

Supplier Landscape Analysis

Philadelphia Anchors for Growth and Equity

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Photo by C. Smyth for Visit Philadelphia

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GREATER
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EXECUTIVE SUMMARY

GOAL OF THE ANALYSIS

Philadelphia Anchors for Growth and Equity was launched with a 2015 research report in the Philadelphia Controller's office which identified a \$500 million opportunity for localizing anchor spend. The report identified commodities and services that were purchased by anchors and compared those categories to the production capacity of local businesses. However, simply understanding the commodities overlooks the reality of purchasing; anchors do not purchase each item individually. Rather, purchasing is a complex web of bundled contracts and decentralized individual purchases. In order to understand the local purchasing landscape, it was critical to understand not only commodities, but the local supplier landscape.

Specifically, the Economy League of Greater Philadelphia undertook the 2019 Supplier Landscape Analysis with the following goals:

- Identify a preliminary list of qualified, local vendors
- Identify high- and low- demand industry categories in order to find opportunities in anchor supply chains
- Determine key attributes (age, size, total employees) of businesses typically utilized by anchors
- Provide guidelines for anchors looking to incorporate local tracking into their data systems

KEY FINDINGS

- **Anchors utilize a total of 1,424 unique local suppliers.** Only 150 of these suppliers sell to three or more anchors. On average, suppliers utilized by anchors are larger and more established than Philadelphia businesses in general. Anchor suppliers have a median revenue of \$236,900 (compared to \$80,600 for all Philadelphia businesses), 5 employees (compared to 2 employees) and are 11 years old (compared to 5 year in business).
- **Anchor suppliers are clustered around Center City and University City. The zip code containing the most anchor suppliers is 19103 (14.7% of all suppliers).** The next most populous zip codes are also located in Center City: 19106 (7.9% of local anchor suppliers), 19107 (7.2%), 19102 (7.1%). University City contains just one of the top 5 zip codes – 7% of all anchor suppliers are located in 19104.
- **The most common type of local supplier utilized by anchors is Professional, Scientific & Technical Services enterprise, with 20% of local anchor suppliers falling into this category.** Accommodation and Food Services is next in terms of most frequently used type of supplier at about 14%. The next three most common categories are Wholesale Trade, Management and Remediation Services, and Retail Trade.
- **Looking at spend data shows that 78% of all local spend is spent with construction companies. This is followed by Professional, Scientific & Technical Services (13% of total spend) and Accommodation & Food Services (3%).** When looking at the number of local firms employed, the Construction spend is spread among only 19 firms, while the Professional, Scientific and Technical spend is distributed among 83 firms (note: the spend data only represents four anchors).

- **High spend categories tend to also have the highest number of suppliers.** The industries that are exceptions are Construction, Information, Finance and Insurance. In these industries fewer firms capture a greater amount of spend.
- **The study shows that 10% percent of all local and regional businesses utilized by anchors carry at least one diversity designation.** The most common designation is women-owned (5.9%), followed by minority-owned (3.3%).
- **Effectively tracking local spend requires a data system designed intentionally for this purpose.** Because many systems are designed for accounting purposes, they are not easily adaptable to tracking local spend. For example, storing the address intended for mailing checks (“remit to” address) could misrepresent the actual location of the company. Additionally, accounting systems cannot distinguish between a local branch of a national company (e.g. Staples) and a locally owned business. Despite these challenges, nearly 2/3 or 2,369 of the 3,803 suppliers that submitted by anchors were identified as regional or local.

LOCAL SUPPLIER ANALYSIS

DATA REQUEST AND METHODOLOGY

The Economy League launched a data collection effort in August 2018, requesting a list of all local vendors that institutions contracted with during the 2017-2018 financial year, along with any available identifying information (contact, address, description), spend information and diversity certifications. The Economy League requested that anchors provide lists of vendors with an address within any zip code beginning with 191 to filter out Philadelphia-based businesses.

