivery network that maintains regular contact with SMEs offering training services. It would be appropriate to establish communication with T2G, perhaps coordinating an approach with the development of activities with IIP.

²⁸ Occupational Health magazine July 2006

6.2.3 Qualitative Summary

Some of the organisations referred to above have offered to run sessions with their advisers to provide feedback to the NHS on how to shape the proposition. This is a valuable offer in that many of the advisers will have in-depth knowledge of the client base and experience of what really works with SMEs. It should be noted that whilst much of the advisers' knowledge may be considered to be local, the principle, that location is not a determinant of demand, would still apply. Therefore, the exercise of taking soundings from local advisers would have validity in other areas, supporting the notion that there should be a process for sharing of experiences between the sites.

The interconnectedness of many of the organisations referred to above is important and supports the comments made by a number of the people interviewed that the NHS should cast the net wide. In other words, the NHS should ensure that it actively and consistently communicates with as many of the support organisations as possible.

Many of the organisations mentioned above are in a process of change. There is reference to re-structuring, reorganisation with consolidation of services and streamlining of delivery. This is part of the government's 'simplification' agenda where all businesses looking for business service are being pointed towards the Business Link gateway, as noted in section 6.1.2. For the NHS to access these channels, it will be necessary for them to have a structure that dovetails with these networks at appropriate points. Thus the NHS will need to embrace a tiered approach with consistency of message, service offering and delivery quality across the OH network.

Observation: A coordinated, tiered approach encompassing the RDAs, national portals and regional and local operators is fundamental to the success of the development of OH services.

6.2.4 Proposition

The interviews included a section where the interviewee was invited to comment on the OH proposition. There was considerable consensus around the observations with a number of important messages.

The Cost-Benefit Argument

Virtually all of the interviewees made observations regarding the proposition and the aspects that should be stressed when communicating the proposition. The underlying message was that there must be recognisable business benefits accruing as a result of the purchase of OH services. There is no surprise in this but it was stressed by the interviewees a number of times with comments such as these:

"a truly practical way of making improvements to the way in which a company operates."

"a clear connection between OH and the bottom line."

"the proposition must emphasise the business benefits of OH."

This mirrors the observation in 6.1.2 above: “where services are not considered core to the day-to-day management, 3rd party providers of non-core services must align propositions with core business issues such as sales, financial management, HR and legislation”.

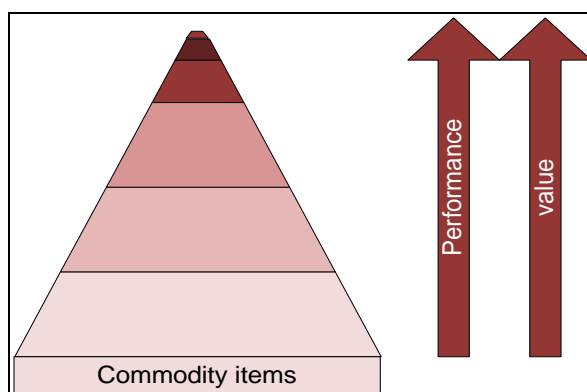
The issue, therefore, is to identify how to trigger a change in behaviour of the owner-manager or the key decision-maker within a business such that they recognise the alignment of OH with one or more of the core business issues, in particular staff effectiveness and productivity and, of course, financial management. The means of triggering this change in behaviour will be to change their view of how OH can impact on business performance and, ultimately, lead to an improvement in financial measures. This is supported by the findings in the quantitative analysis in section 6.1.4 where the observation is made that the market is immature and unaware of the benefits OH can deliver. There is clearly an educative requirement in the communication with SMEs and with strategic partners.

Observation: The objective is to change the view of how OH can impact on business performance, through improvements in staff efficiency and effectiveness.

Service Set

There were many comments around the range of services to be offered. The advice was that the NHS should avoid the commodity items, such as the safety monitoring services provided by the HSE consultants, and concentrate on the longer-term, higher value items. However, these are the services where it becomes more difficult to make the connection between cause and effect. In essence, as suggested by the EEF’s Chief Medical Officer, Professor Khan, the emphasis should be on leading clients to the higher value end of the ‘Value Pyramid’ [see Figure 14] where there will be greater impact on performance. He suggested that certain commodity services should be offered, such as the basic screening and surveillance services, but the real benefit would be seen from the fitness for work and the employee performance enhancing services.

