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Somerfield

Innervision
Harnessing the value of leasing

Somerfield – A case study

Background

Starting in 1875 as a small family grocer in Bristol, Somerfield has grown to be a major high street supermarket with over 800 stores in locations throughout the UK. Somerfield has a lease portfolio of close to £70M with over 100 active leases covering assets ranging from commercial vehicles to computers and in-store equipment. Since January 2008 Innervision has managed this lease portfolio, applying specialist expertise to introduce greater understanding, management and control, generating significant initial and long-term savings, whilst also providing accurate and accessible financial and management information.

Benefits from the operational viewpoint

Steve Burrow is the Commercial Manager with responsibility for a fleet of over 400 large goods vehicles, the majority of which are leased. Historically financing had been largely arranged through leasing arms of supplier companies.

“Innervision has brought in a broader range of leasing suppliers and therefore existing providers have had to sharpen their pencils.”

When it comes to writing new leases Innervision tests the market considering options Somerfield would not have looked at previously. A focus on commercial terms as well as rates means that the costs of the lease across the expected life of the asset are optimised.

“It was simple beforehand because we only focussed on the £s per thousand lease rate. It’s only when you learn a bit more that you realise how much you still don’t know.”

Steve feels that Innervision’s lease management system (“LOIS”) has greatly improved his access, understanding and confidence in leasing information, allowing him to take decisions, consider options and challenge leasing companies when required. The notice system has allowed more time and information to make the right decisions for the business at the end of the lease period. Innervision make sure they understand the operational requirements and then provide all the required options to Somerfield in a timely fashion.

“Everything you need to know about a lease is in one place, on LOIS. In the past it would be a document chase.”

For new leases, Innervision manage the whole process; understanding the requirement, identifying leasing companies, negotiating and agreeing terms. Somerfield are involved where they wish, kept informed of progress and then provided with signature-ready documentation. Steve believes this saves him considerable time whilst ensuring that he is still in the driving seat.

During the life of the lease Innervision monitor and manage all points of change and action as required. This is particularly important with an asset class like heavy commercial vehicles.

“When you put things on the road day in and day out, things change and things can go wrong.”

Innervision’s experience, expertise and access to the market, delivered to Somerfield via its team of specialists, provides what is sometimes considered an outsourced leasing department.

“In the current climate leasing would have been very difficult to manage without Innervision’s assistance. It has made a huge difference in what we have achieved in the last 6 months.”



...and from an administrative angle

Maria Britton and Sophia Miller are Treasury Manager and Assistant Treasury Manager respectively. Before Innervision was involved the leases were recorded on a simple spreadsheet, there was no active tracking and changes were very difficult to manage.

“Before Innervision joined us it was like working in the dark. Now the day to day position is clear and the leases are under control.”

LOIS is Innervision’s Lease Optimisation and Information System. Sophia now uses it regularly and working with the Innervision team has greatly increased her knowledge and understanding of leases and leasing.

“It took a while to let go of the spreadsheet and move to LOIS but then you begin to trust it and now it is the bible. Every piece of leasing information is in one place. I don’t refer back to paper copies now.”

Once all the leases have been validated much less time is required to manage them. Leases coming to an end are managed early with the notice system, allowing time to make decisions and for Innervision to negotiate options.

“Training on LOIS only took half an hour. It is very user friendly. I have learnt a great deal from using it and asking questions. Innervision are always available on the phone to assist with queries and address immediate issues.”

Looking back, with all the experience of leasing gained since working with Innervision, Maria and Sophia see a significant improvement in the management of their lease portfolio. There is now confidence in new leases being written and existing leases are being actively managed over the life of the lease.

“Some past leasing decisions were made without sufficient planning for how these leases would be administered over their term. Innervision has significantly relieved the burden of this labour intensive administration.”

...and finally the management perspective

James Found is Head of Corporate Reporting and Treasury, based in Bristol. He feels that Innervision present themselves very professionally, clearly demonstrate scope to achieve significant savings and have negotiated better leases going forward. Somerfield had been through a period when most of the leases were written with the main emphasis placed on the primary period lease rate.

“We were left sitting on an issue with regard to secondary lease rentals.”

Innervision identified where existing leases could be improved and organised the lease management to ensure there was a clear view of all future commitments. James believes LOIS is a very effective tool and has been impressed by how Somerfield’s individual requirements have been incorporated quickly into the system. James knows that as a lot of companies face turnover of key staff a solid lease management approach provides consistency and addresses the ‘being run over by a bus’ scenario.

“LOIS is a great admin tool and can also be used for management reporting. Keeping track of all the lease documentation across the business was problematic but now having everything in one place is a vast improvement.”

Innervision involvement has saved James valuable time; meeting with lessors and summarising options. James is also impressed with the calibre of staff at Innervision and their approach to customer service. James believes they always want to listen and work with Somerfield requirements.

“From the outset they always worked with us and fitted into our schedule and around our timetables. When I need a response they get back to me in 24 hours, every time, even when someone is on holiday.”

James feels that as Innervision grows and increases its power and influence in the market place, this will further benefit its clients. Leasing companies realise that Innervision understand the market and they adopt a more mature approach when Innervision is involved. They realise they have to be more reasonable from the outset.

“If I moved to a new organisation where a significant amount of leasing was written, I would not hesitate to pick up the phone to Innervision.”