



Fortune 500 Home Improvement Company Revolutionizes Its Logistics & Shipping Management

The Challenge

One of RateLinx's clients is one of the oldest and most respected corporations in the construction and home improvement industry. The company has a track record of innovation and quality that has allowed it to grow into a Fortune 500 company with more than 32,000 employees, acquiring 24 subsidiary companies along the way. From paint to faucets, it's likely your home has one of its products in it.

The company's huge scale, wide variety of products and global reach makes it an industry powerhouse, but also presents a myriad of challenges for its shipping and logistics managers. The company purchases and ships parts and products all over the U.S.; items as small as a bathroom faucet to as big as a hot tub. Despite using innovative technology and design in its products, company's transportation management approach was antiquated – a mix of outdated systems and tracking methods inherited from the more than 24 companies in its corporate organization.

Looking For a New Approach To Logistics

To tackle the problem, the company hired a new director of logistics, a veteran of the shipping industry who'd helped to reinvent the supply chain management of a number of large corporations. Looking at the company's global shipping practices, he wasn't satisfied with what he saw. Across the board, there was inefficiency and waste and, more importantly, very little empirical data on freight cost, routing and shipper relations.

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He says, “The fundamental problem I had when I joined was finding out that we had no information, no data – or should I say no usable data. The data was only available on request and they had to create Excel charts. Because it was manual, there were gaps in the data as problems with clarity and accuracy – there were a lot of errors.”

Faced with a sagging U.S. construction market, the company needed to increase its efficiency in shipping and logistics in order to maintain profitability. The new logistics director's experience was in doing just that. However, he knew that, without accurate and usable data from the supply chain, it was impossible to create a truly comprehensive strategy.

“We were relying on opinion rather than data or fact,” he recalls. “We

had no strategic logistics approach. It is very difficult for me to design and deploy a global logistics strategy when I didn't have any data. I needed to adapt the data we had into a usable, standard format. That was my biggest challenge.”

Assessing the Market

“Why RateLinx? They were nimble enough to develop unique solutions, but large enough to support us,” he says. “We looked at five different vendors for TMS and the fundamental things that were important to me were, number one, could they do what we needed them to do? The answer for all five was, ‘Yes, they probably could.’ But could they take us to that next level?”

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The RateLinx Solution

RateLinx prides its software on being compatible with nearly any enterprise resource planning or warehouse management system in the world. For the logistics director, that flexibility was essential.

He says, “We have 20 businesses in North America with 20 different enterprise resource planning systems. It was difficult to figure out how we deploy a lot of the tools behind the firewall in different systems. We have 400 shipping locations in North America; some of them are small and some are huge. For the small ones, we just want them to be able to go on the Internet, go online and

figure out how to get the data. For the larger organizations, we want them to deploy the tool within their firewall. We could do both with RateLinx. One of the problems with larger transportation management firms is that you have to do it their way. If you don't want to do it their way, they will charge you through the nose to have them try to modify things that fundamentally make it work. With RateLinx, it's much more flexible. They understood that we have small, large and medium operations and were able to tune it to our needs.”

Once he decided on using RateLinx, the process of deployment went smoothly. One of the company's businesses volunteered to be the pilot for RateLinx and, after a few delays on the client's part, was fully up and running, using the RateLinx Enterprise Suite and Intelligent Invoice Management™ to fully manage and optimize its shipping.

Over the course of the next year, over 400 locations adopted RateLinx software, using a staggered approach required by the client. This approach was chosen in the interest of prudence, but the logistics director says that, without these restraints, a company could fully adopt RateLinx in as little as two weeks.

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After the deployment was complete, the client had comprehensive, usable data on every aspect of its shipping and transportation business – all thanks to RateLinx.

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Getting the Best Rates

The logistic director’s goal was not to simply save money or create better efficiency, but fundamentally change the culture of how the company managed shipping and logistics – a data-driven approach in which decisions are made based on fact, not opinion or relationships. Some in the company were resistant to change. He says, “You’re a business and you’ve always bought your logistics by relationships – based on who buys you pizza. Suddenly, we’re holding businesses accountable to what they’re doing and we have complete transparency and visibility to every decision that they make.”

