1.1 Chapter 9 discusses results of research capturing perceptions and awareness levels of approved trader schemes from both consumer and business perspectives. In relation to the latter, further analysis was carried out to profile and ‘segment’ types of businesses according to their views, the intention being to provide helpful information for organisations that run, or are thinking of running, schemes, in terms of where promotional activity aimed at increasing membership could be focused.

1.2 This annexe describes the profile of each of the segments including the key features of businesses that are prevalent in each group. A number of implications are then included for the ways in which members of each of these segments might be targeted/prioritised.¹

1.3 The segmentation involved dividing the total sample of 506 businesses into five groups, based on their awareness, behaviour and perceptions in relation to approved trader schemes:

1. positive members
2. negative members
3. positive non-members
4. negative non-members
5. unaware of schemes.

1.4 Both members and non-members were defined as being 'positive' or 'negative' based on their perceptions of the effectiveness of approved trader schemes. Those judging the schemes to be very effective or fairly effective on at least three of the five aspects were judged to be 'positive'. Those who rated the schemes as very effective or fairly effective on fewer than three of the five factors were judged to be negative'. The 'negative' groups also include businesses that were not

¹ Due to small base sizes, not all differences reported between segments are significant at a 95 per cent confidence level. These results should therefore be treated as indicative only.
able to judge the effectiveness of the schemes (those who were coded as ‘don’t know’\(^2\)).

1.5 Chart E.1 shows the breakdown of the full sample of businesses into these five segments.\(^3\)

**Chart E.1 - Business segments**

<table>
<thead>
<tr>
<th>Segment</th>
<th>Description</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Positive members</td>
<td>18%</td>
</tr>
<tr>
<td>2</td>
<td>Negative members</td>
<td>10%</td>
</tr>
<tr>
<td>3</td>
<td>Positive non-members</td>
<td>10%</td>
</tr>
<tr>
<td>4</td>
<td>Negative non-members</td>
<td>25%</td>
</tr>
<tr>
<td>5</td>
<td>Unaware</td>
<td>32%</td>
</tr>
</tbody>
</table>

Base: All businesses (506)

**Segment 1 – positive members**

1.6 All businesses in this segment are current members of an approved trader scheme and felt that schemes were effective on at least three of the five measures assessed.

Profile:

1.7 Businesses in this segment tended to:

\(^2\) For each aspect of approved trader schemes around one in ten businesses said they were not able to judge their effectiveness.

\(^3\) Percentages of businesses reported in chart E.1 are based on weighted data. Numbers of businesses reported in each segment are based on unweighted data.
• be larger; being less likely than those in other segments to employ between one and five employees (sixty three per cent compared with 85 per cent of businesses overall and 84 per cent of negative members)

• take on a greater number of projects - see Chart E.2 below

![Chart E.2 - Number of projects undertaken in a typical month by segment](chart.png)

Sources of business:

1.8 Positive members were less likely than some other groups to mention recommendations as the most common reason for customers choosing
them. They were far more likely than any other group to cite a reputation for high quality as being a reason for custom (Chart E.3).

1.9 Positive members were more likely than any other group to report reliability and having the confidence to deliver as an extremely important factor to their customers (79 per cent compared with, for example, 56 per cent of those who had not heard of approved trader schemes). They were also most likely to see customer service as an extremely important factor (61 per cent compared with 42 per cent of non-members overall). There were no notable differences between positive members and other groups based on the perceived importance of price, quality of product and work and when the work can be done.

Business practices:

1.10 Businesses in this segment were most likely to report providing all forms of written documentation to customers. (Chart E.4)
Trade associations and approved trader schemes:

- More than eight in ten (83 per cent) positive members were also current members of a trade association or professional body (compared with 65 per cent of negative members and 30 per cent of non-members of approved trade schemes overall).

- Positive members were more likely than negative members to be members of a non-local authority approved trader scheme (87% compared with 65%). They were less likely to be members of a local authority scheme (23 per cent compared with 44 per cent of negative members).

