

Hillman reduces the cost of implementing a price change



The Hillman Group, based in Cincinnati, Ohio, keeps over 21,000 retailers across the USA, Canada and Mexico stocked with an assortment of over 55,000 small, inexpensive but essential hardware items, such as fasteners, keys, signage & engraving products. Using LANSA, Hillman has developed several solutions that help the company to synchronize item information, provide detailed statistics to customers as well as to reduce the cost of implementing a price change by over US\$850,000.

Jim Honerkamp, CIO at the Hillman Group, says, "Using LANSA we have been able to develop solutions with our own team and at a fraction of the cost of some of the packaged solutions we evaluated. Especially in these times when IT departments have to show business savings, we have a lot to show. My goal is to implement technologies that are still relevant five years from now. Looking at LANSA's 20 year history of continuous evolution, that's a pretty good bet."

The Price Change Challenge

Hillman product lines are sold through traditional hardware stores, home centers, mass merchants, grocery and drug chains and even pet stores for Hillman's PetScribe engraving system.

Hillman attributes part of its success to providing its clients with individual attention. To provide this level of service, Hillman employs over 600 sales and field service representatives, who ensure through regular store visits that any questions get answered and that the product displays are well stocked and up-to-date with product and price information. IT plays a big role in helping the reps to do their job efficiently, recently even more so

with the introduction of an automated retail price change solution.

Hillman's customers range from small mom-and-pop stores to supercenters like Lowe's and Home Depot. As these customers have different pricing requirements, they can choose from six pricing levels. In addition there are 500 regional customer profiles that also influence the price.

Kirk Townsley, Application Development Manager at the Hillman Group, explains, "You can imagine that with 21,000 customers, 500 profiles and 55,000 products in various packaging sizes, we have a lot of data to manage. All the pricing is currently handled by our custom system."

Customers can choose the products they carry. So, even if two stores have the same profile, for example both being a medium sized hardware store in Florida, their display may contain different nuts, bolts and screws, organized in a different sequence. Displays range from 6 to 600 trays and each tray has a label that specifies the product, the price and the quantity in the pack.

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"We print all the labels for the stores, because we want the Hillman displays to look attractive and professional. The challenge we face is that every store has a unique display and their own retail pricing. With commodity prices fluctuating during 2008, we could foresee a price change that we had to apply across virtually all our fasteners."

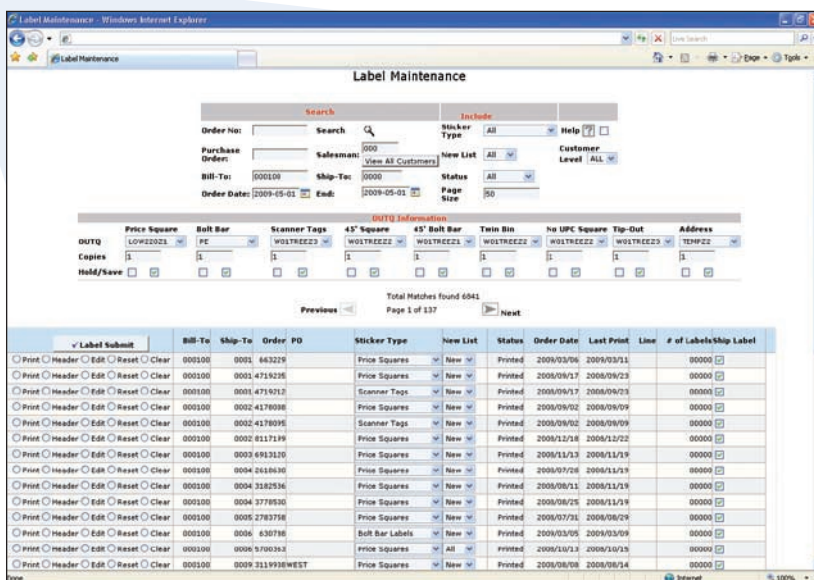
"In the past, applying a 'mass' price change was an inefficient process. We printed the price labels for all the products that may apply to a store, as we didn't know which exact products a store would carry. Our label room would print 10,000 or more complete sets of labels and have several sets on the shelf as well."

A stack of store labels would be four by four inches wide and two feet high, estimates Townsley. That volume required a UPS shipment to each store. The rep would put the new labels on the display at their next visit, a time consuming job, because the labels were printed in numeric sequence, while the display would be arranged differently. Eighty percent of the labels ended up in the paper recycle bin.