The following nine anchors provided data in response to the request:

- Community College of Philadelphia
- Children’s Hospital of Philadelphia
- Drexel University
- Penn Medicine
- Temple University
- Temple University Health System
- Thomas Jefferson University and Health System
- University of Pennsylvania
- University of the Sciences

The data was supplemented by the Commerce Department’s Office of Economic Opportunity Database, as well as data from Dun & Bradstreet and Mergent Intellect business databases. The last two databases provided a comprehensive view of locally-owned businesses in Philadelphia, allowing for comparison between the local supplier landscape utilized by anchors and Philadelphia’s overall business landscape.

Following the data collection, the Economy League developed the following definitions of local and regional companies:

- **Local:** A for-profit business headquartered in Philadelphia, excluding companies that would be utilized exclusively for medical reasons. Because Philadelphia Anchors for Growth and Equity is focused on helping anchors make the business decision of contracting locally, medical businesses such as optometrist’s offices do not fall within the scope of the project.
- **Regional:** A for-profit business headquartered in 11 counties within Economy League’s service area (Delaware County, PA; Chester County, PA; Bucks County, PA; Montgomery County, PA; Philadelphia County, PA; Salem County, NJ; Gloucester County, NJ; Mercer County, NJ; Burlington County, NJ; Camden County, NJ; New Castle County, DE).

LOCAL SUPPLIERS LANDSCAPE OVERVIEW

TOTAL SUPPLIERS

Anchors submitted 3,803 suppliers within 191xx zip codes in response to Economy League’s request. Economy League checked the ownership status and actual location of each vendor using Commerce Department’s Office of Economic Opportunity database, along with Dun & Bradstreet and Mergent Intellect databases.

Of the 3,803 suppliers that were submitted, two-thirds were local or regional. Out of the 2,369 local or regional suppliers, 1,889 suppliers were headquartered in Philadelphia and thus local. Removing duplicates (suppliers utilized by multiple anchors) left 1,424 unique, local suppliers utilized by anchor institutions. This represents 1.5% of locally owned businesses in Philadelphia.

However, only 150 suppliers work with three or more anchors. The vast majority of suppliers only sell to one anchor; these suppliers should be given the opportunity to build on their existing experience to work with all PAGE member anchors.

EMPLOYEE AND REVENUE SIZE

When compared to the 90,707 locally owned businesses in the Mergent Intellect database, anchor suppliers are larger and older than the median Philadelphia business.

	Anchor Suppliers	Philadelphia Suppliers
Total Suppliers	1,424	90,707
Median Size (Revenue)	\$236,900	\$80,600
Median Size (Employees)	5	2
Median Company Age	11	9

