

Energy & Utilities: Savings, Tracking & Contract Compliance

Client

A large diversified US-based utility company, providing service to over 1 million customers.

Challenge

Faced with increasing costs and stagnant revenue, a leading utility company engaged GEP to identify savings leakage in its Procure-to-Pay process.

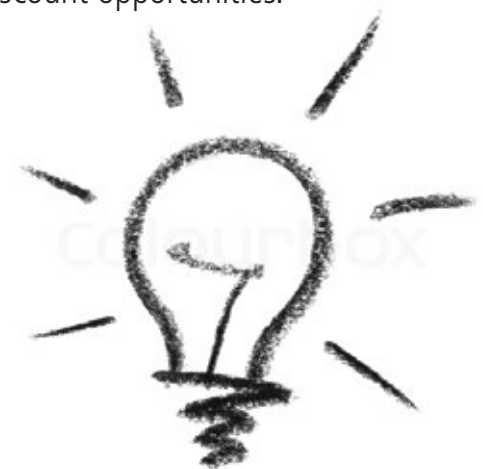
Approach

GEP has a proven consulting and technology-based methodology to facilitate the development of compliance tracking, validation, and measurement processes, and to improve the accuracy and transparency of savings at the contract and category level.

A pilot category and a leading supplier were selected to test the process. The approaches consisted of comparing

realized savings to contractual pricing, and validating the savings to ensure that the figures were complete and accurate.

GEP quickly identified the critical information necessary to conduct the analysis, and leveraged its global organization and advanced technology. The purchase order, accounts payable and contractual pricing data were used to identify variances and instances of over-payment, under-payment and missed payment terms and volume discount opportunities.



Bottom Line

Client

A large diversified US-based utility company, providing service to over 1 million customers.

Challenge

The client was faced with increasing costs and stagnant revenue and wanted to identify savings leakage in its Procure-to-Pay process.

Solution

GEP recommended that strategic sourcing activities must be paired and followed by strong compliance and savings tracking processes.

Result

The root causes of inefficiency were identified and issues were resolved.

Results

GEP identified that in 50 per cent of instances, the client was paying more than what had been contractually agreed upon with the vendor. The average variance between the contractual and actual price paid amounted to 12 per cent, despite having fully functioning and integrated order-to-pay systems.

The team identified that in the majority of instances, the client was foregoing payment term discount opportunities of up to 2 per cent, which were attributed to administrative process deficiencies. With this information, the root causes of inefficiency were identified and issues were resolved.

Recommendation

Strategic sourcing activities must be paired and followed by strong compliance and savings tracking processes to be assured that savings are realized and that the financial benefits of strategic sourcing are secured and maximized.

“The client identified savings of 42 per cent”

GEP set up a competitive sourcing process that included bench marking and supply market analysis, RFP development, supplier evaluation, etc.

GEP helps global enterprises operate more efficiently and effectively, gain competitive advantage, boost profitability, and maximize business and shareholder value.

Fresh thinking, innovative products, unrivaled domain and subject expertise, and smart, passionate people – this is how GEP creates and delivers unified business solutions of unprecedented scale, power and effectiveness.

With 14 offices and operations centers in Europe, Asia and the Americas, Clark, New Jersey-based GEP helps enterprises worldwide realize their strategic, operational and financial objectives.

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