



THE TRUE COST OF THE CONSTRUCTION SUPPLY CHAIN

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Letter from the CEO



Neeral Shah
CEO & Founder, YardLink

The construction industry is facing challenges, governed by outdated systems and the cost of the supply chain is largely unknown. This whitepaper sheds light on the current challenges and reveals how to reduce costs and boost profitability.

The pandemic sparked a wave of change in every sector, giving way to innovation and digitisation. As technology has advanced with cloud computing and widespread access to Artificial Intelligence, we are on the brink of a technological revolution.

We are also facing economic inflation at a level the UK has not experienced for over a decade. When combined with soaring operational costs, it's clear these factors are pushing us into a new era.

Compared to other industries, construction is poised for a particularly radical transformation. Traditional approaches and practices mean the demand for innovative, technology-led solutions is growing, especially when we factor in the need to significantly reduce carbon emissions.

Our new research arrives at a key moment for the industry. It sheds light on current challenges and solutions, with a focus on procurement. For example, it reveals that over a quarter of senior procurement managers find it challenging to locate suitable suppliers, and nearly a third of construction firms involve senior executives, including CEOs, in purchasing decisions. As a CEO and Founder myself, I find this staggering, as it undoubtedly contributes to inefficiencies.

Fortunately, the common solution to a lot of these challenges lies in technology. At YardLink, we know that senior leaders in the construction industry are ready for change. They recognise the challenges and are keen to address them. This report will serve as a guide towards beginning that transformation.

If you have any further questions or would like to discuss any of the topics mentioned in this report further, feel free to reach out to me or my colleagues via LinkedIn or contact our team on 0330 808 8897.

Thank you for taking the time to read our research, we hope you find it useful.



An opportunity to innovate

The construction industry is facing challenges. High interest rates, inflation, and the resulting high borrowing costs are putting pressure on contractors. Some are also receiving a declining number of incoming projects, and worryingly, recent reports reveal that **17% of all insolvencies in May 2023 belong to the construction sector.**

Yet, there is room for optimism. Whilst the key factors contributing to this situation are outside the industry's control, innovation thrives in tough economic times. And, the solutions we create today will positively impact the industry for years to come. To understand the challenges facing the construction industry, YardLink commissioned Censuswide to research 250 senior procurement decision makers in UK construction firms¹.

Nearly a third of all respondents (**31%**) stated a lack of digital tools and innovation as the biggest challenge they face. And just under three quarters (**65%**) of all respondents **are still using manual methods, such as a spreadsheet or pen and paper, to manage their procurement and site inventories.**

So, how do we address these challenges? And where are the opportunities within the supply chain to start reducing costs and boosting profitability?

31% of senior procurement decision makers in UK construction firms stated a lack of digital tools and innovation as the biggest challenge they face.

¹Revenues between £5m and £30m.