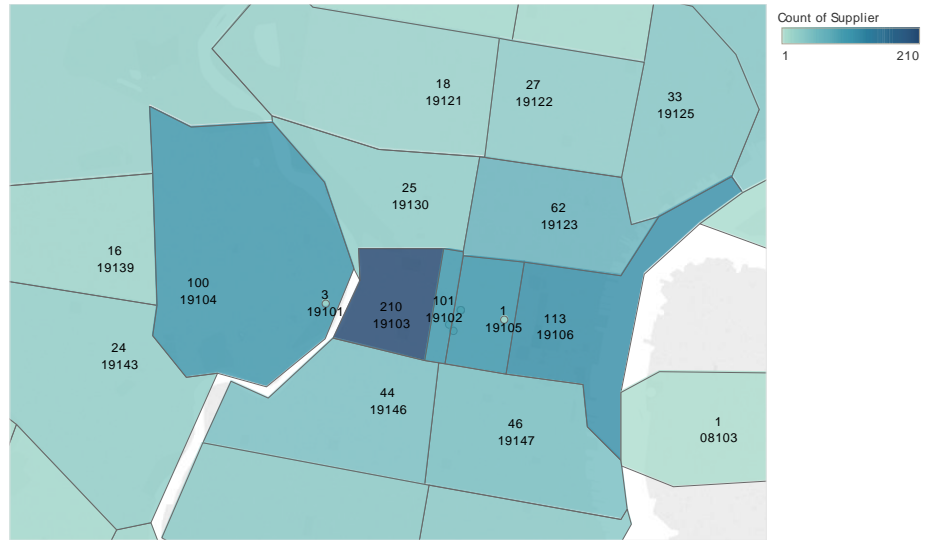
TOP SUPPLIERS

The following suppliers are “top anchor suppliers” based on the fact that they work with five or more of the anchors featured in this study. James Doorcheck, Inc. and Paul Rabinowitz Glass Company are the most commonly used suppliers, as they have worked with eight of nine anchors. The top suppliers are significantly older than both the median anchor supplier and Philadelphia supplier. The shortest-lived business is Replica Global, which is 10 years old, followed by David Thomas Tours, which is 9 years old. Construction and Wholesale Trade are the top industry categories among top suppliers.

Company Name	Industry Category	Revenue	Age	Count of Anchor
James Doorcheck, Inc..	Wholesale Trade	\$15,485,000	87	8
Paul Rabinowitz Glass Company, Inc..	Construction	\$9,408,400	88	8
Elliott-Lewis Corporation	Construction	\$120,421,900	114	7
Spikes Trophies Limited	Wholesale Trade	\$8,173,264	90	6
A. Pomerantz & Co.	Retail Trade	\$140,000	131	5
Campus Copy Center	Manufacturing	\$1,732,700	60	5
Capital Valve Service Inc.	Wholesale Trade	\$1,550,000	40	5
David Thomas Tours, Inc..	Arts, Entertainment & Recreation	\$2,018,500	22	5
Florkowski Builders, Inc..	Construction	\$6,465,500	39	5
Penn Jersey Paper Co.	Wholesale Trade	\$273,550,000	56	5
Replica Global LLC	Retail Trade	\$837,400	10	5
Universal Motor Distributors, Inc..	Wholesale Trade	\$2,918,100	44	5