Figure 14. Value Pyramid



Communications

There were numerous observations about the nature of communications. This stems from the belief that the NHS, as a public sector organisation, will always behave like a public

sector organisation. It should be noted that some of the interviewees had specific experience of the NHS at senior management or board levels.

The observations included references to how the cost-benefit argument should be articulated and where the use of language was clearly important. One such comment struck a chord:

"Speak the language of the SME"

This means that the customer experience from initial contact through to after-sales should be in a language that the SME recognises and values.

Branding was raised as part of the interview with interviewees being invited to comment on how the NHS should brand the service. There are a number of dimensions to this. The NHS is perceived as a strong brand, as noted in sections 6.1.1 and 6.2.1. There is no question that the NHS has a number of attributes, benefits etc. [see Figure 15]. The challenge, as identified in section 6.1.4 with SMEs, is around the use of the term 'occupational health' and the engagement process.

It is worth noting that various names are being used for the services in the OH units at the five sites and other NHS centres. Naturally, at this stage, it must be acknowledged that some of the names are simply 'working titles'.

Figure 15. Occupational Health Centres

OH Centre Names:	
Bucks	Bucks Occupational Health
Cambridge	Cambridge Centre for Occupational Health
Imperial	Workplace Health Management Centre
Portsmouth	Portsmouth Wellness Centre
York	[York Hospitals] Occupational Health Services

Observation: There is a requirement to establish a brand that can function for all NHS OH centres with the NHS brand [the umbrella brand] underpinning the OH offering with leverage from regional brands where appropriate.

An example of a strong local brand would be Addenbrokes in Cambridge. The challenge in Cambridge will be to harness this strong local brand alongside the national OH brand. One of the interviewees suggested that the 'Train 2 Gain' brand was an example of where a diverse array of providers [the Training and Enterprise Councils, then the Learning Skills Councils] developed a coordinated approach with a new brand that "does what it says on the tin".

There is no easy answer here. What is certain, however, is that taking clinical language into SMEs will not work. Along with brand development there is a requirement to develop specific business terminology that will work for the target market.

Consistency of Service Delivery Across the Whole Network

The issue of variation in both the service set and service delivery from one area to another was raised a number of times, especially by those organisations that are regionally-based [those covering several counties]. It was stressed that the NHS offering should include some standard core services, with a transparent pricing system but with the allowance for specific local services dependent on both need and expertise. The suggestion here is that a company with a number of branches or divisions located in different parts of the country could contract with one OH provider and have services delivered locally and with consistency in quality of service.

Observation: The NHS offering should comprise core services with specific local elements dependent on both local need and expertise. These should be accessible through a national portal, linked to and from the portals of strategic partners, that leads the SME through to local delivery.

This requirement also raises questions about the process for service delivery from initial point of contact through service delivery and invoicing. For there to be consistency across the network of OH providers there will need to be a highly coordinated approach to operating processes. In that the Capital Fund is specifically targeted at the provision of off-site premises from which to run the OH services, there should be some coordination in the design and layout of the buildings.

It would be appropriate to map the 'customer journey' from initial approach to after-sales service to set out the key points where value is added [customer's perspective] and to identify the key components of services delivery.

Several interviewees confirmed that running an OH service to SMEs from premises located in or near the target market was sensible. These comments support the central purpose of the NHS Capital Plus funding programme to locate OH services away from the main hospitals.

7. Conclusions, Recommendations and Next Steps

This study has established a number of key issues that the NHS needs to address when developing an OH proposition for the SME sector. Both sections of the primary research support the same conclusions and re-enforce a number of the recommendations made by other organisations, particularly the arguments regarding indirect channels to market made by the Focus Group in 2004. The quantitative phase has collected a significant amount of data from 387 SME interviews. The qualitative phase has reported on 40 interviews with organisations that either directly provide or indirectly oversee the provision of service to SMEs. Strategycom have reported those findings considered relevant to the objectives of the study.

7.1 Conclusions

The NHS Brand

It is evident from both quantitative and qualitative studies that the majority of stakeholders [both end-users and intermediaries] see the NHS brand as a strength. It is also evident that key challenges exist with the OH proposition and how this proposition is developed, positioned and delivered.