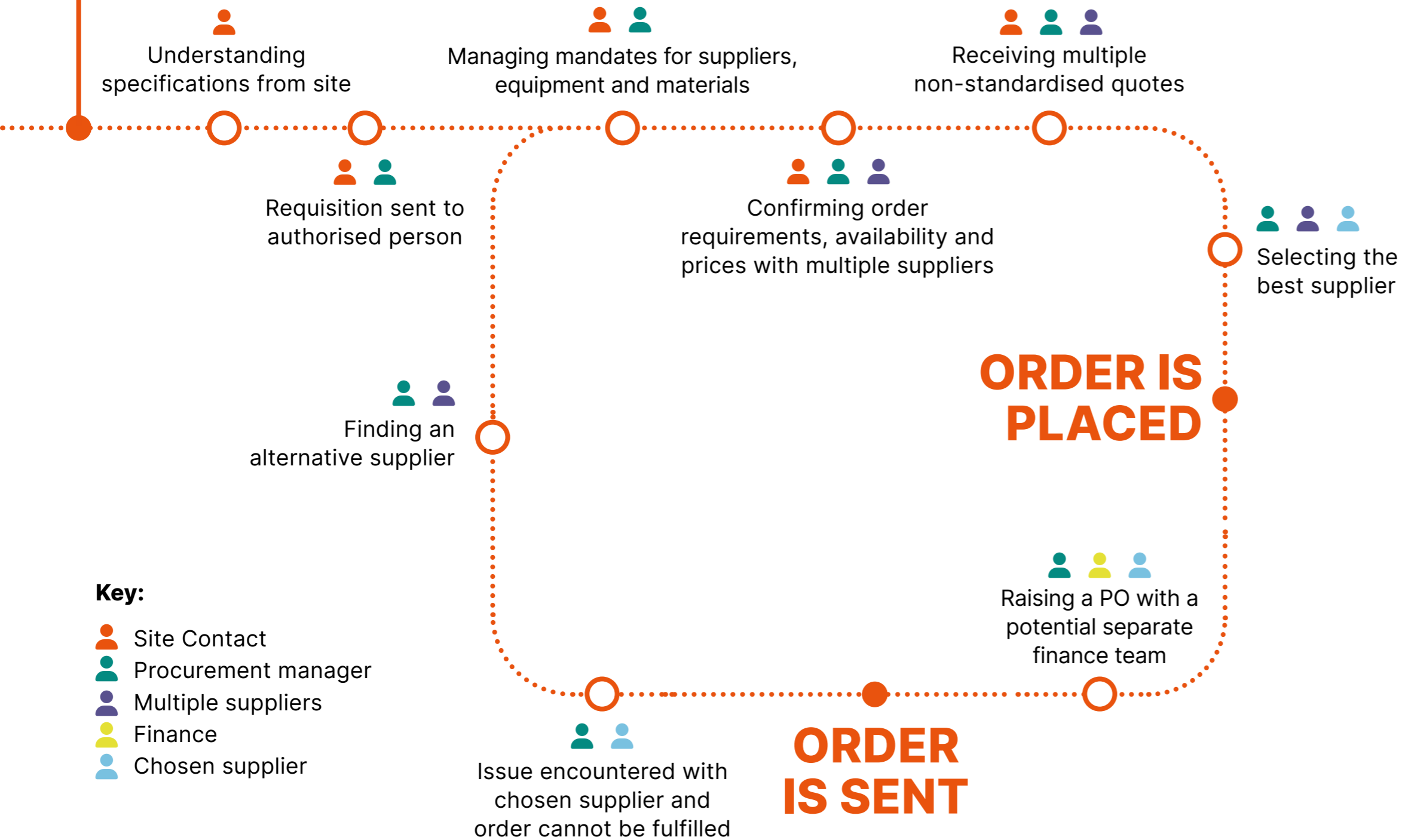
The 21st century construction supply chain

Construction supply chains are complex and governed by outdated systems, making it difficult for procurement teams to operate efficiently. Our research shows a lack of digital tools contributes significantly to increased supply chain costs - almost 44% of total project spend.

With the average project value in the UK at £16.6m in 2023, we calculated that the supply chain costs equate to a staggering £7.4m per project. Even small improvements to these processes would yield huge returns.

However, supply chain inefficiencies are often obscure and solutions can seem difficult to find. We've reviewed the different stages of the construction procurement process to reveal the areas that hold the biggest potential to reclaim costs.

PLACING AN ORDER



Stage #1

The search begins

YardLink's research revealed that construction companies are accumulating high, unnecessary costs from the very start of the procurement process. In fact, **sourcing equipment and materials presents a challenge for 27% of senior procurement managers.**

When we look at the process from a bird's eye view, it's easy to see why.

We asked 250 senior procurement decision makers, on average, how many quotes are compared before confirming an order with a specific supplier?

Within this process there are a few key stages that reduce efficiency.

The procurement process typically begins with a requirement or requisition from the site, often delivered in an unstructured format (sometimes just a link to a website!). After receiving the requirement from the site, the central procurement team translates this requirement into a structured format to send to suppliers. These are typically sent as individual emails or even communicated over the phone.

