

CASE STUDY



MCCARTHY & STONE

ENABLING TECHNOLOGY
TO DRIVE INNOVATION
AND BOTTOM LINE RESULTS

MCCARTHY & STONE

DELIVERING TRANSFORMATIONAL CHANGE

OVERVIEW

THE CHALLENGE

To build a central procurement process to control supplier costs and maximise efficiencies.

THE SOLUTION

An intuitive cloud based solution that empowers buyer negotiations and decision making, by combining insightful technology and advisory expertise.

THE BENEFIT

Within 8 months McCarthy & Stone saved over £7million on a £31million spend.



MM4 – shifting the balance of power from the seller to the buyer

BACKGROUND

- McCarthy & Stone is the largest developer of privately owned retirement property in the UK.
- The company employs approximately 700 staff, operates from five regional offices, and is responsible for constructing two thirds of Britain's retirement housing stock each year. Over the past 30 years it has constructed dwellings for over 45,000 pensioners on more than 1,000 sites.
- McCarthy & Stone is recognised for its high level of customer service and innovative housing and designs.

THE CHALLENGE

Despite McCarthy & Stone enjoying a 21 per cent growth in revenue to £310.8 million in the last financial year, rising construction costs were putting some increased price pressures on the business, as well as the rest of the house building industry.

Before 2013, McCarthy & Stone's procurement business was typically managed locally and on a project basis, as were their suppliers which they had used for many years. Having never used eSourcing and eAuction solutions before, McCarthy & Stone had no indication as to whether they were truly negotiating the best price possible.

With this in mind, and with the procurement team operating at a decentralised level, McCarthy & Stone felt it had an opportunity to take advantage of its significant group-wide purchasing power to control costs further.

THE SOLUTION

It was at this time that McCarthy & Stone decided to introduce a new central procurement process at Group level. The aim was to strengthen the business' procurement discipline, gain greater visibility and control over spend, and to ensure it took advantage of its significant purchasing power. This was an intensive programme aimed at "going to market" for all of the key spend areas to ensure there were competitive costs and national contracts in place for the whole organisation.

In order to help centralise their procurement activities, McCarthy & Stone utilised Xchanging's MM4 eSourcing technology. MM4 eSourcing is a seamless procurement platform that combines eSourcing, purchasing and market intelligence in a single, end-to-end procurement solution using four primary components:

- **MarketMaking™** - Live chat with the MM4 "MarketMakers"- supporting 21 business languages and local knowledge to help the procurement team at every step of the negotiation process, and ensure suppliers are engaged in the process and prepared for each negotiation.
- **eSourcing Suite** – A simple and easy to use suite to manage the entire negotiation process. Includes eRFx software and encompasses a simple Request For Information (RFI) tool for quick and easy vendor discovery; a Request for Proposal (RFP) tool for more in-depth supply market investigations; and an eAuction (Dynamic Bidding) suite which allows granular bidding on up to 400,000 items simultaneously – ideal for complex auctions management capabilities.
- **Company Intelligence** – Aids supplier discovery and profiling
- **Category Market Insight** – Commodity tracking to calibrate expectations and appropriate timing

Throughout this project McCarthy & Stone's procurement team managed internal client engagements to help understand each of the category requirements within the organisation and created a profile of forecasted volumes and specifications for each event. Along side this, Xchanging's procurement specialists have acted as an extension of McCarthy & Stone's Procurement team by offering Procurement-as-a-Service; managing and running all of the events on their behalf. This on going project support has ensured that all stakeholders have remained engaged with each event, as well as ensuring optimal results.

RESULTS

GENERATED OVER £7M OF SAVINGS IN 8 MONTHS

- Since utilising Xchanging's MM4 eSourcing technology in September 2013, McCarthy & Stone have run a total of 25 eAuctions for a range of direct and indirect materials including: waste management, timber, consumables and PPE, signs and graphics, white goods and steel products to name a few.
- This has equated to over £31million of addressed spend; resulting in identified savings of over £7million, this exceeded their expectations by far and contributed considerably to their annual savings targets.

Laura Hobbs, Head of Procurement at McCarthy & Stone said:

"The MM4 solution from Xchanging has helped the new procurement team deliver significant and transformational changes to McCarthy's sourcing activity and bottom line. This has helped to reinforce the benefits of a strong central procurement team and function, by maintaining momentum of cost reduction activity and highlighting the substantial commercial value that procurement brings to the organisation. The blend of easy to use online tools, project support and MarketMaking effectively increases the savings/sourcing capacity of the team making eSourcing a considerably more efficient means of researching, qualifying and negotiating with suppliers."



MM4's eSourcing platform has enabled McCarthy & Stone to work with suppliers on a national basis, helping create long term strategic partnerships for the delivery of services and material supply. This has helped the business achieve a more efficient and effective procurement

function which has increased its contract compliance and helped deliver outstanding savings; all within a year of embarking on the project.



THE MORE YOU NEGOTIATE, THE MORE YOU SAVE!

MM4 eSourcing has enabled McCarthy & Stone to tackle the construction industry's rising costs, resulting in increased ROI. Seeing such great results in such a short amount of time means that McCarthy & Stone is looking to use MM4 eSourcing to address even more of its spend.

Going forward new initiatives include:

1. Running a number of smaller bids for local on-site requirements. The objective is to roll out a national process to ensure that McCarthy & Stone goes to market with a unified process that gives its procurement team better visibility and control.

2. Utilisation of the MM4 RFI functionality to further improve spend management. This added functionality will deliver a unified process for McCarthy & Stone's selection and criteria of suppliers. By improving the collection of data on its suppliers and assessing them individually on capabilities and accreditations it ensures that McCarthy & Stone is not only getting the best deal possible but is also increasing the level of product quality and service reliability.

So not only is the procurement function at McCarthy & Stone improving the profitability of the company, it is also driving and sustaining the company's innovative position in the market.



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