



PCMG have added real value to Tesco in this process



PCMG's Electricity & Water solutions help Tesco recover lost profits...

Tesco is the third largest grocery retailer in the world, with sales of over £50bn per annum. Employing over 440,000 people across over 3,700 stores, Tesco continues to be one of the UK's most successful businesses.

In the UK, Tesco trades through over 2,100 stores and has developed a series of highly successful services; businesses that compliment its core grocery and non-food products including Tesco.com, Direct, Telecomms, Mobile and Personal Finance. Tesco takes its environmental responsibilities seriously and has driven a number of projects including reducing the number of free carrier bags it issues by over 1 billion bags per annum and halving its energy use per square foot of selling space since 2000.

PCMG has been working with Tesco since 2006. During this time, a solid partnership has developed with value being added across Tesco's finance, procurement and energy management functions, through complete understanding of Tesco's business and goals across energy and delivering services and solutions to meet and exceed these.

At the outset of the programme, Tesco never considered there to be any issues surrounding electricity payments. They had an excellent relationship with their key energy partner, utilised an in-house team of experienced energy experts, and were supported by a 3rd-party bill-checking service. Indeed their energy partner had recently concluded an in-house review of payments looking specifically for payment errors.

Nevertheless, PCMG were engaged by Tesco, impressed by their professionalism, approach and track record of recovering payment errors across a range of utilities especially within the retail sector. PCMG demonstrated **over 120 different claim types** identified for electricity payments alone. Initially a project scope was agreed to review the electricity spend of **around 1,000 sites**, which resulted in a recovery from the supplier for **incorrect billing of over £350,000** based on just 18 months of bills.

Audit Approach

PCMG went about collecting the electronic and hard-copy data required from Tesco, plus additional supporting documentation across the supply chain was obtained. This data was then extracted and transformed into an auditable format using PCMG's proprietary software tools.

James Summerbell, Tesco's Senior Buying Manager said, "**PCMG's approach was extremely pragmatic as they understood that we did not have the resource to collate the data internally and were happy to work with the supplier's data. They went about their process in a very professional and non-intrusive manner – exactly as they had promised in the initial discussions**". PCMG then deployed a combination of technology, forensic auditing and site visits to initially identify the many hundred potential discrepancies, followed by researching each item to determine the authenticity of any claim.



Recovery Example

Energy suppliers typically pass through a range of costs, both fixed and variable, some of which are generic in nature, others being customer specific. **Barry Lord, PCMG's Energy Manager** said; **"The very nature of the complex electricity supply chain, where information is held across numerous databases, means that errors frequently occur. These are not only between supplier and customer, but also between distribution company and supplier, given some of these costs are simply passed through, this means the end-user can be overcharged with no way of knowing this."**

One example of a recovery was as a result of a supplier running a cross comparison of information held on two databases. The information on the primary system differed from the supporting database and when the supplier applied a fix to ensure that the data correlated, they ended up with both systems holding the wrong data. The result was that Tesco sites were overcharged and this continued undetected until the PCMG audit.

The specialist knowledge of the PCMG team in this type of audit is unique in identifying such overcharges. In some cases, an on site follow up investigation is required to verify the results of the office based audit. PCMG then submit a claim on behalf of the client and follow this through to a successful conclusion and recompense to them. In this case, Tesco obtained full compensation for the overcharge with all monies being refunded.

James added, **"PCMG have added real value to Tesco in this process, not only through the financial recoveries, but also the insight across the wider supply chain, coupled with the recommendations that have been implemented. PCMG have brought additional knowledge to our energy management and procurement teams for the future. We are now working with the PCMG team to develop additional projects and services and have already obtained some additional recoveries from our water expenditure"**.

Ian Yates, PCMG Operations Director said; **"At PCMG we aim to maximise the value we can add to our clients – this is a great example of leveraging our industry knowledge and expertise in two of our key practice areas, to uncover payment errors, obtain monies that would otherwise have been lost and reduce ongoing costs for our clients."**

If you like what you've heard so far, why not contact us here at PCMG and between us we'll arrange a suitable time for a visit. For more details, simply get in touch:

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