

Great profit improvements for McCann Homes

CLIENT:	McCann Homes
SECTOR:	Real Estate
COST CATEGORIES:	Office Supplies, IT Consumables, Business Print, Electricity

McCann Homes decided that the time had come to take a more strategic approach to the management of their overhead costs and commissioned Expense Reduction Analysts (ERA) to conduct a review of their expenditure.

THE CLIENT

Milton Keynes-based McCann Homes is a residential developer with a £60 million turnover. The company was typical of many businesses where the day-to-day overhead costs do not always receive the same scrutiny or in-depth review as some of the more direct costs that affect the product being provided.

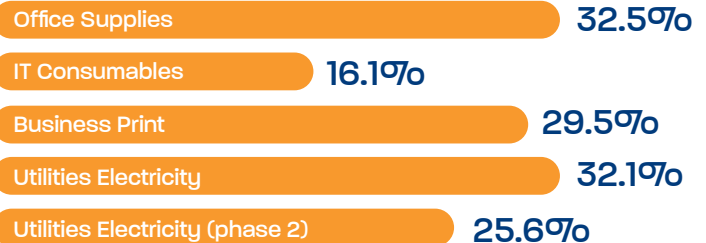
THE CHALLENGE

As McCann's Finance Director, Bob Green, comments, "In housebuilding, as in many other sectors, it's extremely important to protect your margin and we spend a lot of time managing and negotiating our direct costs to site. However, the core business overheads did not get prioritised in the same way. I suspected there were savings to be made, but we simply didn't have the resource to do it and couldn't guarantee what the resulting benefits would be."

McCann decided that the time had come to take a more strategic approach to the management of their overhead costs and commissioned ERA to conduct a review of certain areas of their expenditure to identify where they could make savings.

"The results have been very unexpected," says Bob Green. "I thought we might be able to achieve savings of between 5-10% in certain categories but, in fact, in areas such as printed stationery, electricity and IT consumables, we are set to save closer to 30%. We have also just commenced a telecommunications project which will target a similar percentage reduction."

SUMMARY OF SAVINGS



McCann
HOMES

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BOB GREEN
FINANCE DIRECTOR, MCCANN HOMES

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“The savings were achieved through an audit of the company’s expenditure in the identified areas and then a comprehensive tendering process to review both existing and new suppliers.

“The impacts of the cost reduction programme, however, will be felt far beyond just the improvement to the bottom line, concludes Bob Green.

“It’s no exaggeration to say this process has helped bring about a change in culture here. It’s raised awareness amongst the whole team of the value of identifying potential efficiencies in the business and coming forward with ideas.

“Although the recession is as tough for housebuilders as it is for anyone else, we feel we have an opportunity here to really streamline the business and put ourselves in as strong a position as possible for when the market picks up again.”

St John Rowntree of ERA, who managed the client relationship, describes the background to his engagement with the house builder,

“When McCann Homes decided to engage us to review some of their overheads we initially focused on back office costs and other areas of peripheral expenditure. We agreed to run all these projects concurrently to enable us to achieve the best possible savings for our client in the shortest possible time.”

St John Rowntree continues, “I brought in some of our most experienced consultants who all found significant savings for McCann Homes. We were also able to introduce best practice purchasing in areas such as business print, which optimised the savings for our client.

“Going forward, our detailed supply audits mean that the client receives tailored management information on savings achieved, expenditure against forecast, contract list compliance and monitoring of service levels.”