The Market for OH

This study has demonstrated that the market for OH services [particularly un-serviced] is large, with a significant proportion of SMEs experiencing one or more problems where OH represents the solution. The un-serviced market where demand is unmet is approximately 17% of all SMEs.

Channels to Market

In addition to delivering the OH proposition through direct channels to the SME end-user, an indirect channel marketing strategy for OH services was fully endorsed by the individuals interviewed in the qualitative phase of this research. The fundamentals, therefore, of the NHS OH marketing strategy are to develop both direct and indirect strategies that re-enforce one another. This is a fairly typical strategy that is adopted by a number of business support organisations.

Strategic Partners

There is likely to be a significant variation in the performance of each individual strategic partner and, from the research, it is possible to informally rank those partners that are most likely to generate business. That said, it is imperative that coverage of the business support networks is as comprehensive as possible.

Figure 16. Strategic Partners

Rank	Partner
1	Business Links, MAS, IIP
2	Chambers, UKTI, EEF
3	FSB, IOD, CBI, Enterprise Agencies

[Naturally, this may vary from region to region]

The marketing message to both end-users and strategic partners is different. The end-user requires a proposition based on the business benefit, whereas the strategic partner needs to see how the OH proposition can enhance the services it already delivers to its client base. In order for strategic partners to become fully engaged, they will need to understand the benefits that a well defined OH proposition can deliver to their organisation and how this proposition will help them to meet their goals and performance targets:

"Develop a service that helps us meet our targets."

All of the potential strategic partners contacted are structured similarly with national bodies providing the strategic context for delivery of services by regional and locally-based centres. The NHS needs to mirror this organisational structure and communicate at the appropriate level with the appropriate body. This tiered approach needs to be carefully thought through, appreciating the requirements and agenda at each level and for different partners.

The OH Proposition

The OH proposition must use the language of business and demonstrate business benefit, return on investment and bottom line impact. The proposition must be aligned to the core issues facing the management of every SME: finance, HR, legislation and sales. For example, over 40% of SMEs have observed a significant financial impact on their business as a result of sickness absence.

The typical SME does not make a clear distinction between OH and H&S services typically delivered to this sector, despite 95% of SMEs recognising that the wellbeing of staff represents a key performance driver. This suggests that the OH proposition needs to be more clearly positioned and articulated within the H&S market. This is further compounded by the fact that 'occupational health', as a term, is not understood by the majority of SMEs.

Whilst a typical SME recognises that the management of sickness absence is important, it does not see OH as the solution because providers have not properly articulated or demonstrated this connection. This is fundamental and suggests that any proposition based purely on the product, which is not understood, will fail. The market for OH services is a confusing one [SMEs do not know what is available and don't know where to look] for most SMEs and any provider who develops a simple and clearly defined proposition [based on the key issues outlined above], delivered both direct and through established channels, should capture significant market share [see section 7.2].

A successful OH proposition should provide a telephone helpline and demonstrate both clinical expertise and sector/business experience. SMEs, with services that are not on their corporate agenda, will require some level of face-to-face interaction [i.e. an SME will not buy into the proposition based on marketing information alone]. This interaction, particularly the sales interaction, could be managed and delivered by strategic partners and not necessarily the OH service providers.

The OH Structure

Whilst not within the remit of this study, the results strongly suggest that the NHS OH proposition needs to be underpinned by some fundamental strategies that are cascaded down from national to regional and local levels. This was strongly argued by a number of strategic partners:

"It's all about consistency and quality. The NHS must develop a national quality standard for the delivery of Occ Health in the same way that we do for all our services. We would only want to take a relationship forward on this basis."

"Coordinated, tiered approach relevant to all organisations covered – public funded and membership bodies."

The fundamental strategies should include:

- **Service set.** The service set should include a core of standard services with transparent pricing across the whole network of providers. Local variations will depend on both local need and expertise. These services should not try to compete with the existing HSE services but seek to operate at the upper end of the value pyramid.
- **Service quality.** The delivery of standard core services should be consistent across the network with the customer experience being consistent from initial contact through to service delivery and billing.
- **Marketing.** In parallel with consistency of service there is a requirement for coordinated marketing activities including nationally-developed marketing collateral and a national website/portal for the delivery of information, etc. National initiatives represent the most cost-effective way to market an OH proposition and achieve considerable economic benefit.
- **Brand.** There is a requirement to establish a brand that can function for all NHS OH centres with the NHS brand, as the umbrella brand, underpinning the OH offering. This can then be re-enforced and 'regionalised' through the development of new, or the leveraging of existing, local brands.