Barriers, challenges and problems:

1.11 Positive members were slightly more likely than businesses in other groups to report problems being raised by their customers about their work. More than eight in ten (83 per cent) positive members experienced at least one problem compared with 71 per cent of negative members and 69 per cent of non-members overall. This difference could be due to
the fact larger businesses are in this group and/or may reflect a slightly higher tendency to have a complaints procedure and to monitor complaints.

Segment 2 – negative members

1.12 Negative members were all current members of an approved trader scheme who felt that schemes were effective on fewer than three of the five measures.

Profile:

1.13 Businesses in this group tended to be smaller than positive members, with 61 per cent employing just one or two people (compared with 40 per cent of positive members).

1.14 While negative members worked across a range of sectors, they were most likely to be involved with plumbing work (56 per cent).

1.15 Negative members took on slightly fewer projects per month than positive members but more than non-members. Fifty two per cent of negative members undertook fewer than ten projects per month compared with 46 per cent of positive members and 67 per cent of non-members overall.

Sources of business:

1.16 Three quarters (76 per cent) of negative members cited recommendations by consumers’ friends or family as being a key factor in consumers choosing them over competitors (see Chart E.3 above). But businesses in this group were much less likely to refer to having a reputation for high quality as being a factor (25 per cent compared with 51 per cent positive members).

Business practices:

1.17 Negative members were less likely to report providing documentation compared with positive members (see Chart E.4 above).

Trade associations and approved trader schemes:

1.18 Negative members were:
• quite likely to report being a member of a trade association or professional body (65%). They were less likely than positive members (83%) to be members of a trade association or professional body but more than twice as likely than non-members overall (30%)

• more likely than positive members to have previously heard of local authority approved trader schemes (68% versus 49%)

• more likely than positive members to be a member of a local authority approved trader scheme (44% compared with 23%)

• more likely than negative non-members to see approved trader schemes as effective at raising standards on quality and workmanship (27% compared with 8%) and raising standards on business practices (27% compared with 10%). (Chart E.5).

**Chart E.5 – Proportion of different segments seeing approved trader schemes as effective on various aspects**

<table>
<thead>
<tr>
<th>Segment</th>
<th>Positive members</th>
<th>Positive non-members</th>
<th>Negative members</th>
<th>Negative non-members</th>
</tr>
</thead>
<tbody>
<tr>
<td>Helping your business gain the trust of consumers</td>
<td>62%</td>
<td>19%</td>
<td>21%</td>
<td>19%</td>
</tr>
<tr>
<td>Raising standards of quality and workmanship</td>
<td>65%</td>
<td>8%</td>
<td>27%</td>
<td>27%</td>
</tr>
<tr>
<td>Raising standards on business practices</td>
<td>35%</td>
<td>10%</td>
<td>27%</td>
<td>27%</td>
</tr>
<tr>
<td>Generating enquiries and sales</td>
<td>68%</td>
<td>11%</td>
<td>10%</td>
<td>72%</td>
</tr>
<tr>
<td>Driving out rogue traders</td>
<td>6%</td>
<td>8%</td>
<td>77%</td>
<td>7%</td>
</tr>
</tbody>
</table>

Base: All positive members (161), Negative members (90), Positive non-members (113) and Negative non-members (144)

**Barriers, challenges and problems:**

1.19 On most measures, negative members did not differ greatly from other groups in terms of their perception of issues that caused them problems in delivering their service to the highest quality. Three quarters (75 per
cent) of negative members saw undercutting by poor quality or rogue traders as being an issue. They were slightly more likely to mention this as an issue compared with negative non-members (61 per cent). In contrast, negative members were slightly less likely to mention the customer having unrealistic or impractical expectations (18 per cent versus 32 per cent) and suppliers providing incorrect materials and fittings (12 per cent versus 22 per cent) compared with negative non-members.

1.20 Negative members were slightly less likely than positive members to report problems being raised by their customers in the last 12 months (71% compared with 83%).

Segment 3 – positive non-members

1.21 Positive non-members were not current members of an approved trader scheme but felt that schemes in general were effective on at least three of the five measures.