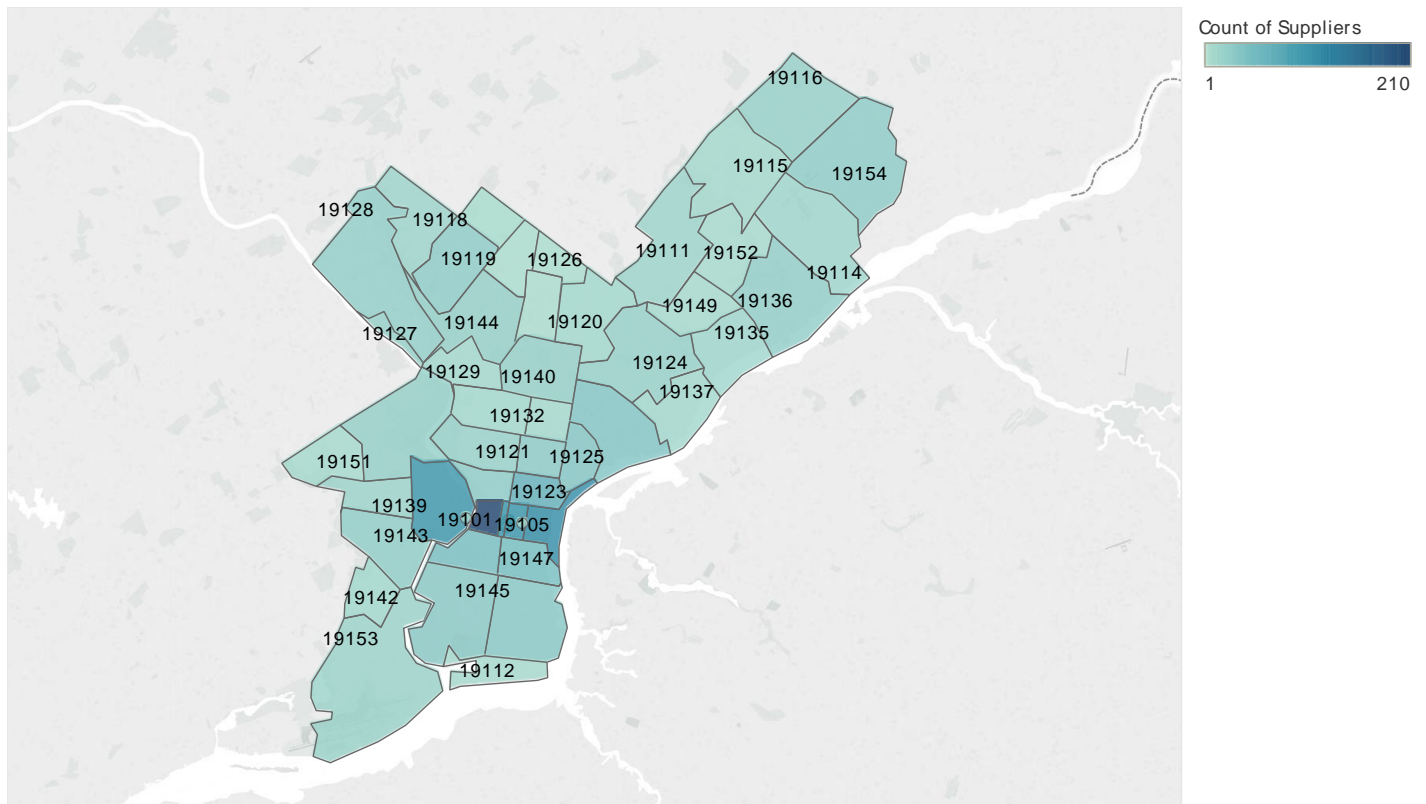
LOCATION

Most suppliers are clustered in zip codes in Center City and University City, followed by Northeast Philadelphia and South Philadelphia. The zip code containing the most anchor suppliers is 19103; it contains 14.7% of all local suppliers. Of these suppliers, 37.60% are Professional, Scientific & Technical Services suppliers; 14.80% are in Accommodation & Food Services and 5.70% are in Retail Trade or Management & Remediation Services.



The next most populous zip codes are also located in Center City: 19106 (7.9% of local anchor suppliers), 19107 (7.2%), 19102 (7.1%). University City contains just one of the top five zip codes – 7% of all anchor suppliers are located in 19104.

Map of Local Anchor Suppliers



INDUSTRY CATEGORIES BY TOTAL SUPPLIERS UTILIZED

In order to understand the demand of the anchors in each of the categories, the data was clustered into 22 industry categories based on NAICS codes. The top category utilized by anchors is Professional, Scientific & Technical Services (example of firm: Joseph B Callaghan Inc, a structural engineering firm), with 20% of local anchor suppliers falling into this category. Accommodation and Food Services (example of firm: 12th Street Catering, a full-service catering company) is next in terms of demand from the anchors at about 14%. The next three most common categories are Wholesale Trade (example of firm: Alpha Office Supplies Inc., an office supply store), Management and Remediation Services (example of firm: Allied Universal Security Services LLC, a security services provider), and Retail Trade (example of firm: A. Pomerantz & Co., a commercial furniture dealer).

The following table shows key metrics for businesses within each of the top five industry categories for local anchor suppliers. On average, the anchors preferred to work with large size wholesalers that have a median revenue in excess of \$2 million having about 11 employees and have been in operation for more than three decades. On the other hand, they prefer to work with newer and smaller companies when it comes to accommodation and food services. The median size for these vendors was about \$141,300, 7 and 6 in terms of revenue, employees and years in operation. This data can provide a starting point for developing screening mechanisms for introducing new vendors into the anchor supply chain.

Top 5 Anchor Supplier Industry Categories	Median Company Revenue (000)	Median No. of Employees	Median Company Age	Count
Professional, Scientific & Technical Services	\$724.5	7	17	288
Accommodation & Food Services	\$141.3	7	6	199
Wholesale Trade	\$2745	11	38	90
Management & Remediation Services	\$286.1	6	11	89
Retail Trade	\$200	5	12	89

Using the Mergent Intellect and Dun & Bradstreet databases allowed the Economy League to compare industry categories that are in high demand by the anchors to the general availability and presence of locally-owned suppliers within those categories. When looking at just the top five industry categories as compared to the top five categories available in the city, anchor demand is largely aligned with supply.