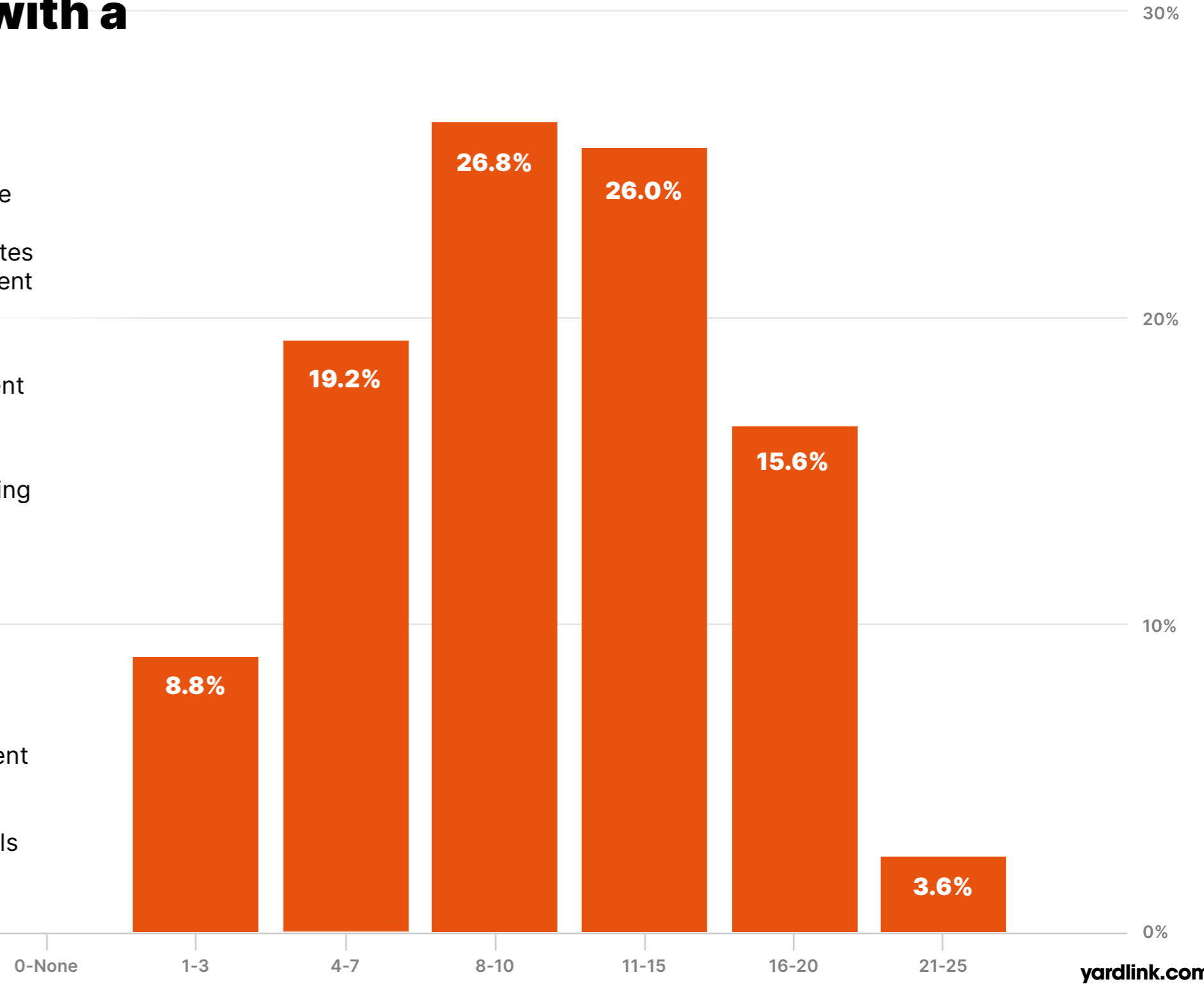
With such a wide variety of equipment and material specifications, it's easy to see how errors can occur when procurement teams share material and equipment specifications.

Those teams are then faced with the challenge of non-standardised quotes. Suppliers return quotes in varying formats, which makes the comparison of pricing and terms a tedious and complex task.

Every stage is managed using either spreadsheets, basic project management software, or even pen and paper - making the process even more complex.

Solution

Sourcing equipment and materials is a key part of the supply chain that could benefit from digitisation. Whether it be through asking site managers to document their requirements on a software platform that can then be shared with the procurement team directly, or through asking suppliers to input details about equipment and material into a standardised online form. Basic technological tools could streamline this part of the process.



Stage #2



Placing an order

Finding suppliers can take up precious time, qualifying and comparing non-standardised quotes for each piece of equipment. On average, contractors reach out to 11 different suppliers for each enquiry before finding one that meets all their requirements.

According to YardLink's research and anecdotal evidence from senior procurement managers in the industry, each PO costs an average of £65 to raise – without including overhead and equipment costs². That's an extraordinary sum of money. In other industries, the cost is typically £50, as reported by the Chartered Institute of Procurement and Supply.