Profile:

1.22 Businesses in this segment were most likely of all to have just one or two employees. More than seven in ten (73 per cent) positive non-members employed one or two employees compared with four in ten (40 per cent) positive members. Just one in ten (10 per cent) businesses in this group employed more than five employees. (Chart E.6)
1.23 Positive non-members:

- were slightly less likely than members overall to be involved with electrical work (35 per cent versus 54 per cent) and slightly more likely to do decorating work (43 per cent versus 31 per cent)

- generally reported undertaking fewer than ten projects per month (71 per cent compared with 48 per cent of members overall)

- were by far the most likely of all the groups to be 'young' companies. One in five (19 per cent) positive non-members had been in operation for up to two years. (Chart E.7)
Sources of business:

1.24 Seventy-four per cent of positive non-members cited recommendations from friends or family as being a factor in consumers choosing them over competitors. Positive non-members were more likely to mention this as a factor compared with positive members (60 per cent). (see Chart E.3)

1.25 Positive non-members (68 per cent) were slightly more likely than both members overall (57 per cent) and negative non-members (55 per cent) to see price as extremely or very important to their customers.

Business practices:

1.26 Positive non-members were less likely than positive members to report providing all forms of written documentation to customers (33 per cent compared with 64 per cent of positive members).

Trade associations and approved trader schemes:
1.27 A third (32 per cent) of positive non-members said that they were current members of a trade association or professional body (far fewer than positive members (83 per cent) and negative members (65 per cent) but more than negative non-members (23 per cent)).

1.28 Six in ten (58 per cent) positive non-members had previously heard of local authority approved trader schemes.

1.29 The most common reasons put forward by positive non-members for their current non-membership of approved trader schemes were seeing them as too expensive to join (22 per cent), not seeing how it would benefit their business (20 per cent) and feeling they don’t need any more business (19 per cent). They were slightly more likely to have said they did not need any more business compared with negative non-members (nine per cent).

Barriers, challenges and problems:

1.30 In common with other groups, positive non-members saw the biggest issue as 'undercutting by poor quality or rogue traders' (73 per cent). (Chart E.8)
1.31 The difference between the tendency of positive non-members and positive members to have reported problems being raised by their customers in the last 12 months (71 per cent compared with 83 per cent) could be linked to the fact that positive non-members tended to work on fewer projects. Positive non-members were more likely than any other segments to say customers had raised problems with fixtures or fittings.

**Segment 4 – negative non-members**

1.32 Negative non-members were not current members of an approved trader scheme. They felt that schemes were effective on fewer than three of the five measures.

**Profile:**

1.33 Negative non-members:
• were fairly similar to positive non-members in terms of their size, with more than nine in ten (93 per cent) businesses in this group employing between one and five employees

• worked across a range of sectors, but they were most likely to be involved with plumbing work (56 per cent) and fitting bathrooms (56 per cent)

• mostly undertook fewer than ten projects per month (68 per cent), similar to positive non-members (71 per cent).

Sources of business:

1.34 Negative non-members were slightly less likely than other groups to see customer service as extremely or very important (82 per cent compared with 93 per cent of members and 90 per cent of other non-members). Their views on these and other factors compared to other groups are shown in Chart E.9 below.
Business practices:

1.35 Eighty six per cent of negative non-members reported providing at least basic information to their customers. Businesses in this group were however less likely than positive members to provide documentation and also less likely than negative members to provide a written complaints procedure (15 per cent compared with 34 per cent - see Chart E.4).

Trade associations and approved trader schemes:

1.36 Less than a quarter (23 per cent) of negative non-members reported being members of a trade association or professional body. They were slightly less likely than other non-members (35 per cent) to report membership of these associations or bodies and far less likely to compared with members of approved trader schemes overall (77 per cent).

1.37 The most common reasons negative non-members cited for their current non-membership of approved trader schemes were not seeing how it would benefit their business (23 per cent) and seeing them as too expensive to join (19 per cent). They were slightly less likely to say they did not need any more business compared with positive non-members (9 per cent versus 19 per cent).

1.38 Negative non-members were less likely than negative members to see schemes as effective at raising standards on quality and workmanship (8 per cent compared with 27 per cent) and raising standards on business practices – for example providing quotes and having a complaints process (10 per cent compared with 27 per cent) (see Chart E.5).