Top 5 Philadelphia Industry Categories	Median Company Revenue (000)	Median No. of Employees	Median Company Age	Count
Management & Remediation Services	\$50.7	1	9	11209
Professional, Scientific & Technical Services	\$63.7	2	9	9812
Healthcare & Social Assistance	\$74.4	3	8	8947
Retail Trade	\$103	2	9	8036
Construction	\$95.2	1	9	5861

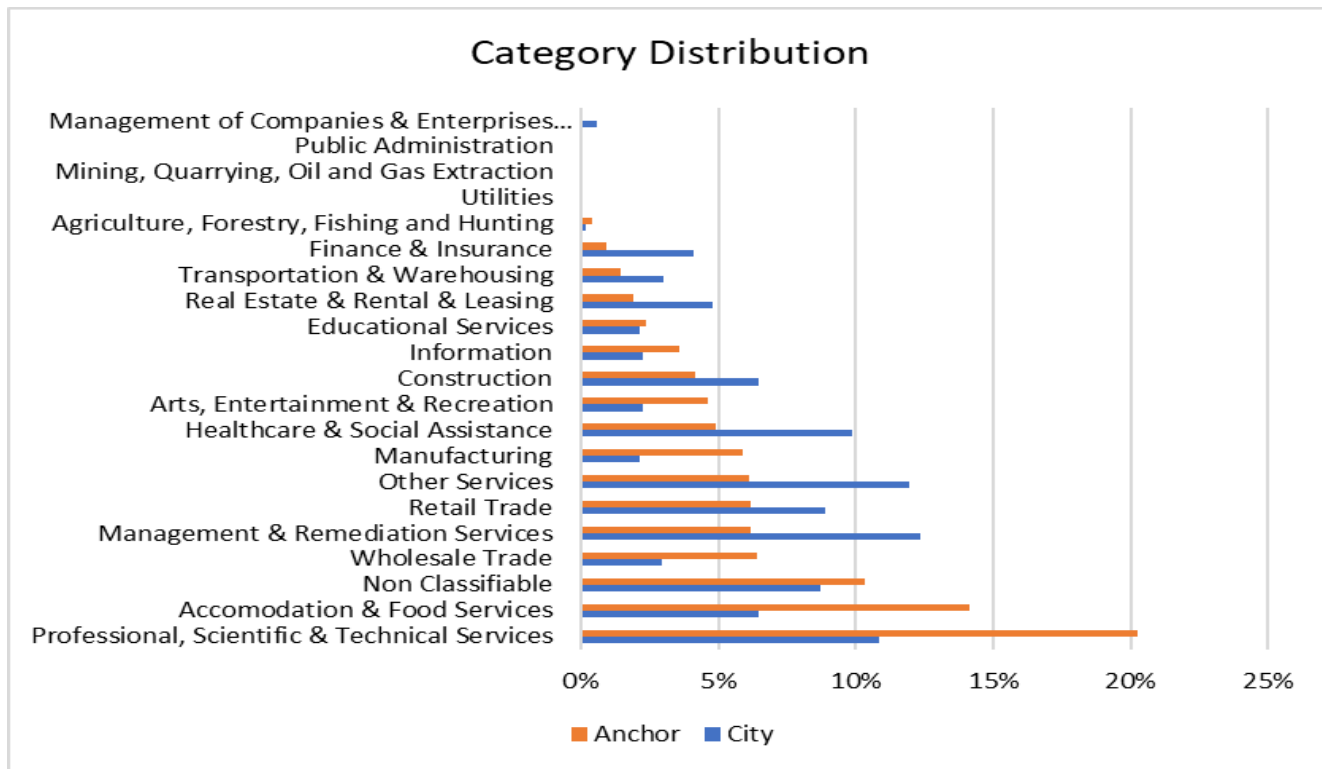
Similarly, the bottom five, or least utilized industry categories among anchor suppliers align closely with the bottom five or least common industry categories within the city of Philadelphia.

