



Company Background

McCarthy & Stone has specialised in the construction of purpose built private retirement housing for over 25 years. They have almost 100 sites available consisting of apartments with either 1 or 2 bedrooms. These are all designed for older people seeking a secure and manageable home in their retirement. They build about two-thirds of Britain's private retirement housing but have a market share of less than 2% of the overall UK house building market.

Housing is targeted at the over 60s, the average age of purchasers is 76. Most potential buyers have a home to sell so the company is affected by the overall UK housing market. Selling prices in 2005 ranged from £68 000 to £344 000 with the average selling price being £163 500 (see Financial Information section at the end of the case)



Market Trends

At present 30% of all households in the UK are headed by someone aged 60 or over. There are over 11 million people of pensionable age and this is forecast to increase to over 15 million by 2031

A change in home-owning patterns means the majority of retired people now own the home they live in - and want a greater choice of housing to suit their next move. This new generation of Home-Owning Older People - known as HOOPIES - is here to stay and is a force to be reckoned with, according to an independent report published in 2005, by the Centre for Policy on Ageing (CPA) sponsored by McCarthy and Stone.

Among the retired population, home-owners now outnumber tenants for the first time since records began. This figure is forecast to rise to 75 per cent in 2010 and to continue growing for at least a decade after that. Many are a legacy of Mrs Thatcher's "right to buy" campaign in the early 1980s, when people in rented council

properties were encouraged to take ownership of their home, often with the help of large discounts. In what is described as "the most significant demographic shift of the post-war years," Hoopie numbers continue to grow along with the rising age profile of the population as a whole.

Hoopies typically have most of their wealth tied up in houses, which may become too large and unmanageable once their children have left home. They may also be open to the idea of moving to a smaller property if it suits their needs.

Keith Lovelock, Chief Executive of McCarthy & Stone, said: "The CPA report clearly states that private sheltered housing has a very positive role to play as part of a holistic approach to the issue of housing of older people." It provides them with a secure home where they don't have to worry about maintaining a large garden or household repairs, and where there is a degree of support available should they need it, in the form of a house manager and electronic security systems." The report, written by CPA Director Dr Gillian Dalley, reveals:

- Up to 39 per cent of privately owned properties are under-occupied. When older people move to a smaller property they free up family homes.
- Older people generally want to stay in their own home as they grow older but this does not necessarily mean they want to stay put in the old family house - a common misconception among policy-makers. It is more likely to mean somewhere of your own with friends, neighbours and family within easy reach.
- Only 13 per cent of people living in sheltered housing own their property but the private market is growing at a faster rate than social housing.
- A considerable amount of social sheltered housing is becoming hard to let because it is poorly designed or located. In contrast, private sheltered is designed to meet purchasers' needs and achieves a high level of satisfaction. (In a recent McCarthy & Stone survey, 90% of residents said they would recommend the lifestyle to others in their age group).
- Retirement developments make more efficient use of social and medical services as they can concentrate delivery on a small area.

Locations

When McCarthy and Stone look for new sites for their retirement developments they are often interested in the sort of places other developers wouldn't consider. Disused garages or car showrooms, closed down nursing homes, retail or commercial properties have all been converted to housing. The main criteria are:

- Towns which have a population in excess of 20,000 within a 5 mile radius
- Prominent locations and easy access to town centres
- Ideally a level site
- 3 storey potential - surrounding property may only be 2 storey

- Easy level walk to Post Office and shops to meet daily needs - Maximum distance half a mile
- Close to public transport

Site Services

Security

In every new scheme that is built every apartment provides the highest levels of security with a TV entry system plus 24-hour emergency, Careline. In addition each apartment has its own sophisticated fire detection equipment and intruder alarms.

Many of the new developments are now being built to the coveted 'Secured by Design' specification, which is recommended by the Police for a safe and secure environment

Apartments Design

Comments and feedback from customers have proved invaluable in helping the company to continually improve the levels of convenience for customers. For example, all plug sockets are positioned at waist height, taps use lever mechanisms making them easier to turn on and off, doorways are slightly larger than standard for ease of access and washing and drying machines, supplied for convenience within the laundry room at most schemes, are easy to access with waist high door openings. Stairs have become a thing of the past as each development incorporates a lift servicing all floors.

Not only are stairs a thing of the past, so is the worry and trouble of external maintenance chores and keeping up the garden. One service charge covers all external maintenance of the building, including all communal areas, in addition to providing for the maintenance and upkeep of the gardens.

A comfortable twin bedded guest suite with ensuite facilities is available for the use of all apartment owners' guests at a nightly charge. In addition, resident's lounges are provided to make and meet friends.

Site Management

Each development has a House Manager. They keep an eye on flats when occupants are away by answering their day-to-day questions. When the House Manager is not on duty, the Careline system ensures that help is always at hand.

Visitors

A comfortable twin bedded guest suite with ensuite facilities is available for the use of all apartment owners' guests at a nightly charge.



Further Information

The company was voted "Best National Builder" in the 2004, Daily Express British Housebuilder Awards and has won major awards in the last 7 years. Awards are based on customer votes.