Barriers, challenges and problems:

1.39 Negative non-members did not differ greatly from other groups in terms of their perception of issues that caused them problems in delivering their service to the highest quality (see Chart E.8).

1.40 Seven in ten (69%) negative non-members said that they had experienced at least one problem in the last 12 months. This was in line with results reported by both negative members (71%) and positive non-members (73%).
Segment 5 – unaware

1.41 These businesses were not aware of any approved trader schemes – including those run by local authorities and other types of schemes.

Profile:

1.42 The size profile did not differ greatly from the overall market.

1.43 While businesses that were unaware of schemes worked across a range of sectors, they were most likely to be involved with fitting bathrooms (48 per cent), guttering, fascias and soffits (42 per cent) and general building work – for example extensions and conversions (43 per cent).

1.44 Six in ten (59 per cent) businesses in this group undertook fewer than ten projects per month. A number of businesses in this group said that they undertook no projects in a typical month (7 per cent) or did not know how many projects that they undertook (20 per cent).

1.45 Most businesses in this group saw their market as local (84 per cent). They were more likely than members overall to do so (72 per cent).

1.46 One in ten (10 per cent) businesses in the segment had been trading for up to two years, including seven per cent that had been in operation for less than one year.

Sources of business:

1.47 Businesses in this group were particularly likely to see 'when the work can be done' as being important to their customers. (Chart E.9)

Business practices:

1.48 Most businesses in this group reported providing at least basic information to their customers: 88 per cent providing a written quote and 86 per cent providing a basic specification (Chart E.4).

1.49 In common with all other segments, the most common payment method employed by businesses in this group was 'payment in full on completion of work and no deposit up front' (78%). Businesses in this group were
more likely than others to report using payment in instalments with no deposit up front (48 per cent compared with 29 per cent of members and 37 per cent of other non-members).

Trade associations and approved trader schemes:

1.50 Almost four in ten (38 per cent) businesses that had not previously heard of approved trader schemes were current members of trade associations or professional bodies. They were slightly more likely to be members of trade associations or professional bodies than negative non-members (23%). (Chart E.10)

Barriers, challenges and problems:

- This was the only group out of the five that did not see undercutting by poor quality or rogue traders as the biggest issue. They were slightly more likely to see variations in the level of work as a problem (63 per cent compared with 59 per cent seeing undercutting as a problem).

- Businesses in this group were less likely than any others to have reported any problems being raised by their customers in the last 12 months (58 per cent of businesses compared with 79 per cent of members and 71 per cent of non-members that had heard of schemes).
Implications of segmentation and prioritisation of groups

1.51 Included below is a discussion of the implications for targeting three of the five groups, with a view to either maximising the chances of businesses remaining as scheme members or, for those that are not already scheme members, for joining schemes. The groups are included in order of priority, with those requiring the most immediate attention first. Two segments have not been included here – positive members and negative non-members.  

Priority group 1 – Negative members

1.52 Ensuring businesses that are currently members remain so is key to increasing membership, as the cost and resources involved in retaining members is likely to be significantly lower than attracting new members. For this reason it is recommended that negative members should be prioritised above all other segments. The following points should be borne in mind in relation to negative members:

- Negative members thought that schemes were effective on less than three of five measures. There may be a danger that these negative views will result in some of these businesses leaving schemes in the future. The challenge is to increase their awareness and understanding of the benefits of scheme membership to their business.

- Negative members tended to be smaller than positive members both in terms of number of employees and level of work taken on. It may therefore be the case that approved trader schemes are seen as less useful among smaller businesses. It might be argued that schemes need to focus more on promoting aspects that particularly concern smaller businesses. For example, 'variations in the level of work' was flagged as a problem by 58 per cent of businesses with one to five employees compared with 44 per cent of businesses with six or

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4 In the case of positive members this was because they were not deemed to be at risk of leaving schemes due to their positive perceptions. In the case of negative non-members this was because it was felt it would be a more efficient use of resources to target groups that are already scheme members (but at risk of leaving) or not members but positive about schemes.
more employees. Just 11 per cent of negative members felt that schemes were effective at 'generating enquiries and sales'. If it could be shown that scheme membership can help to provide a steadier flow of enquiries, schemes may then be seen as more effective among negative members.