The inefficiency of analogue communication between different teams contributes to this high cost. Many teams typically raise POs in a separate financial system and given most communication happens over the phone, or across email, there's an inconsistent paper trail to reference.

For construction companies,
raising a PO costs **30% more**
than other in industries

The process becomes even more protracted as manual sign-off is required from different levels within the business. Without the ability to manage the sign-off process digitally, double entry, human error, and inconsistencies become rife.

YardLink's research even reveals that in 30% of construction firms, CEOs and managing directors are involved in purchasing decisions. And, whilst many CEOs and managing directors believe they are contributing to projects running smoothly, it adds another layer of complexity to the process.

Since construction firms raise hundreds of POs, the involvement of outdated communications, senior executives, and unnecessary quote comparisons adds significant inefficiencies to the procurement process.

Accelerating the sign-off process using digital tools would be a good place for many contractors to start. Cutting down the number of suppliers procurement teams are comparing would also present a way to cut costs and boost efficiency.

²Based on an average procurement team costing £41,933, 84 POs processed per month, and 8 live projects per month.

Stage #3

Receiving the delivery

Finding and ordering supplies covers only half of the procurement process. Procurement teams then still need to wait for their equipment and materials to arrive on site, which is where significant delays begin to rack up for many construction projects.

Once a firm has placed an order, **speed of service presents a challenge to 28% of senior procurement managers.**

Buyers provide essential information like delivery details and site contact through phone calls during enquiries and purchase orders (POs). However, construction sites often have limited access, so suppliers manually enter these details into their systems, resulting in important information getting lost.

As a result, last-mile delivery has been a problem for 28% of procurement managers. Delivery drivers losing their way has caused delays for 29% of construction firms.

Location technology, such as What3Words, can help contractors and suppliers communicate more clearly about the specific entrances to sites. But centralising all communications between contractors and suppliers is crucial in making the supply chain run more smoothly.

Recognise that the relationship between the supplier and contractor works both ways. They both have vital roles in the industry and need clear communication for a smooth supply chain. Problems like failed deliveries create a domino effect, disrupting both suppliers and contractors.

A large yellow excavator is shown in the foreground, positioned on a pile of dirt. The background shows a clear blue sky with some light clouds. The excavator's arm is extended upwards, and its bucket is visible. The overall scene is a construction site during the day.

Using a localised supply chain

The industry's approach to contractor and supplier relationships contributes to this slow speed of service. Most firms still rely on historic contacts for equipment and materials. They're often unaware or cautious of options closer to project sites. As a result, many accept the frequent logistical problems and costs associated with using suppliers located long distances away from sites.

YardLink's research shows that on average, construction supplies are delivered to sites from over 60 miles (97 km)

These unnecessarily long transport distances increase delivery times, as well as logistical problems. In fact, recent conversations with YardLink partners have revealed that managing directors are starting to mandate the use of local suppliers to not only streamline logistics, but to also support local communities and businesses.

Procurement teams could dramatically accelerate service speeds by ordering their equipment from local, trusted sources. It would reduce costs, as well as the industry's carbon emissions, which has in recent years become the subject of much interest in parliament. At the moment, most construction firms lack the digital tools to do so.

Case Study:



Can you give us an introduction to Geo Green Power?

Established in 2010, Geo Green Power has become one of the UK's leading renewable energy installers, completing over 1 million watts of solar PV systems every month. Initially focused on solar photovoltaic (PV) installations for private homes and businesses, Geo Green Power has grown its product offering to provide a full range of renewable energy solutions including battery storage, EV charging and heat pump installations.

What procurement challenges did your company face before working with YardLink?

We do not operate a one size fits all solution and every one of our projects is designed to meet the specific requirements of our customers in relation to their energy usage and premises. This creates a big procurement challenge for us, because every installation has a unique set of access requirements and we need to source a different combination of plant machinery.

Often the equipment is needed quickly, and because the nature of our work can be disrupted by the weather, our installation windows are forever changing.

What was your approach to finding suppliers?

We would always approach trusted suppliers from our network, and aim to source the required plant machinery and access equipment using as few suppliers as possible. Although we'd often find that suppliers were limited by their geography or availability, causing us to reach out to multiple suppliers to procure the equipment.

How did this affect Geo Green Power?

