



Rohm and Haas Distribution Network Optimization Success Story

The Rohm and Haas Company (ROH) is a global specialty materials company with sales close to \$9 billion. In 2004, Rohm and Haas asked Profit Point to help them reduce their package distribution costs in North America.

Profit Point consultants joined an existing team that Rohm and Haas had commissioned to provide the needed modeling and optimization expertise for this project. At issue were the 93 different shipping sites that were being used to move ROH's packaged goods from their manufacturing sites to the final customers. Hundreds of different materials flowed through this network, ranging from food grade table salt to flammable materials requiring refrigeration.

ROH's objective was to consolidate the network to the smallest number of shipping sites that would provide the needed service to their customers but at a much lower total cost than the \$100million that was spent each year for transportation, inventory holding and warehousing. Because the project was commissioned by a central, shared services organization, but the warehousing decisions were made by the 16 different business groups that were operating in North America, the team needed to pay special attention to both the overall best network for the collective businesses as well as the impact on each individual business.

Profit Point modeled the distribution network and was able to give each individual business leader a customized view of his/her own packaged distribution network. This was first completed in the baseline analysis where we verified that the costs and material flows in the "as is" model closely agreed with actual freight and warehouse invoice payments. We continued this "collective/individual business" view of the results through many different optimized scenarios until the project was completed. The ability to optimize the overall distribution network and to show each business what was "in it for them" helped to gain consensus on a prioritized implementation plan across all businesses.

In addition to the customized views of the analysis for each business, Profit Point included individual business requirements as well. Sometimes, these requirements were made at the customer level. For example, one large customer required stock to be carried at a warehouse within an hour of their facility, while other customers required the delivery of full truckloads of materials that might be manufactured at different sites. Some of the other

business constraints that were modeled included a maximum number of warehouses for a given business, a minimum volume of shipments before a business would stock an SKU at a new warehouse and capacity constraints on existing warehouses where limitations were known.

Profit Point was able to provide clear and actionable recommendations for changes to the network, including a 38% reduction in the total number of shipping sites used, resulting in annual savings of several millions of dollars. "Profit Point's consultants understood our requirements well, were flexible meeting our internal business customer requests, and delivered results on time and on budget" said, Gregg Schulze, Rohm and Haas Project Manager and the Current North American Packaged Logistics Manager.

Rohm and Haas developed a phased, prioritized plan to implement the recommended changes, simplify the network and capture the savings.