- Linked to the above point, the research has shown that a large proportion of consumers choose a particular trader due to recommendations. If it can be demonstrated that schemes can help provide initial leads for businesses then they may see a network effect, leading to a large amount of new work.

- It was apparent that negative members were more likely to be members of local authority schemes whereas positive members were more likely to be members of other types of schemes. There may be particular issues that need to be addressed in relation to local authority schemes. For example, in relation to 'helping businesses gain the trust of consumers', 74 per cent of members of non-local authority schemes saw schemes as effective in this respect compared with 46 per cent of local authority scheme members. Using positive feedback from consumers who have used local authority schemes may help to improve these perceptions.

- Three quarters of negative members felt that undercutting by poor quality or rogue traders was a problem in delivering their work to the highest standard but just eight per cent felt schemes were effective at driving out rogue traders. If it can be shown that schemes can help in this respect this is also likely to increase their appeal among negative members.

Priority group 2 – Positive non-members

1.53 A quarter of all businesses were defined as positive non-members. Although they are not current scheme members, they should be seen as potential joiners given their positive perceptions.

1.54 The following points should be borne in mind in relation to positive non-members:

- Perhaps the most notable result among this group is that they were by far the most likely to be 'new' companies, with a fifth in
operation for less than three years. This suggests that there may be captive demand among new businesses to join schemes. This is probably unsurprising as many of the perceived benefits of schemes (at least in the eyes of some businesses) will be particularly useful to companies that are new to the market. These aspects include generating enquiries and sales and helping the business to gain the trust of consumers. Consideration should therefore be given to promoting scheme membership and providing information on the practicalities involved and ease of joining approved trader schemes for new businesses. While it may not always be viable for such 'young' companies to join schemes straightaway it would be beneficial to encourage them to include plans to join in their business plans. These businesses should be easier to target via listings of new business registrations in relevant sectors or geographic areas and through organisations which provide advice to new businesses.

- A third of positive non-members were members of trade associations or professional bodies. This could present a potentially cost effective route to some businesses in this segment given they can be easily identified. In some cases they may be able to join schemes directly through trade associations but even where this is not the case trade associations or professional bodies could consider providing more information on how businesses can join approved trader schemes.

- Possibly linked to the fact that a notable proportion of these businesses are new, they were most likely to employ just one or two employees. As with negative members it may therefore be useful to more strongly 'sell' the aspects of schemes that might have particular appeal to smaller businesses.

- While a range of reasons were put forward by positive non-members for not joining schemes, three factors stood out. These were: schemes being too expensive to join, not seeing how it would benefit their business and feeling they did not need any more business. Any strategy to market schemes to this group could therefore be based around these three factors: stressing the cost effectiveness of scheme membership (or promoting less costly membership routes), stating more clearly how schemes might benefit their business and communicating other benefits of membership aside from providing more business. As positive non-members were less likely than
positive members to see schemes as being effective at driving out rogue traders it may be worthwhile to communicate this benefit specifically.

- Positive non-members were more likely than other groups to cite a range of issues as being problematic in providing a high quality service. These included duties being placed upon them by consumer law being unclear or hard to understand. Schemes should also promote any benefits they offer in terms of helping members understand and meet legal requirements.

Priority group 3 – businesses unaware of schemes

1.55 Around one in every six businesses had not previously even heard of approved trader schemes. It is probably unrealistic to think that these businesses will join schemes in the near future so the key challenge should instead be to first inform them about schemes in a positive way and then, in time, encourage membership. The following points should be borne in mind in relation to businesses that are currently unaware of schemes:

- There is clearly a relationship between trade associations and approved trader schemes, with members of the former more likely to report being members of the latter. Despite being unaware of approved trader schemes, almost four in ten businesses in this group claimed to be members of a trade association or professional body. It may therefore be possible to communicate information about schemes to a sizeable proportion of the group through organisations they already belong to.

- A small but notable proportion of businesses in this group had been in operation for less than one year. Therefore, as with positive non-members, some consideration should be given to how to best inform new companies about approved trader schemes that operate in the market with a view to joining schemes once these companies have been established for longer.