

Caterpillar Dealership Uses Verian Solutions to Weather Economic Storm

Background

Empire Southwest is a third-generation Caterpillar dealership founded in 1950. Ranking among the top Caterpillar dealers in the world, Empire has more than 1,400 employees in a territory that now includes the state of Arizona, southeastern California and portions of northern Mexico.

Challenges

In 2004, the successful Caterpillar dealership found itself mired in a manual purchasing process. Requisitions – being made by over 1,500 people in 24 different locations – were continually floating around in a paper trail that completely obscured visibility into spending.

“We knew we were missing opportunities to save money,” said Gayle Williams, Purchasing Manager for Empire, “But because everything was done on paper, no one had visibility beyond the stack of purchase orders and invoices on their own desk.”

Empire’s GL coding system wasn’t able to provide granularity into invoice detail, so it was very easy for invoices (and vendors) to pile up. “For example, we had 12 welding suppliers,” said Williams, “and they were all charging different prices, sometimes at the same location from the same supplier. It was very hard for requisitioners to consolidate vendors because everyone was operating in their own purchasing silo.”

But vendor pricing wasn’t the only area where the paper trail was causing problems. Service work orders, also on paper, were slipping out the door without parts costs applied to them. Empire was essentially handing out free parts to customers and losing thousands of dollars each year.

Selection Criteria

“When we started our search for a purchase-to-pay solution,” said Williams, “we were doubtful that we could find a vendor who would understand our unique needs and complexities, let alone provide software that could address it.”

Complexities indeed. Empire, like most Caterpillar dealerships, buys, stocks and tracks parts, equipment and service six different ways: they buy Caterpillar and non-Caterpillar parts; vehicles for stock and service; and provide service work for customer vehicles and an in-house service fleet. This convergence of departments and systems created an IT logjam that had people jumping in and out of several systems – just to complete one task.



“We took a look at what Verian Technologies did for other Caterpillar dealerships like Wayne Supply, Finning and Wheeler,” said Williams. “We knew they had the right products and people to get the job done.”

Solution

In early 2004, Verian implemented its Purchase Manager e-procurement automation solution at Empire Southwest. Several years later, Empire realized the value of the punch-out capabilities with their three largest vendors: Airgas, Staples and Grainger. Punch-outs are simply a pass-through to a vendor’s online catalog that has the contracted prices and terms built-in. Like its work at other Caterpillar dealerships, Verian also created interfaces with Cat’s DBS and CODA financial and accounting systems.

Summary

Industry: Caterpillar dealership

Challenges: Manual procurement and AP processes; limited spend detail; parts revenue leakage

Selection Criteria: Empire needed a flexible, easy-to-use solution that could handle unique needs and complexities

Solution: Verian’s Purchase Manager with three vendor punch-outs

Results: Complete spend visibility; volume discounts captured; more leverage in price negotiations; service work order leak eliminated.

Customer Success Story

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Results

Verian's Purchase Manager gave Empire the visibility it needed to consolidate vendors. "Having just one welding vendor, for example, makes everything more efficient," said Williams. "It saves so much time and there's never a price discrepancy: all locations are paying the same price. Purchase Manager made it so much easier for everyone to buy smarter."

The consolidation also allowed Empire to negotiate better pricing. "Between our two biggest vendors, the consolidation meant that we could leverage buying volume to get better pricing. "That amounted to \$300,000 in savings. We continue to work through our other 1,400 vendors to wring out more savings each year."

Empire requisitioners can procure what they need from over 100 electronic vendor catalogs – all setup inside Purchase Manager. The shopping experience is very similar to Amazon.com, where users browse through catalogs, fill up a shopping cart with what they need and checkout. "If someone wants to order off-catalog, it's not a problem," says Williams. "They create a free-form request in Purchase Manager and I get an email with a hyperlink to what they bought. I have complete visibility into everyone's purchases, whether they're buying on catalog or not."

"We expected a 3% savings on targeted supply categories like welding supplies, hand tools, material handling, hand tools, safety supplies and lubricants," said Williams. "After reviewing the spend data, we were much closer to the range of 8-10%."

Even within catalogs, Empire worked with Verian to add more controls. The Staples catalog is setup with item spend limits so that if someone tries to order a \$20 pen, the request is denied and the requisitioner is directed to a more reasonable choice.

Verian was also able to address a common Caterpillar dealer challenge: lost revenue from service parts. In an effort to quickly service customer vehicles, many Cat dealers buy parts from third-party suppliers but forget to bill the customer. Through Verian's advanced integration framework, work orders were enabled to "call out" to the purchasing system and attach parts to the work order. As a result, service work

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orders cannot be closed out unless all parts received are billed to the customer. This complex data exchange happens instantaneously and automatically within the system without any manual work.

With paper no longer obscuring spend visibility, Empire has access to a bevy of data-rich reports. Each month, Williams pulls spend-by-GL-code report for each category manager. "Everyone loves the reporting from Purchase Manager," said Williams. "Our tire buyer, for example, knows that the right people are buying the right tires at the right price. Let's say he sees a Michelin tire order and he knows we have a contract with Continental. Purchase Manager lets him know exactly who bought the off-contract tires, when they were purchased and for how much. With that information, he can go to that buyer and say, 'you could have saved the company X dollars if you had bought on contract.'"

As the economy continued its downward spiral in 2009, Empire leaned on Purchase Manager even more to mine additional savings. Using a spend-by-GL-code report, Empire first identified the vendors and then reached out to drive down costs. In 2009 alone, Empire saved \$364,212 through negotiating better pricing on categories including welding and office supplies and \$76,692 rectifying overpayments – almost a half a million dollars in just one year.

"In my opinion, Purchase Manager was critical in helping us weather the economic storm," said Williams. "I was able to easily track major cost savings and show to management. We were blowing it out of the water. As we move forward into recovery, I truly believe that a software company such as Verian gives us a competitive advantage."

