

Great profit improvements for Donnington Valley Group

CLIENT:	Donnington Valley Group
SECTOR:	Hospitality
COST CATEGORIES:	Business Print, Promotional Print, Stationery, Laundry Services, Utilities, Telephone.

"The cost savings achieved have had a significant impact on our bottom line, and importantly, we have demonstrated best business practice and not just cost cutting. Lots of hard work has gone into the expenditure reduction programme, and we're now much more aware of the many different solutions to our requirements than before."

THE CLIENT

The Berkshire-based Donnington Valley Group is part of the Peter Michael Collection, a family owned business that both owns and manages hotel and leisure operations. Amongst its owned properties are the 5-star Vineyard at Stockcross, the 4-star Donnington Valley Hotel & Spa and the Donnington Valley Golf Club, an 18-hole parkland course with a Grade II listed Victorian clubhouse.

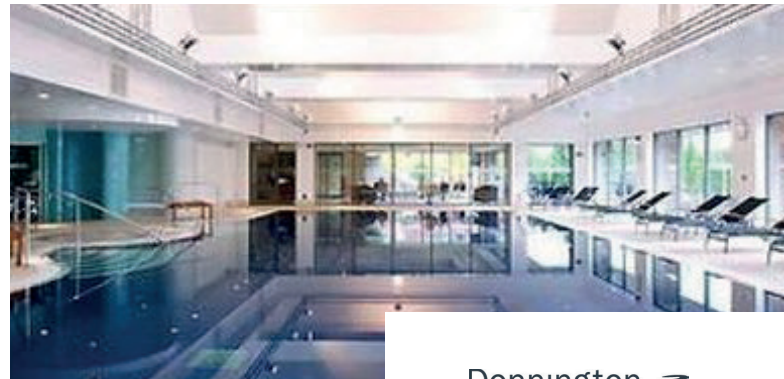
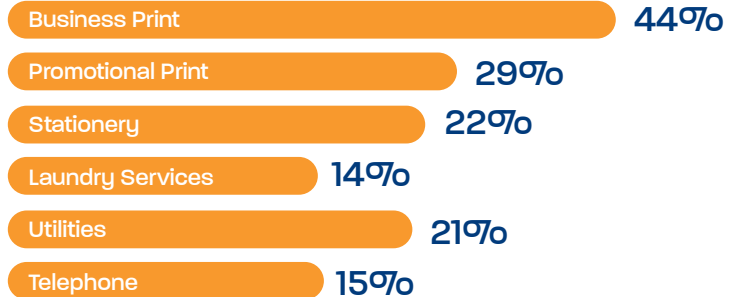
THE CHALLENGE

Recognising the need to focus on reducing operating costs to generate profit improvement, but without a specific purchasing function, Daniel Buck, Finance Manager for the Donnington Valley Group, acknowledged that a more structured approach was needed and so engaged the services of Expense Reduction Analysts (ERA), the UK's largest cost and purchase management consultancy.

He says: "Central to this process was the need to be sensitive to the needs of the business and our quality requirements."

The initial strategic review identified £2 million of non-core costs, such as utilities, laundry services, print and stationery for independent analysis, which led to an overall saving benefit of 21% - a profit improvement in excess of £105,000 for the Donnington Valley Group. The initial project was so successful that it is now part of an ongoing programme of business expenditure reduction, which is proving more critical than ever given the current economic downturn.

SUMMARY OF SAVINGS



Donnington 
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DANIEL BUCK,
FINANCE MANAGER, DONNINGTON VALLEY GROUP

"Cost savings at Donnington Valley Group has generated the equivalent of increasing sales by circa £650,000, based on a typical industry net profit of 8%."

PAUL GANNON,
EXPENSE REDUCTION ANALYST

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THE SOLUTION

A forensic analysis of the company's business expenditure led to cost savings in several core areas, attaining for example, a reduction of 44% on business print and 29% on promotional print - a total of over £51,000. The analysis demonstrated that the Donnington Valley Group could achieve quantifiable cost reductions by maximising opportunities with a single local printer who could meet all their needs. Utilising specialist knowledge helped the Group to understand that a small local company was more beneficial in both relationship-building and cost-saving terms than if using one or two larger national companies to fulfil their print requirements.

Daniel also points to the savings made in stationery costs: "Expense Reduction Analysts analysed 12 months of invoices, they knew exactly what was being spent and saw that we had a diverse range of suppliers to meet all our needs. If we had done the review ourselves, we would have just reviewed our lead supplier, thereby not generating the same depth of knowledge and understanding of how cost savings could be made. As a result of the review, which led to streamlining the number of suppliers used and negotiating better payment, a cost saving of 22% was made on stationery.

Other cost savings included a 14% (£36,372) reduction in Laundry Services for the Donnington Hotel and Golf Club. Daniel says it was vital to get the right supplier and as well as benchmarking costs, the tender process involved asking the potential suppliers to actually make a bed. The successful supplier was the one who gave it a go, highlighting the need for not just cost cutting, but for maintaining the high standards required by the Group and truly understanding their requirements. Daniel points out that with laundry in particular, it was vital to have stakeholders really involved in the review outcomes, saying it is imperative that individuals are on board at grass-roots level to help drive things forward and develop positive, long-term relationships. For example, if the laundry supplier said they will deliver between 7-9am but don't, this needs to be highlighted; Expense Reduction Analysts remain involved and where the supplier does not fulfil their requirements, they intervene.

With limited national companies to choose from, the 21% and 15% cost savings for Utilities and Landline Telephone respectively, were achieved largely through renegotiating with existing suppliers.

Says Daniel: "The cost savings achieved have had a significant impact on our bottom line, and importantly, we have demonstrated best business practice and not just cost cutting. Lots of hard work has gone into the expenditure reduction programme, and we're now much more aware of the many different solutions to our requirements than before."



In addition to the eight projects which directly led to significant cost savings, a further 11 cost categories were reviewed with various levels of input, including market competitor 'health checks' to ensure the Donnington Valley Group were using the most appropriate supplier, or simply finding an alternative supplier who could better meet the Group's needs.

According to Daniel another positive impact of the profit improvement exercise has been the creation of a cost conscious culture within the organisation, which has also raised the credibility of the purchasing function.

Paul Gannon, a consultant with ERA who carried out the cost review, adds: "The easiest way to retain and increase profit is by reducing unnecessary costs. For example, the £105,000 cost savings that Donnington Valley Group has generated is equivalent to increasing sales by circa £650,000, based on a typical industry net profit of 8%."