Bottom 5 Anchor Industry Categories	Median Company Revenue (000)	Median No. of Employees	Median Company Age	Count
Transportation & Warehousing	140.6	14	14	21
Finance & Insurance	203.8	3	9	13
Agriculture, Forestry, Fishing and Hunting	110.5	2	9	6
Mining, Quarrying, Oil and Gas Extraction	110	2	8	1
Public Administration	50.1	16	5	1

Approximately half of the industries align between anchors suppliers and city availability.

Bottom 5 Philadelphia Industry Categories	Median Company Revenue (000)	Median No. of Employees	Median Company Age	Count
Management of Companies & Enterprises	50.7	2	9	547
Agriculture, Forestry, Fishing and Hunting	42.9	1	5	162
Utilities	127.4	3	9	42
Mining, Quarrying, Oil and Gas Extraction	306.9	5	12	13
Public Administration	39.4	3	2	5

The following graph compares the industry breakdown of local anchor suppliers to the overall Philadelphia landscape for each of the 22 industry categories. This provides a rough approximation of a supply and demand gap; industry categories where supply from the city is high, compared to anchor demand could provide opportunities for localization.



SUPPLY AND DEMAND ALIGNMENT

Comparing industry categories in demand by anchors to those in high supply in Philadelphia yields several areas where supply and demand are aligned, and several where there is a mismatch between supply and demand.

The following categories have alignment between supply and demand:

- Professional, Scientific & Technical Services (example of company: Joseph B. Callaghan, structural engineering firm), Management & Remediation Services (example of company: The Bettinger Company, an employment placement agency) and the Retail Trade (example of company: A. Pomerantz & Co, a commercial furniture dealer) are categories that are in high demand by anchors and have many suppliers in Philadelphia.
- Agriculture, Forestry, Fishing and Hunting (example of company: Urban Farm, LLC, urban farming operations), Mining, Quarrying, Oil and Gas Extraction (example of company: E. B. O'Reilly Servicing Corporation (mechanical service contractor for oil and gas operation) and Public Administration (example of company: The Green Program Public Benefit Corporation, an experiential education program) are categories that are both in low demand by anchors and low supply in the city of Philadelphia.

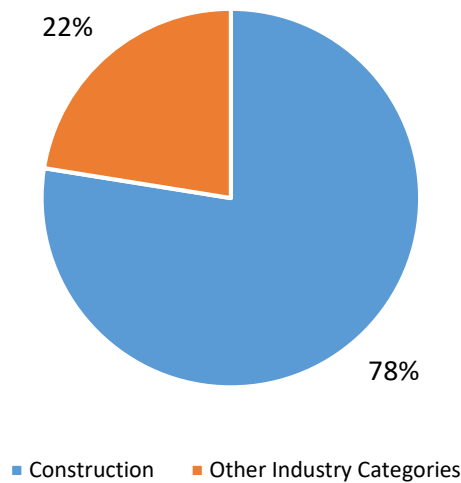
The following categories show a mismatch between anchor demand and local supply:

- Accommodation & Food Services and Wholesale Trade categories are in high demand by anchors, but relatively low supply within the city. It is important to note that a category with relatively low supply could still contain hundreds or thousands of companies; it is just less represented in Philadelphia than other industry categories.
- The Philadelphia contains many construction, finance & insurance firms and transportation & warehousing firms, while anchors use relatively few firms within their supply chains. Given the number of available firms in the region, introducing new firms into supply chains within these categories could provide meaningful opportunities for Philadelphia businesses.

INDUSTRY CATEGORIES BY SPEND DATA

Looking at industry categories solely by the number of suppliers within each category can misrepresent the importance of each sector; it is possible for an anchor to employ many local food businesses with minimal spend, while purchasing millions of goods or services from a local construction company. For this reason, the Economy League also requested the local spend for each of the vendors. The following spend data is based on a limited sample of only four anchors (three hospitals and one university), but it provides a helpful baseline for comparison.

Local Anchor Spend by Industry Category



The spend data suggests that 78% of local spend is spent with construction companies, while the remaining 22% is spent on 18 different industry categories. After construction, the next largest categories are Professional, Scientific & Technical Services (13% of total spend) and Accommodation & Food Services (3%).