NHS Plus must play the pivotal role in coordinating these strategies and in developing the template by which regional OH services are supplied.

Summary

Significant conclusions stakeholders should draw from this study are outlined below:

- The NHS brand represents a strength in the SME market.
- The market for OH services is large, growing and significantly un-serviced.
- OH services should be marketed and delivered through both direct and indirect channels to market.
- NHS Plus and NHS OH regions must develop opportunities with strategic partners at both national and regional level.
- Product terminology is critical where the OH proposition must be aligned to core business issues [finance, HR, legislation, sales] typically managed by SMEs.
- OH is not understood by the SME market.
- A SME recognises the problems but does not understand the solution – i.e. SMEs do not make the connection from the problem to the OH solution.
- NHS Plus have a large role to play, providing guidance at national level and promoting a national service framework.
- The product set should include standard core services plus locally-defined services driven by both local demand and local OH expertise.
- To deliver OH at a consistent and coordinated national level will require significant investment.

7.2.1 Service Framework

The National Proposition

Given the considerable market opportunity, current barriers to entry and the market confusion identified from this study, all NHS OH providers should use a consistent proposition. This proposition must be developed centrally and used to underpin all NHS OH marketing. It is recommended that the proposition is based on two fundamental requirements: the need to educate the SME market and the need to deliver actual products.

Educative Proposition

This study has clearly identified that OH is not on the agenda of most SMEs or, for that matter, most strategic partners. This assertion is, however, analogous to the size of SME and has fundamentally informed our recommendations with regard to target markets [i.e. researching only those SMEs with 30-250 staff]. Despite this, the majority of existing OH marketing communications and collateral we have evaluated would appear to assume that most SMEs know what they want and it is only a case of selecting the most appropriate provider. This study demonstrates that this is clearly not the case and any proposition that does not attempt to educate the market and create demand prior to selling specific services will fail.

It is recommended, therefore, that NHS Plus, together with the five pilot sites, develop a proposition that attempts to position OH as a key business driver on the basis that an SME should consider anything effecting their employees' welfare as an OH issue.

This educative proposition should be developed on the following basis:

1. There is confusion in the SME marketplace as to what OH actually means, not just through the clinical language, but the actual term 'occupational health'. A new product definition, central to the national NHs OH brand, must be developed.
2. The cause and effect: Healthy workplace = healthier employees = improved and sustained sickness absence rates = improved business performance.
3. OH concerns are not an optional extra - all employers have a legal duty of care to their employees. In addition, taking OH seriously can bring a range of business benefits such as:
 - increased morale;
 - improved financial performance;
 - improved relationships with customers and suppliers;
 - improved productivity;
 - reduced staff turnover.
4. Legislation: Some elements of OH are good practice, while others, such as the need to conduct a wide-ranging assessment of H&S risks, are legally required.
5. Demonstrate how OH sits with, and is integral to, H&S.

Product Proposition

It is envisaged that the price of the services offered is likely to be more of a driver for the micro and small businesses than it is for medium-sized businesses. This study has demonstrated that an SME, once the demand has been created, will want to obtain information and buy products and services within a well-defined, clearly priced and easily accessed package of services.

This package of services should be developed on a modular basis and allow the SME to purchase on a one-off or subscription basis. Each of the 'products' within the package must be inter-related to facilitate cross-selling and must be underpinned by the business benefit.

The proposition must use the language of the SME, i.e. the language that an SME would use when encountering a problem that has an OH solution. We know that effective management of OH aims to improve general health and prevent work-related illness and injury. We also know that it should include intervening early when health problems arise, and helping those who have been long-term sick to return to work. Unfortunately, the owner manager of an SME does not use this language but talks in a language relating to the problems the business is experiencing – loss of productivity, falling sales revenue, increased costs, etc. As a result of this, it is essential that the OH proposition targeted at both the end-user and strategic partner is derived from and connected to these types of business issues. This language will also work when taking the proposition to strategic partners, most of whom spend considerable marketing effort and expense to engage with SMEs using language based on the key business issues.