"We estimate that in the past every price change cost us US\$1 million in material, labor and shipping," says Townsley.

A Massive Saving

In the new process, Hillman uses handheld technology to scan the display and upload the information to a LANSA-based Customer Intelligence Repository (CIR). The CIR builds a planogram for each store that contains information about what items the store has



Hillman's sales reps have Web access to the new system which allows them to fine tune label orders for their stores.

on display and in which order. The reps have Web access to the CIR, allowing them to further fine tune the label orders for their stores, before releasing them to Hillman's label room for printing.

"Now, even when we are printing labels for an entire display, it will usually fit in a US Postal envelope," says Townsley. "A massive saving on shipping costs. Also, because applying an envelope with price labels doesn't seem such a daunting task, the customer often carries out the job themselves."

"We reduced the cost of implementing a price change by over \$850,000," says Townsley. "A large part of the saving is due to the reps spending nearly two hours less per store on applying labels. The one time project effort of scanning displays and setting up planograms took less than one hour per store, totaling to about \$200,000. We spent \$15,000 on handheld software and \$30,000 on other software and consulting. So, with an initial outlay of \$245,000, we immediately saved over \$600,000 on implementing our first price change in 2008."

Hillman's IT team spent two months on development and testing and two weeks (the regular rep visiting cycle) on collecting the planograms.

The Bigger Picture

Hillman's Customer Intelligence Repository (CIR) builds further on what the company calls its iSPOT solution, short for Item Single Point of Truth.

Hillman runs three different ERP systems. The first is a bespoke RPG-based system called Cincinnati Custom System (CCS), which has been continuously refined over the past 20-years. It handles Hillman's order entry, part numbers and complex pricing calculations. Secondly there is a JD Edwards World system and thirdly a JD Edwards Enterprise One system, which Hillman has almost finalized migrating its World system to.

The first two systems run on the IBM i, while the latter runs on Linux with an Oracle database. Corporate reporting is done with WebFOCUS through an IBM WebSphere portal.

In 2005, Hillman installed LANSA's Data Sync Direct (DSD) solution to exchange item information via the Global Data Synchronization Network (GDSN). However, providing accurate item information wasn't simple. "Between our three ERP systems we



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had three different item descriptions and three different sets of attributes. We needed consistency," Townsley explains.

As a solution, instead of LANSA DSD being fed item information by any of the three ERP systems, the DSD system was customized to become Hillman's main repository of item information – including images and packaging levels – to feed the CCS and JD Edwards systems, as well as the product catalog and GDSN.

Having very successfully put this Product Information Management system into place, Hillman then decided to use the same concept and LANSA tools to create its CIR, which currently contains store attributes such as display planograms, geographic location, rep schedule and routing, an assortment wizard and customer part numbers.

"That's only the beginning," explains Townsley. "The CIR will also contain store-level inventory that the reps can scan with their handhelds. In combination with our own sales information, we will be able to provide our customers information about sales trends and consumer behavior that they may not get from their own systems. It allows us to

offer inventory management and assortment advice as a service to our customers. It could be a huge selling tool."

More to Come

Hillman's development team is currently working on a solution to automate the credit process. Using handhelds reps already have the ability to place credit orders. What's going to be added is a LANSA-based workflow application to put the controls in place to approve credit via the Web, explains Townsley, who expects a saving of \$250,000 per year from the workflow application.

Commenting on the ease of learning LANSA and applying it into a Java environment, Townsley says, "I have an RPG developer in my team that had never worked with LANSA before. After basic training and with some initial project assistance and mentoring he was soon up to speed and we have completed several projects since then on our own."

"Instead of having to hire Java experts, we are able, with our own staff and using LANSA Integrator, to deploy RPG and other non-Java applications in our WebSphere portal environment. Currently we are in the planning stages of migrating LANSA components onto a Linux/Oracle platform. LANSA's cross platform capability is important to us." ■

COMPANY AND SYSTEM INFORMATION

- Founded in 1964, the Hillman Group is headquartered in Cincinnati, Ohio, and has more than 1,800 employees, including over 700 direct sales and service people. The company has 12 distribution centers across the U.S., Canada, and Mexico. Hillman has the leading market position in North America in fasteners (nuts, bolts, screws), keys, engraving and metal shapes. Hillman offers over 55,000 SKUs to more than 21,000 customers with over 35,000 ship-to locations. For more information visit: www.hillmangroup.com