The Housing Forum released a major survey of British house builders in February, in which McCarthy & Stone is one of only six companies to gain a 'full house' of stars in a customer satisfaction test. It was also the only builder specialising in retirement flats to gain the top rating. Nearly 40 major house builders came under scrutiny through a MORI poll asking new homebuyers about the service they received from their builder. This is broken down into categories of overall satisfaction with quality, construction and finish, value for money, satisfaction with service, condition on moving day, and after-sales service. McCarthy & Stone, along with only five others, won a full clutch of three stars in every category.

Schemes are designed to blend attractively with their surroundings. This has resulted in numerous awards including the coveted Daily Mail Green Leaf conservation award in 2003.

Financial Information (year ending 31 August)

	2005	2004	2003	2002	2001
Turnover (£million)	325.6	317.2	255.1	187.8	167.5
Pre-tax profit (£million)	127.4	147.8	116	75.4	60.5
Unit sales	1983	2055	1948	1671	1550
Average sales price (£)	163.5	154.3	130.9	112	99

Case Material drawn from
www.mccarthyandstone.co

McCarthy & Stone Plc Interim Accounts February 2005 and Annual Reports & Accounts 31 August 2005.

Questions

1. Explain the methods of segmentation and targeting that have been used by McCarthy & Stone. Is it based upon customer needs?
2. Market segmentation allows for differentiation and a targeted marketing mix. To what extent does this apply with McCarthy & Stone?

- 3. Jobber claims that “the company that first spots a new under-served market segment and meets its needs better than the competition can find itself on a sales and profit growth trajectory” Analyse this statement with reference to the above case.**
- 4. When evaluating a market segment you need to consider market attractiveness and company capabilities. Describe how McCarthy & Stone have evaluated both of these factors.**
- 5. Explain why this might be a neglected marketing segment.**
- 6. How does the company appear to rate on the 4c’s positioning model of clarity, credibility, consistency and competitiveness in Figure 10?**
- 7. Describe why McCarthy & Stone’s segmentation, targeting and positioning strategy may deter other house builders from entering this market.**

Teaching Note

Synopsis

The case analyses the use of segmentation, targeting and positioning (chapter 7) in house building it also serves as an example of niche and grey marketing.

Teaching Objectives

- To illustrate the methods of segmenting markets
- To illustrate the benefits of targeting specific markets
- To illustrate the benefits of a clear positioning strategy
- To demonstrate how effective implementation of a segmentation, targeting and positioning strategy can allow an organization to build competitive competencies and act as a differentiator from competitors
- To demonstrate how effective implementation of a segmentation, targeting and positioning strategy can act as a deterrent to competitors

Suggested Teaching Approach (and answers)

The case is designed for use in an hour seminar. Answers to the questions are given below in italics.

1. Explain the methods of segmentation and targeting that have been used by McCarthy & Stone. Is it based upon customer needs?

Segmentation is based upon age / house ownership / income and lifestyle (Hoopies). Targeting is the over 60s who wish to remain independent and “downsize their property” It is based upon customer needs of independent living in their old age and in an environment with people of a similar age.

2. Market segmentation allows for differentiation and a targeted marketing mix. To what extent does this apply with McCarthy & Stone?

Differentiation is in the flats design no stairs, wider doors, location of electrical appliances and warden service. This is the Product/ service. Also look at Place as location is within 5 miles of an urban location. Price is probably lower than existing property. Promotion is on site at the development being built and also on the website listed above.

3. Jobber claims that “the company that first spots a new under-served market segment and meets its needs better than the competition can find itself on a sales and profit growth trajectory” Explain this statement with reference to the above case.

The company has been in this market for some time and was one of the first to appreciate the potential of the “grey market”. Financial figures indicate the success. Note how average sales price has increased which may illustrate their ability to increase prices as the strength of their brand name / positioning improved or that they spotted the likely increase in demand for this type of housing. Or maybe they were just lucky!

4. When evaluating a market segment you need to consider market attractiveness and company capabilities. Describe how McCarthy & Stone have evaluated both of these factors.

The company has monitored and evaluated population projections and patterns of housing ownership, which make the segment an attractive one. Over 20 years they have developed competences in the design of housing and providing services to this segment

5. Explain why might this be a neglected marketing segment

The term "grey" says it all, it is unfashionable. Many organizations have failed to analyse the size and spending power of this market sector and opted to target the younger market, as it is more fashionable. This might also be linked to it being a young person's profession (under 50) and because of this marketers have little interest in this segment

6. How does the company appear to rate on the 4c's positioning model of clarity, credibility, consistency and competitiveness in figure 10?

Clarity look at the logo, sites and website, credibility look at finances and to some extent awards and customer satisfaction, consistency is that they only build for this market and have done so for over 20 years, competitiveness look at market share and lack of entry from bigger builders

7. Describe why McCarthy & Stone's segmentation, targeting and positioning strategy may deter other house builders from entering this market

Other builders would need to (probably) invest in new designs and building methods, they would also need to employ specialist staff e.g. wardens this investment may not be considered worthwhile bearing in mind McCarthy & Stone's sector domination.