Sourcing each item independently, and coordinating unpredictable changes across multiple suppliers was incredibly time consuming and challenging for the team. It also meant we were reliant on a wider number of suppliers being able to fulfil their commitments in relation to delivery times and availability.

Why did you choose to start working with YardLink?

The option of approaching a single company, who can facilitate all our procurement needs with the suppliers we already love and trust, was very attractive to us.

We're also committed to reducing our impact on the environment and it's important to us that our suppliers are also focusing on sustainability within their operations. We were really drawn to YardLink's commitment to guaranteeing availability in the locality of our projects, helping us to reduce our supply chain emissions.

How has YardLink helped you overcome your procurement challenges?

YardLink has simplified and smoothed the process of booking plant and access equipment for our various installation projects. They save us so much time and having a single point of contact for our bookings makes it easy to coordinate, raise queries and get issues resolved. We've effectively used the digital off-hire feature, allowing us to quickly return equipment to any supplier using the YardLink platform.

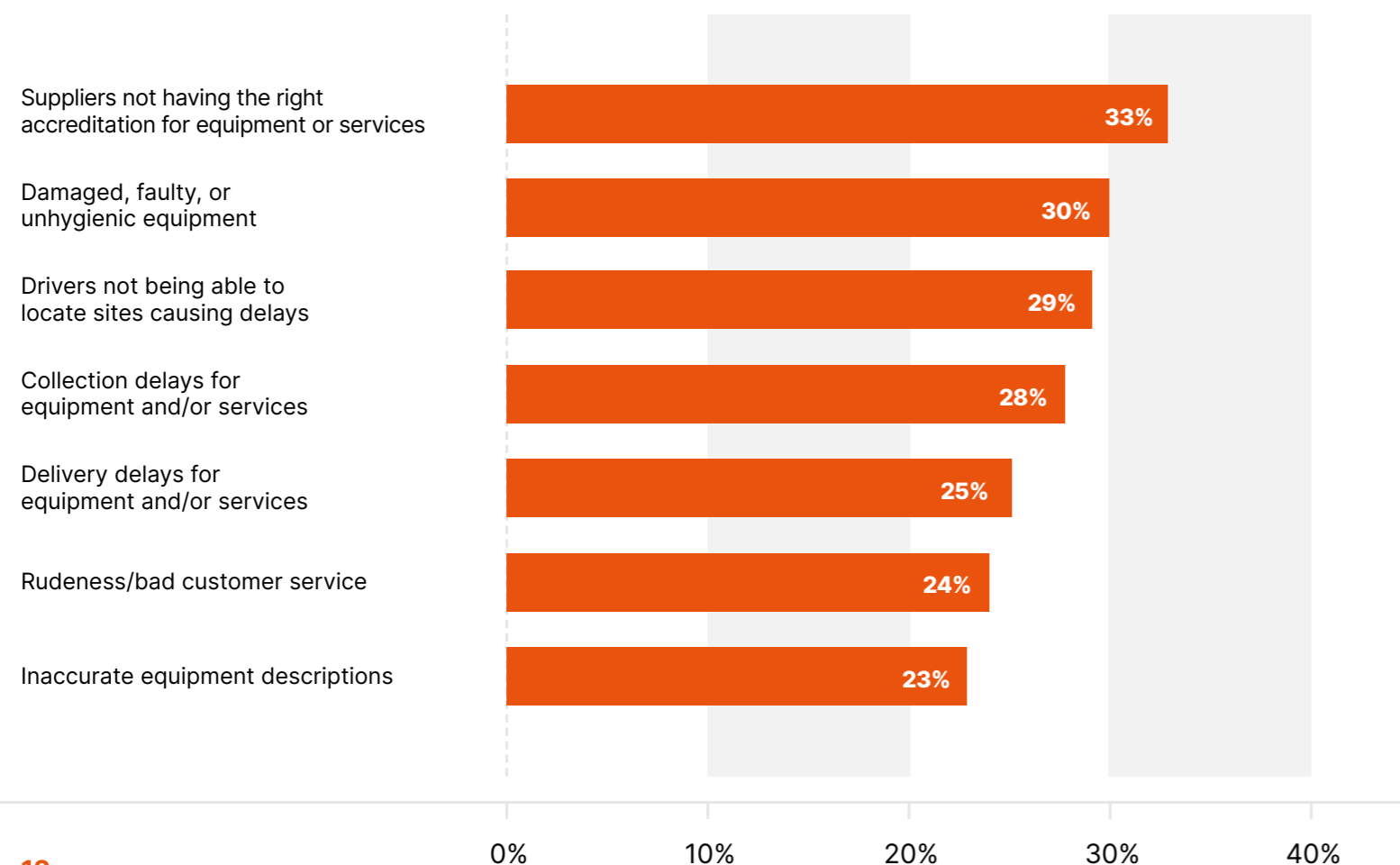
Stage #4

Equipment hurdles



Once equipment and materials have arrived on site, further complications and delays are common. As part of YardLink's research, **30% of procurement managers report that damaged, faulty, and/or unhygienic equipment has affected their operations in some way.**

We asked 250 senior procurement decision makers, how have your sites been affected by failed suppliers?



This process is made more complex by live hire reports. Whilst many suppliers tend to offer basic portals where contractors can check the status of their hires, contractors are likely using multiple different suppliers per project. This means checking different portals, and requesting live hire reports to track the status of different pieces of equipment.

As a result, contractors spend hours trying to connect these reports and understand what equipment is and isn't available. And because the information is only available on request, the data can very quickly become outdated. One site manager we spoke to had stored a large drill under a desk, and six months later was still being charged as the procurement team had no visibility over the drill so it wasn't returned.

Then, there's the issue of failed collections. **28% of construction firms report collection delays.** Similar to the pre-delivery stage, suppliers might mistake the contact details, timings, address, or specific pick-up location on sites with multiple entrances due to outdated communication processes. Failed collections are expensive, since many suppliers charge for the wasted journeys.

