

## Case Study

### Valassis Communications, Inc.

Valassis Communications became increasingly concerned that its transportation costs were increasing faster than sales and thus becoming a chief cause of margin erosion.

Within 12 weeks of going live with an Oracle Transportation Management solution, they were producing savings at a run rate close to double the planned business case. At the five month point, they exceeded the annual business case by 67 percent. Now fully mature, the project has exceeded a return on investment by more than 400%.

#### Business Challenge

Valassis Communications, Inc., a \$2.2B publicly traded producer and distributor of print advertising media, became increasingly concerned in 2006 and 2007 that its transportation costs were increasing faster than sales and thus becoming a chief cause of margin erosion. Additionally, a planned acquisition of one of their competitors would eventually require a fresh look at the combined enterprise's IT infrastructure.

To address transportation cost issues, and begin migration to an Oracle-based enterprise IT infrastructure, Valassis Communications selected Oracle Transportation Management or OTM (formerly known as G-Log) as its future transportation management system. They selected Oracle OTM because of its proven scalability and the fact that it could handle:

- A variety of modes: Parcel, LTL, TL and intermodal
- Multiple facilities within the same instance: they needed to serve the same customers from multiple printing facilities, to balance production loads
- Addition of domains: as the company grew, they needed capacity to add to-be-acquired company facilities to achieve scale economies from the then-planned merger.

Valassis also needed to optimize and plan shipments across several modes and use OTM for event management and freight payment from the outset.

Valassis selected Hitachi Consulting for the implementation because of the company's deep expertise in transportation management, record of achievement in implementing OTM quickly and thoroughly, and longstanding and close partnership with Oracle.

Hitachi Consulting had previously demonstrated skill in this comprehensive approach to OTM initiatives, placing significant emphasis on process improvement, organizational readiness and knowledge transfer throughout the implementations. With these considerations, Valassis had great confidence both the functional and technical elements needed for a successful implementation would be present.

#### The Solution

Valassis prepared a business case that estimated OTM would payback its investment within a year of go-live and overall savings in transportation costs would be five percent. Prior to commencement of the implementation project, however, the Hitachi Consulting/Valassis combined team struggled to agree on a common approach to integration, OTM data model components and firm proof of how the business case would be achieved. To get over this hurdle, they executed a proof of concept project which helped gain approach consensus and formed the basis for a strong partnership throughout the initiative. The most complex portion of the project centered on integration with the Valassis legacy order management system which, due to the nature of the business, generated thousands of orders and order updates daily.



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# Valassis Communications, Inc.

Integrating the legacy system and OTM in near real-time took considerable combined effort with Valassis, Hitachi Consulting and Oracle. At the same time, the transportation staff worked long hours trying to keep up with the daily requirements of its growing business, and dedicating as much time as it needed to support the business side of the implementation effort. Ultimately, as a result of their hard work, they enjoyed a smooth transition into production.

## Business Benefits

Prior to going live, Valassis set KPI's that would measure the planned business case benefits and reported results starting at go-live to senior management. The Hitachi Consulting, Valassis and Oracle teams focused on change management and adoption of the new system and associated processes.

Within 12 weeks of going live, the Valassis OTM system was producing savings at a run rate close to double the planned business case. At the five month point the annual business case had been exceeded by 67 percent. The Valassis transportation staff identified even more ways to squeeze additional savings and began accelerating benefits. As they became more comfortable with OTM, the Valassis team was able to tweak the technology continuously to improve service and reduce transportation costs. There were, in the early stages, several key findings that helped set the potential for further improvements and allowed Valassis to be highly responsive to market conditions. They included:

- OTM could detect subtle differences in motor carrier fuel surcharge programs (*important now that fuel surcharges make up 20-30 percent of freight charges*) and shift shipments from one mode to the other. In Valassis' case, it shifted traffic from Truckload (TL) carriers to Less-than-Truckload (LTL) carriers and even shifted among LTL carriers. Hitachi Consulting configured OTM so the source of fuel surcharges—the weekly price of diesel fuel posted by the U.S. Department of Energy—was automatically captured and calculated for each shipment. Although carriers apply fuel surcharges differently, OTM could detect which carrier for a given shipment had the lowest fuel surcharge, hence the lowest overall cost.
- OTM could improve the interaction between production planning and transportation planning. Valassis' business is typified by thousands of order changes daily, as their customers, over 450 newspapers and their advertisers, shift advertising needs to induce consumer demand. Valassis thus gained the ability to match supply to demand faster (this was the first OTM implementation where a dynamic Make-to-Order production planning system was closely linked with transportation planning).
- The link between OTM and production planning and the associated business process changes appears to be leading to inventory reductions: finished goods are leaving the production facilities sooner, thus shortening the time to revenue recognition.
- The introduction of the close link between transportation planning and production planning raised the awareness with Valassis senior management of a need to address further procedural changes in its approach to order taking and production planning. A key factor in raising this awareness was the ability of OTM to be the repository and data source for reporting on daily transaction activity and volume.

## About Hitachi Consulting Corporation

As Hitachi, Ltd.'s (NYSE: HIT) global consulting company, Hitachi Consulting is a recognized leader in delivering proven business and IT solutions to Global 2000 companies. With a balanced view of strategy, people, process and technology, we work with companies to understand their unique business needs, and to develop and implement practical business strategies and technology solutions.

Hitachi Consulting's client base includes nearly 25 percent of the Global 100 and many leading mid-market companies. From business strategy development through application deployment, we help clients quickly realize measurable business value and achieve sustainable ROI.

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