



CASE STUDY

Improving Profitability and Streamlining Operations at a National and a Regional House Builder - A House Builder's Journey to Efficiency

Our Clients — A National house builder c3,000 unit pa and a regional house builder c800 units pa both operating in a competitive market and specialising in building single-family homes and townhouses, focusing on quality and affordability.

Challenges:

01. Fragmented Supplier Network:

Relied on a large number of local suppliers, leading to inconsistent pricing, quality variations, logistical complexities and missed rebate opportunities.

02. Inconsistent Specifications:

Lack of standardised specifications resulted in errors, delays, and cost overruns during construction.

03. Limited Global Sourcing:

Missed opportunities to leverage cost-effective materials and components from international markets.

04. Inefficient Logistics:

Poor coordination between suppliers and construction sites, leading to delays and increased storage costs.

05. Manual Ordering Processes:

Reliance on paper-based orders and phone calls, resulting in errors, delays, and lack of real-time visibility.

Project Brief:

01. Improve supplier relationships and negotiate better frameworks.
02. Standardise building specifications to enhance efficiency and quality.
03. Explore and implement global sourcing strategies for key materials.
04. Optimise logistics to reduce costs and improve delivery times.
05. Implement a digital ordering platform for streamlined procurement.

HCG's Strategic Approach:

01. Strategic Supplier Agreements:

- a. HCG conducted a thorough review of its clients supply chain networks, identifying key partners based on quality, reliability, and pricing.
- b. Negotiated long-term contracts with preferred suppliers, securing volume discounts, rebates and consistent quality.
- c. Implemented a supplier performance management system to track delivery times, quality, and responsiveness.

02. Standardised Building Specifications:

- a. Developed detailed, standardised specifications for major building components and materials, ensuring consistency across projects.
- b. Created a digital library of specifications, accessible to all project managers and subcontractors.
- c. This eliminated misunderstandings, and reduced errors.

03. Global Sourcing Initiative:

- a. Conducted market research to identify potential international suppliers for key materials, such as sanitary ware, brass ware flooring, tiles, and fixtures.
- b. Established partnerships with reputable overseas manufacturers either with direct deliveries or through distributors, focusing on quality and compliance.
- c. Implemented rigorous quality control procedures including factory audits to ensure imported materials met required standards including ESG.

04. Optimised Logistics:

- a. Self delivered and partnered with a third-party logistics (3PL) provider to manage transportation and warehousing.
- b. Implemented a just-in-time (JIT) delivery system to minimise on-site storage and reduce material handling and wastage/shrinkage costs.
- c. Consolidated deliveries to reduce transport costs.

05. Digital Ordering Platform:

- a. Implemented a cloud-based procurement platform that enabled online ordering, real-time inventory tracking, and automated purchase order generation.
- b. Allowed only agreed framework suppliers to be used.
- c. Provided suppliers and site managers with access to the platform, allowing them to track orders and manage deliveries.

Quantifiable Results and Long-Term Impact:

Saving % across the key areas of spend

35%

IT Expenditure

18%

Indirect Expenditure

12%

Construction Materials

9%

Plant & Equipment

45%

Global Sourcing

10%

Process Improvements

HCG's engagement delivered significant further benefits for our client, including:

01. Improved Efficiency:

Reduced construction cycle times by 10% due to streamlined logistics and standardised specifications.

02. Enhanced Quality:

Consistent material quality and standardised specifications led to improved build quality and reduced rework.

03. Increased Transparency:

The digital ordering platform provided real-time visibility into inventory levels, order status, and supplier performance.

04. Stronger Supplier Relationships:

Long term contracts, and a transparent ordering system, strengthened supplier relations.

05. Reduced Errors:

The digital ordering platform, and the standardised specifications, reduced ordering and building errors.

06. Procurement Function:

Building a sector leading procurement function.

Conclusion:

By implementing a comprehensive strategy that addressed supplier agreements, specifications, global sourcing, logistics, and ordering processes, the clients significantly improved their operational efficiency, reduced costs, and enhanced competitive advantage. This case study demonstrates the importance of embracing innovation and technology as well as effective Supply Chain management to optimise construction operations in a challenging market.