The construction spend is distributed among 19 different companies; anchors spend the remaining 22% with 234 different companies.

The following table shows the spend breakdown, excluding construction. The spend is still clustered towards the top categories, with Professional, Scientific & Technical Services representing nearly two-thirds of the remaining spend. Construction clusters a significant amount of spend with very few firms, while for the rest of the categories, greater spend also correlates with a greater number of suppliers used by anchors. Information and Finance & Insurance industries are exceptions, where higher spend is distributed among fewer firms, as with construction.

Category	% of Total Spend	No. of Vendors for 4 Anchors with Spend Data	%	No of Vendors from all Anchors (Regional)	%
Professional, Scientific & Technical Services	57.5%	83	25.8%	349	20.3%
Accommodation & Food Services	13.3%	23	7.1%	218	12.7%
Wholesale Trade	6.8%	48	14.9%	149	8.7%
Information	6.0%	13	4.0%	69	4.0%
Retail Trade	3.6%	26	8.1%	115	6.7%
Manufacturing	3.0%	29	9.0%	124	7.2%
Management & Remediation Services	2.5%	32	9.9%	126	7.3%
Finance & Insurance	2.3%	1	0.3%	22	1.3%
Real Estate & Rental & Leasing	1.1%	8	2.5%	40	2.3%
Healthcare & Social Assistance	0.3%	6	1.9%	89	5.2%
Arts, Entertainment & Recreation	0.3%	9	2.8%	71	4.1%
Public Administration	0.1%	1	0.3%	1	0.1%
Educational Services	0.004%	2	0.6%	38	2.2%
Transportation & Warehousing	0.004%	1	0.3%	28	1.6%
Agriculture, Forestry, Fishing and Hunting	0.001%	1	0.3%	6	0.3%
Utilities	0.000%	1	0.3%	3	0.2%
<i>Other Services</i>	<i>1.9%</i>	<i>19</i>	<i>5.9%</i>	<i>106</i>	<i>6.2%</i>
<i>Non Classifiable</i>	<i>1.4%</i>	<i>19</i>	<i>5.9%</i>	<i>164</i>	<i>9.5%</i>

DIVERSITY CERTIFICATIONS

Most anchor institutions have implemented supplier diversity programs that complement and overlap their local purchasing initiatives. One of PAGE’s explicit goals is to help anchor institutions increase not just local, but specifically diverse and local purchasing. This study allows PAGE and participating anchors to set a city-wide baseline for diverse and local purchasing.

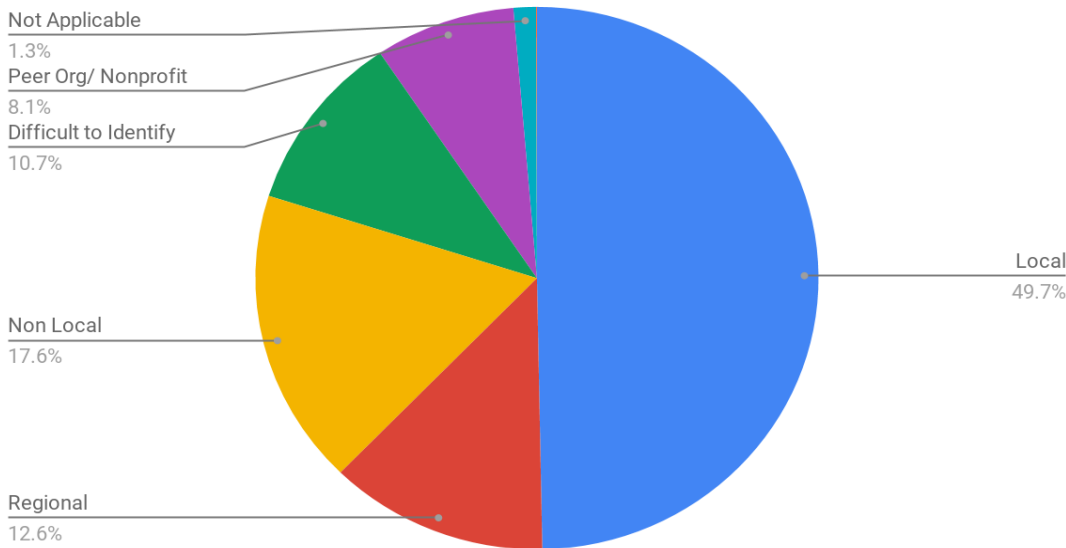
By comparing the list of businesses submitted by local anchors to the Office of Economic Opportunity Database, as well as by looking at the diversity designations provided by the anchor institutions, the Economy League determined that 10% percent of all local businesses utilized by anchors carry at least one diversity designation. The most common designation is women-owned (5.9%), followed by minority-owned (3.3%).