The resulting friction between suppliers and construction firms led senior procurement managers to label customer service as one of their five most common business challenges.

As such, at YardLink, access to a user-friendly comprehensive dashboard where you can track and manage orders, and digitally document site contact details, are essential to our service.

Accreditation complications

The web of different accreditations and regulations suppliers must comply with adds to the existing complexity. According to YardLink's research, a third of all construction companies have been affected by accreditation-related problems.

When it comes to regulation, health and safety is the priority. There are over 25 regulations the majority of contractors must adhere to in order to ensure the safety of the workforce, customers, and visitors. Whilst suppliers recognise the importance of health and safety, with many clearly stating how equipment and materials meet specifications, contractors must remain stringent.

Once health and safety regulations are met, there are additional accreditation requirements. The Fleet Operator Recognition Scheme (FORS) certification, for example,

must be obtained for any truck that travels into London. Some projects require different certification levels, with suppliers needing the FORS Gold certification to enter sites. The Lifting Operations and Lifting Equipment Regulations (LOLER) is another key regulation that suppliers must adhere to, ensuring all lifting equipment is properly planned, appropriately supervised, and used in a safe manner. Then, as Net Zero becomes a more prominent goal, contractors must ensure that any additional green credentials are also being met.

Ensuring compliance with all these regulations and accreditations represents a huge challenge. Especially if contractors find out at the last minute that they're trying to buy or hire supplies from a company without the required accreditation in place.

1 in 3 construction companies have been affected by accreditation-related problems.



Stage #5

Invoicing

One of the last stages of the procurement process, invoicing, presents another opportunity to improve efficiency.

As procurement teams rely heavily on manual processes and offline communication to raise POs and ensure the delivery of supplies, inconsistencies between invoices and POs have become commonplace. This challenge is exaggerated when considering multiple sign-offs across the business. As a result, many invoices end up in 'query' state.

These queries become difficult to solve given the lack of visibility over historic communication. As a result, even more time is spent trying to re-trace phone conversations, emails, and even WhatsApp messages, to ensure both parties come to an agreement.

These interactions don't only affect the relationship between suppliers and contractors. They are also prompting many construction firms to bake large additional error margins into the total cost of their projects during the tendering process.