7.2.2 Market Segmentation

It is recommended that each region uses the same segmentation model for targeting the SME sector. Segmentation of the SME market should be undertaken in a number of ways, particularly with regard to the delivery of OH. Segmentation should use business size [employee numbers] and sector [2003 UK SIC classifications]. The data used to define the population of interest for this study should be used as key prospect data for each pilot site.

Business Size

Typically, businesses are classified in four size bands. As already argued, an SME's propensity to buy OH services is analogous to its size and sector of operation. On this basis, each site should target those SMEs most likely to provide a return on investment in years 1 to 3 with push strategies whilst presenting a pull proposition to the remainder. Larger SMEs [medium-sized enterprises] will provide more significant return on investment in the short-term and provide each site with the opportunity to prove the concept and delivery model that can then be taken to both micro and small businesses.

Medium-sized SMEs [30-249 employees for the basis of this study] represent a more significant opportunity than micro and small SMEs [0-49 employees] for the following reasons:

- They are more likely to possess some in-house expertise.

- They are more likely to understand the cause and effect between OH and business performance although most do not.
- They are a smaller but easier to reach market.
- They represent a larger market share in terms of employee numbers.
- They are more likely to provide greater account value.
- They are more likely to be proactive in their buying patterns.
- They are more likely to provide a more significant financial contribution – greater account share.

Strategically Important Sectors

Depending on the sector in which an SME operates, the business and their employees are likely to face specific OH issues. The MBD report²⁹ has identified average sickness and absence by sector and, interestingly, the public sector has significantly higher rates than the private sector. The same report identifies a correlation between these figures and those sectors with sickness reduction targets. In light of this, we have concluded that average sickness and absence rates for each sector should represent the key driver for the demand of OH services.

We believe that segmentation of this market by all sectors is not required. There would appear to be a clear difference between manual skill-based businesses [relatively high rates] and office businesses [relatively low rates] with regards to their sickness and absence rates, and for the purposes of each region's marketing strategy, sectoral segmentation has been undertaken on this basis [see Figure 17]. Manual skill-based businesses are more likely to purchase OH services directly related to HS and work-related injury, which further supports the recommendation that OH needs to be better positioned within the H&S market.

In order for each site to deliver a return on investment, the marketing function must deliver an increased number of new business opportunities and retain [and increase] account share with existing clients through a more pro-active and ongoing CRM programme. Whilst OH services will remain available to all businesses, it is recommended that both key functions focus the marketing effort and delivery resources using the following SME market segmentation:

²⁹ The UK Occupational Health Market Development 2007 - MBD

Figure 17. Market segmentation

Target Groups	Business Type	Business Size	Marketing
1	Public sector	Medium [30-250]	<p>Push</p> <p>Strategy Direct sell OH services</p> <p>Results New business opps from direct sales</p> <p>Proposition Product</p> <p>Channel E-media, DM, events, partners, networking</p>
2	Manual skill-based	Medium [30-250 emps]	<p>Push</p> <p>Strategy Direct sell OH services relevant to sector</p> <p>Results Raise awareness and develop a pipeline of new business opportunities</p> <p>Proposition Educative and product</p> <p>Channel Press, e-media, DM, events, partners, networking</p>
3	Office-based	Medium [30-250 emps]	<p>Push</p> <p>Strategy Direct sell OH services relevant to sector</p> <p>Results Raise awareness and develop a pipeline of new business opportunities</p> <p>Proposition Educative and product</p> <p>Channel Press, e-media, DM, events, partners, networking</p>
4	Strategic partners [market influencers]	n/a	<p>Push</p> <p>Strategy Educate on OH and sell NHS as strategic partner</p> <p>Results Multiply channel marketing and develop a pipeline of new business opportunities</p> <p>Proposition Product [some educative]</p> <p>Channel Face-to-face</p>
5	Other	Micro/Small [0-29 emps]	<p>Pull</p> <p>Strategy Educate on OH</p> <p>Results Increased awareness and demand for OH services</p> <p>Proposition Educative</p> <p>Channel Web, press, partners</p>