

Rapidly Growing Retailer Avoids \$6.75 Million in Lost Revenue With a Better Utility Transfer Process

Open + Close Utility Account Services



Client

A private equity-owned Fortune 500 discount retailer operating more than 18,000 stores in 47 states that sells frequently used products, including food, snacks, health and beauty aids, cleaning supplies, basic apparel, housewares, and seasonal items at everyday low prices in convenient neighborhood locations.

Challenge

The retailer is rapidly expanding with approximately 1,000+ new store openings per year. During construction, general contractors put utilities in their name, with the responsibility of the utilities transferring to the corporate office once construction is complete. Unfortunately, this transition was not occurring in a timely manner, resulting in the client missing utility turnover deadlines and frequent shut-offs.

Once permitting is complete and build out dates are set, a lack of organization in initializing utility accounts can delay store openings up to 30 days. In addition to lost sales, committed salaries are paid out with no actual work attached. These factors have a direct negative effect on EBITDA.

This growing retailer went from being five months behind in transferring services into their name to now working ahead by 1.5 to 2 months. As a result, they no longer deal with disconnects and avoid costly shut downs and loss of perishable products.

Additionally, stores were often caught off guard when initial utility bills went unpaid and services were turned off with no notice. When this happened, stores had only two to four hours to save refrigerated and frozen foods. Water, heating, and air conditioning was turned off and stores were forced to close down until utilities came back online. The company stood to lose \$15,000 - \$20,000 in perishable food products in addition to the opportunity cost of lost revenue while closed down.

Solution

The client enlisted SIB's energy and utility experts to help them proactively avoid missed store opening dates by managing the utilities open and close process for all new stores. SIB established a one-month pilot project to ensure success and is now working on a multi-year project to manage an effective opening and closing of utilities accounts.

Results

SIB manages the utilities transfer process and ensures that stores remain open and that all new accounts are set up properly in the client's system. As part of our process, SIB confirms that the first bill is properly sent and that the store numbers are correctly assigned to utility accounts. Additionally, SIB created a process to review existing store billing errors and rectify legacy issues that they were unable to address with internal resources.

SIB helped a rapidly-growing retail chain to overcome an ineffective utility transfer process and to significantly improve value creation.

	Without Intervention	After CCA Intervention	IMPACT Lost Revenue Avoided
# stores getting closed down due to utility shut off	80	5	
Loss of refrigerated and frozen inventory	\$1.2M	\$75K	
Value of lost revenue when store gets closed down	\$6M	\$375K	
Total	\$7.2M	\$450K	\$6.75M

- **\$6.75M**
in Lost Revenue Avoided
Through Utility Account
Open Services