Stage #6

Keeping track

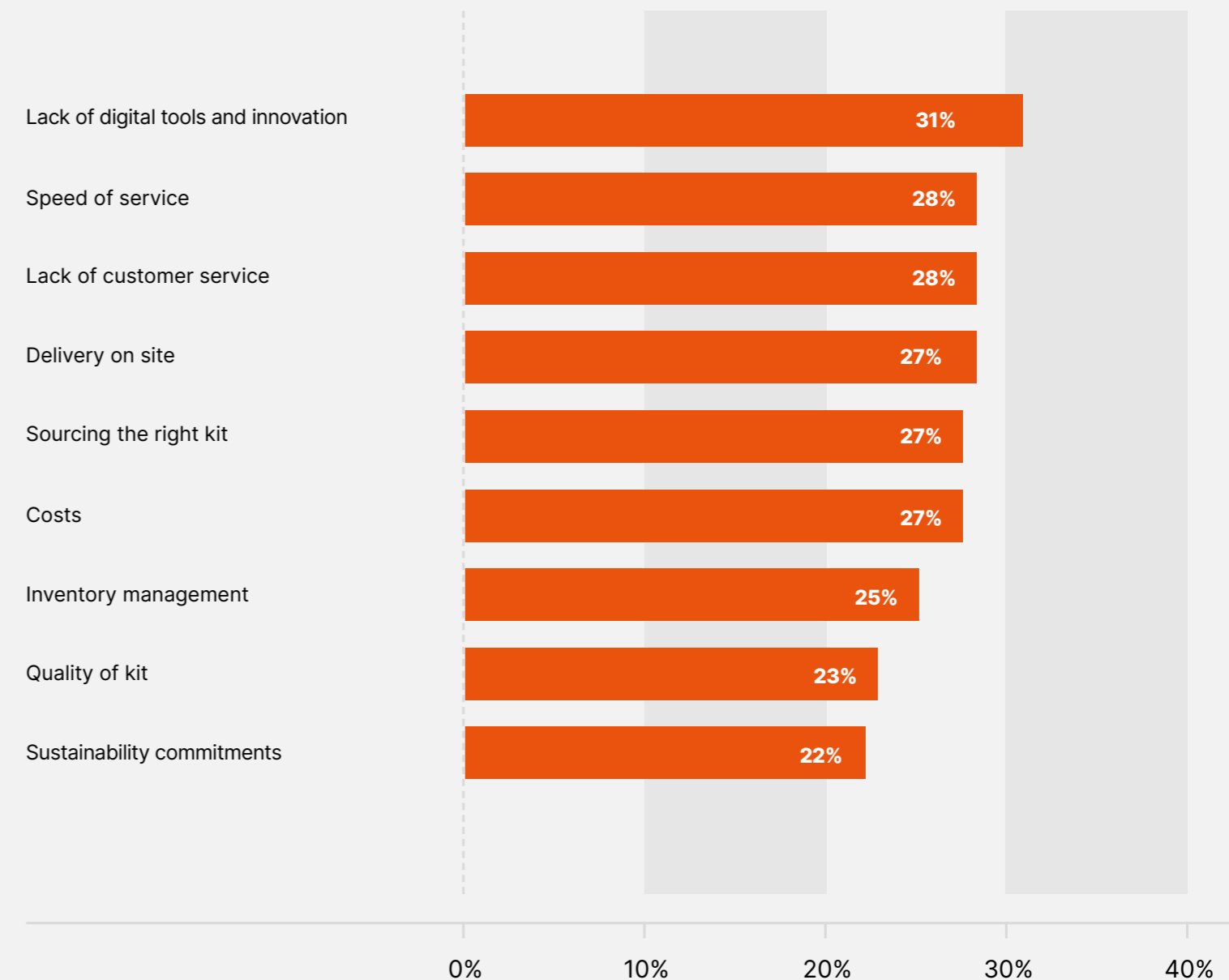
Procurement teams hold a lot of responsibility on their shoulders – from finding suppliers to organising equipment collection and invoicing – all whilst using archaic systems. The majority of firms, a staggering 65%, still use either basic spreadsheets or even pen and paper to keep track of their supply chain. This is true for construction firms of every workforce and revenue size.

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When procurement teams handle hundreds of orders across multiple sites, complications become unavoidable. It is, in simple terms, inefficient. **That's why senior procurement managers who participated in YardLink's research ranked a lack of digital tools and innovation as the biggest challenge to managing their supply chains** (giving it 31% of the vote).

Construction firms could gain full visibility and control over their entire supply chains if they chose to digitise the procurement process. Those who invest in this technology will open the door to a wealth of opportunities to reduce the unnecessary costs involved in legacy systems of management.

We asked 250 senior procurement decision makers, what are the biggest challenges and aspects you're least satisfied with regards to procurement?



Case Study:



Can you give us an introduction to John Robson Metals?