Ownership Certifications	# of suppliers	Percentage
Women-Owned Enterprise (WBE)	106	5.9%
Minority-Owned Enterprise (MBE)	60	3.3%
Minority and Women-Owned Enterprise (MWBE)	20	1.1%
Veteran-Owned Business (VOB)	3	0.2%
Disabled-owned Business Enterprise (DSBE)	1	0.1%
B Corp (B Corporation is a triple bottom-line business)	3	0.2%
Disadvantaged Business or Enterprise (DBE)	10	0.6%
LGBTQ Business Enterprise (LGBTBE)	3	0.2%

QUALITY OF THE DATA

Anchors submitted 3,803 suppliers within 191xx zip codes in response to Economy League’s request. Economy League checked the ownership status and actual location of each vendor using Commerce Department’s Office of Economic Opportunity, Dun & Bradstreet and Mergent Intellect databases to confirm whether they were, in fact, located in Philadelphia and locally owned. Approximately half or 1,889 of the 3,803 suppliers that submitted by anchors are identified local. It is important to note that some of the 1,889 were duplicates used by multiple anchors; removing those duplicates leaves 1,428 distinct local suppliers. Of the remaining 1,434, the following are the reasons they were misclassified:

Data Quality - Local Suppliers



- Regional:** Regional companies include companies from 11 counties within Economy League’s service area (Delaware County, PA; Chester County, PA; Bucks County, PA; Montgomery County, PA; Philadelphia County, PA; Salem County, NJ; Gloucester County, NJ; Mercer County, NJ; Burlington County, NJ; Camden County, NJ; New Castle County, DE). Regional companies are relevant in some cases (especially when looking at supplier diversity), but do not fit PAGE’s current definition of local.
- Non-Local:** 17.6% were either not located in Philadelphia or not headquartered in Philadelphia. In some cases, the company was headquartered elsewhere with branch offices in Philadelphia, while in others the company may appear as local because of a Philadelphia PO Box.
- Peer and Nonprofit Organizations:** 8.1% are peers and nonprofit organizations, which include transactions that anchor institutions have with one another. Many local organizations that come up under local spend are also local nonprofits that receive charitable donations, and thus do not fit the criteria for PAGE.
- Difficult to Identify:** 10.7% are difficult to identify due to the lack of information in the given data set and on the public website. It is possible that some of these businesses closed.
- Not Applicable:** 1.3% of the suppliers were not applicable for the purpose of this analysis. An example would be an optometry practice, which is selected based on medical requirements and not business criteria.

Based on these findings, Economy League’s recommendations to anchors that are revamping their systems to include local spend reporting capacity would be as follows:

- Include ability to track different kinds of certifications and designations. Currently most anchors only have a binary tracking ability for diversity (yes/no). Instead data systems should include a way to track a variety of diversity and local designations.
- Incorporate a local designation into supplier tracking. Relying on tracking using zip codes does not capture ownership status, type of organization (nonprofit or another hospital/university) and in some

cases, even the actual location of a business. However, if anchors do choose to track by zip code, they must ensure that there is a space to track both the remittance address, and the physical address of the business.

- Develop a shared definition of local purchasing, beyond simply the location. Because some purchases made by anchors are based on medical decisions or are made as charitable contributions, it is important to decide what categories should be subject to local purchasing goal setting.