By having total control over the cost, route, and carrier data provided and processed by RateLinx software, he set about making changes, questioning processes that were “done the way they’ve always been done.” One major change was changing to a three-hub shipping network from the previous two-hub system. Having three regional hubs helps decrease dreaded “overlap” (a sign of inefficiency) in shipping lanes.

RateLinx’s built-in lane management and auction tools completely changed the client’s relationships with its shippers, ultimately resulting in the company using fewer shipping companies. This new strategy ensured that shipping contracts were beneficial to both the client and its transportation providers. RateLinx

allows both parties to structure shipments to give the client the best rates, while giving the shippers freight in lanes that they need to fill. The goal is to have the lowest possible rates for the company, and avoid half-filled trucks for shippers. Suddenly, instead of the client having to play “hardball” to get the lowest rates, the shippers are happy to offer discounted rates to fill up trucks that would otherwise operate at less-than-maximum capacity.

By showing shipping managers the full picture through real-time data, RateLinx also empowers them to make judgment calls that factor in quality, efficiency and speed. For example, is it worth the effort to deal with four separate, lower-quality shippers to obtain a minor savings instead of paying slightly more to use a single company with a reputation for quality service?

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A Company Transformed

The effects of the data and transparency provided by the RateLinx Enterprise Suite and Intelligent Invoice Management systems have been felt throughout the client’s organization in ways big and small. One of the company’s divisions was used to shipping small parcel items. He found out that they’d been using the same – and less cost effective – shipping companies to move it new line of toilets. The logistics director

was able to suggest a company that was able to handle heavy freight at a lower cost.

At another location, a plant tracking manager came up to logistics director and thanked him for implementing RateLinx into the company’s supply chain. He revealed that, previously, the process of booking trucks for the day would start at 10 a.m. and end at 2 p.m. Now, he says he enters the information into RateLinx, goes to lunch, and returns to a printout of the freight bookings.

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The logistics director implemented RateLinx with one goal in mind: to create a nimble, efficient global logistics system with a data-driven approach to decision making. However, the client soon found out that the efficiencies discovered by RateLinx’s software solutions introduced cost savings that quickly impacted the company’s bottom line.

One crucial facet of the RateLinx’s Enterprise Suite is the ability to see the “true cost” of freight and shipping in a product. Oftentimes, a supplier will inflate the cost of the inbound freight in order to get a larger profit margin. RateLinx allows the client to negotiate a better freight rate from another shipping company, and only pay the true cost of the product.

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Solve Issues in Real Time

RateLinx Intelligent Invoice Management provides valuable data, but more importantly, gives the client data in real-time in less than 24 hours. This allows problems to be solved almost as soon as they are identified. In the case of the line of toilets, the logistics director was able to engage a new shipper quickly, and come to the CFO with a

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warning that he would see a blip in the current month's financials – but that the problem had already been corrected.

He says, “Normally, that would take three or four months to show up on the P&L (profit and loss) report. The first time the CFO saw it on the P&L, he'd think it was a blip. The second time, there might be something there. Then, he'd start calling. The books close 10 days after the

end of the month. By the time he starts calling and says, ‘What’s going on?’ you’re three months out. In this case, we had a report after two weeks saying that we’d wasted that much money. We fixed the problem before the CFO even knew there was a problem. That is one of the best examples of the value of the tool.”

A Strategic Advantage Brings Surprising Savings

Though the logistics director insists that remaking his shipping network to be more nimble and intelligent was his ultimate goal with using the RateLinx Enterprise Suite, the cost savings it created were significant – 20 percent across all modes of transport. In a huge organization, that's a large sum, so large that he says RateLinx essentially paid for itself. “You can do a whole network design with RateLinx and the whole thing is self-funding,” he says. “The return-on-investment was in a matter of hours in some cases. You almost don't need a capital request; you can expense the cost of it because you'll pay it back before the first bill comes.”

In the end, he says that logistics professionals need to look at RateLinx as not simply a freight management system, but a way to reimagine their entire shipping business.

“RateLinx isn't about the automation of freight orders and payment. It's not about a bidding tool. It's not about a truckload auction,” he observes. “It's about a way of taking your shipping data and integrating that into your business processes. A lot of companies look at it like a tool and they'll say, ‘I need a freight payment system, who should I use?’ They are thinking tactically. The right way is to think strategically. My objective was to change logistics from a tactical necessity to a strategic asset to the organization. That's what RateLinx can enable you to do.”