John Robson Metals Ltd offer a wide range of services to complement the dismantling and demolition of substations and high-voltage equipment.

What procurement challenges did you face before working with YardLink?

John Robson Metals' procurement is complex - it can be a reactive environment with projects scattered across the UK allowing for minimal lead time. Managing multiple suppliers for diverse equipment needs, from heavy plant to small tools, and ensuring suppliers were local to projects, posed a significant challenge for a small procurement team.

What was your approach to finding suppliers?

Where possible all of our suppliers would need to be within a specific locality of our projects, passed our rigorous vetting process, and successfully set up on our system with appropriate billing and insurance information.

Now we just have YardLink. We know their supply partners are vetted, we're going to get the best kit for our projects, and we don't have to open multiple supplier accounts for each project. It's taken a lot of the hassle out of our day-to-day operations.

How did you raise and process POs before YardLink?

On any particular project we may have heavy equipment, waste management, site welfare, powered access and more. Our different suppliers would send us multiple invoices in relation to a single job that we would have to consolidate. But through the YardLink platform, we're able to process all our bookings through the dashboard, and we receive a consolidated invoice for each project. A unified platform has really streamlined the process, eliminated multiple invoices and eased the burden on the finance team.

How has YardLink's platform helped you overcome your procurement challenges?

YardLink's impact was profound - the team regained precious time. We were getting multiple quotes for each product and it had to be coordinated on a project basis, across multiple suppliers. YardLink's platform still gives us access to the national and local suppliers we love, but through a single view.

What benefits has your company experienced as a result?

Time and convenience has been the biggest benefit for our business. This has ultimately led to improved profit margins as we are able to centralise the procurement process.

The YardLink platform has given us access to more trusted and vetted suppliers, and expanded the breadth of kit available to us.

We have a single point of contact who knows our company inside out and supports everything from initial mobilisation to finishing the site and moving away. We've found this so much more helpful than communicating with a conventional hire desk who aren't familiar with our business.

The promise of digital technology

Supply chain related problems are prolific in the construction industry. In fact, every procurement manager who participated in YardLink's research had experienced at least one issue with their company's supply chain. It's clear that only a radical new approach will change that reality.

Digitisation could help the construction industry realise productivity gains of up to 15% and cost reductions of up to 6%.

Fundamentally, technology will be the differentiator that gives construction companies a competitive advantage in this tough economic climate.

Digital tools offer multiple opportunities to reduce costs – from enabling complete visibility over the different moving parts of the supply chain, to reducing administrative burdens. In fact, a recent McKinsey study showed that digitisation could help the construction industry realise productivity gains of up to 15% and cost reductions of up to 6%.

YardLink's digital platform helps procurement teams solve many of the problems referred to in this report. It delivers full service supply chain management for every stage of a construction project – big or small. The YardLink dashboard provides absolute visibility over multiple projects and sites.

The benefits that YardLink users experience include:

- Streamlined procurement through consolidated supply chains and reduced supplier touch points.
- Rapid supplier searches for procurement teams with trusted supplier pre-approval based on up-to-date certifications and accreditations.
- Low-cost procurement through localised supply chains, prioritising trusted suppliers with high availability.
- Rapid order confirmation within 20 minutes, with the nearest suppliers at the best prices.

To book a free demonstration with a YardLink expert, please contact 0330 808 8897.

About **YardLink**

Our Mission

YardLink's mission is to transform the construction supply chain by providing a comprehensive platform that optimises efficiency and enhances collaboration. We are dedicated to empowering construction professionals with seamless access to the tools, equipment, and materials they need, precisely when they need them.

We strive to simplify the procurement process, enabling customers to effortlessly connect with a vast network of local suppliers. Our commitment is to deliver exceptional customer service, ensuring reliable sourcing, competitive pricing, and timely delivery. By leveraging innovative technology and fostering strong industry partnerships, YardLink aims to revolutionise the construction supply chain, driving productivity, reducing downtime, and facilitating successful project outcomes.



Neeral Shah
CEO & Founder, YardLink

"We've reimaged construction procurement and we've streamlined the process for both sites and suppliers. With an extensive supplier network across the UK, we're able to deliver goods in a third of the distance of incumbent players, reducing carbon output, and cutting costs. We plan to be the only place customers can access the entire construction supply chain, helping to cut overheads, speed up supply and reduce costly delays."

