

Achieving Results with Accruent for Retail

The retail pharmacy giant met its immediate revenue enhancement goals while building the foundation for additional savings.



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— Rick Stoneking
Director, Lease Administration
Rite Aid

Rite Aid, the nation’s third largest drugstore chains realized millions in back office savings by transforming from simple lease administration to a total occupancy cost management solution.

With \$15.8 billion in total sales and more than 3,400 stores, Rite Aid is a trusted household name for millions of Americans. While filling prescription drug orders accounts for 63 percent of sales, company outlets also sell health and beauty aids and other items.

CHALLENGE

Rite Aid’s 60-person real estate and accounting department handles all real estate operations, facilities, store planning, legal and finance. The department’s senior director is a CPA who realized that improved

management of occupancy costs could potentially save the company millions.

“We’ve had a whirlwind of real estate activity in the last few years that has given us a leading position in the market but has also become a major challenge to manage,” says Rick Stoneking, the department’s director.

The company is constantly opening, relocating, remodeling and closing stores. The company’s total locations (4,300, including 900 subleases) create a whopping \$700 million worth of real estate costs, including \$50 million in monthly rent costs.

Accruent for Retail

The Accruent for Retail solution provides controls that effectively stop cost leakages by managing your entire real estate portfolio.

“After completing only 60 percent of data extraction from contracts, we realized \$400,000 in savings or 10 percent of ROI.”

— **Rick Stoneking**
Director, Lease Administration
Rite Aid

“Now that we have one of the most modern store bases in the industry, we have to make sure that we get a return on investment for all of our acquisitions,” says Stoneking.

Rite Aid’s homegrown property investment management system supplied adequate data, but had no central repository for critical data. Moreover, it was expensive to maintain, dependent on huge amounts of

manual labor, and error-prone. Small in efficiencies and losses in individual contracts could multiply into huge losses.

Case in point: Rite Aid wasn’t able to pinpoint exactly when a lease began or ended. Some payments were made early, while others continued well beyond termination dates. These losses could only be recovered manually, if at all.

THE ACCRUENT SOLUTION

To close the data gap and realize significant dollar savings, Stoneking and his team embarked on an extended search for a total occupancy solution. They wanted a system that would control costs and improve operations, allowing the real estate group to focus on strategic, value-added tasks.

The solution needed to provide visibility into all the real costs of occupancy—rents, repairs, utilities, taxes, leased equipment, etc.

After evaluating numerous systems, the real estate and accounting group decided that the Accruent Lease Administration™ solution matched their requirements for highly accurate, timely and complete real estate and CAM (Common Area Maintenance) information—all aggregated into a common database.

“The Accruent system had the ability to provide the data necessary for identifying revenue drains,” says Stoneking. “We knew that small but numerous, incremental savings add up to millions of dollars that will fall directly to the bottom line.”

Other factors that influenced the team’s choice were Accruent’s depth of expertise in the retail industry, and its strengths in contract management and tracking rent collection for surplus properties.

Rite Aid Corporation

Accruent Lease Administration addressed Rite Aid's immediate needs while building a foundation for future functions. Phase 1 included migration to a single system of all property-related transactions (rent, percent rent, CAM, rent collection, sublease management), integration with legacy systems (for Accounts Payable, General Ledger and Sales), built-in integrations for additional applications and centralization of all real estate analysis.

THE BENEFITS

After completing only 60 percent of data extraction from contracts, Rite Aid realized \$400,000 in savings or 10 percent ROI.

Accruent Lease Administration has enabled the drug store chain to begin the lucrative process of consolidating facilities contracts. For example, the company has been able to reduce the CAM floor care vendors from 700 down to 4.

Implementing the new application began with the five-and-a-half month task of contract abstracting, involving 163,000 pages of lease documents, followed by a data scrub and validation.

The implementation also included scanning, contract data extraction and validation of 4,300 leases. After 10 months Rite Aid had a single system providing complete and consistent data.

In addition, annual reconciliation is expected to result in huge savings that will put the company well on its way toward realizing \$2 million annually in reduced expenses.

HIGHLIGHTS

COMPANY PROFILE

- > \$15.8 billion total sales (FY2003)
- > 3,400 stores (4,300 total locations) totaling 53 million square feet
- > \$700 million in real estate costs
- > 72,000 employees (60 dedicated to real estate)

ACCRUENT SOLUTION

- > Single system of all property related transactions (rent, percent rent, CAM, rent collection, sublease management)
- > Integration with legacy systems for Accounts Payable, General Ledger, and Sales
- > Built-in integrations for additional applications (e.g., a utilities module)
- > Centralization of all real estate analysis capabilities

RESULTS

- > \$400,000 in savings after completing only 60 percent of the abstraction
- > Total data extraction process resulted in 10 percent ROI
- > Common Area Maintenance system has lowered costs by consolidating facilities contracts, including elimination of 800 maintenance vendors (e.g., reduced floor care vendors from 700 to four)
- > Significant savings projected from the annual reconciliation

THE FUTURE

“Accruent has already provided impressive customized services to ensure that we got the solution and the screens we wanted. We see Accruent helping us control all of our real estate related costs in the future,” Stoneking says.

He foresees that the Accruent application will eventually result in \$4M in savings by allowing the drug store giant to “more effectively manage utility payments, reducing costs by eliminating estimated bills, and clarifying tenant versus landlord obligations.”

Rite Aid is also considering an Accruent application to help identify optimum store locations because, says Stoneking, “location can be everything in our business.”

ABOUT ACCRUENT

Founded in 1995, Accruent leads the industry with a new generation of solutions designed to fully leverage real estate assets and decisions as an enterprise competitive advantage. Accruent Real Estate Performance Management (RPM) solutions maximize the impact that real estate properties—stores, restaurants, local branches, and corporate offices—have on company performance by driving revenue growth, reducing costs and achieving financial compliance. More than 340 of the world's largest companies, including 20 percent of the Fortune 500 and 40 percent of the Top 100 Retailers use Accruent's solutions. In addition, Accruent couples the broadest and deepest real estate data set and advanced business intelligence to bridge the gap between daily operations and strategy.

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