



Whirlpool Corporation: Evolution of a supply chain

Summary

Whirlpool Corporation is the world's leading manufacturer and marketer of major home appliances, with annual sales over \$19 billion, more than 80,000 employees and more than 60 manufacturing and technology research centers globally. Consumers around the world enjoy Whirlpool's innovative products marketed under Whirlpool, Maytag, KitchenAid, Jenn-Air, Amana, Brastemp, Bauknecht and other major brand names. With this varied inventory, plus a large direct sales force in more than 170 countries and an unpredictable sales cycle, effective supply chain management is critical for continued growth. Whirlpool has not always considered logistics a competitive advantage. However, since naming Penske as lead logistics supplier, Whirlpool experienced cost savings, increased customer satisfaction and found a partner to help integrate the recent acquisition of Maytag.

Challenges	Solutions/Results
<ul style="list-style-type: none"> ▪ To effectively leverage its supply chain to maximize cost savings, while also positively influencing the overall Whirlpool customer experience ▪ To swiftly and efficiently integrate Maytag operations 	<ul style="list-style-type: none"> ▪ Through the Penske/Whirlpool LLP relationship, Penske assumed responsibility for execution and management of 3PLs, and provided an enhanced ability to view each supplier's key performance indicators integrated with financials. ▪ Penske built a new routing tool specifically for Whirlpool that offered overall cost optimization and mode selection. ▪ Penske helped to integrate Maytag operations through consolidating LDC networks, optimizing routing of RDC shipments, determining optimal fleet size and operating network, combining collocated Maytag and Whirlpool RDS locations and integrating the Hi/Lo network to improve product availability and fill rates.

Taking a Customer-Centric Approach

Supply chain management was not always a competitive advantage for Whirlpool. Penske initially partnered with Whirlpool as its single logistics provider for the Quality express network. Penske was responsible for the logistics of the entire network, including managing the relationship of the two regions it subcontracted to Kenco. This Penske-Whirlpool partnership replaced Whirlpool's previous logistics solution, comprised of two incumbent third-party logistics providers. The partnership

accomplished Whirlpool's early logistics objectives, most notably, to establish effective processes and procedures, allow for more visibility of the company's distribution network and reduce supply chain costs.

Recently, Whirlpool's management took a more customer-centric approach to analyzing its supply chain and began benchmarking its supply chain against other companies to identify "best in class" practices. This exercise prompted Whirlpool to question whether having a single logistics provider was the best structure to exceed customer expectations and maximize cost savings. At the same time, Whirlpool was gearing up for the monumental acquisition of Maytag.

Penske Provides the Solution

"Our business relationship with Whirlpool is one of Penske Logistics' longest-standing and most successful engagements. It's because of that relationship that we are able to quickly understand and evaluate Whirlpool's supply chain and propose solutions to improve efficiency and provide deeper supply chain visibility."

Ray Russell, Senior Vice President – Operations, Penske Logistics

After completion of its customer-centric supply chain analysis, Whirlpool knew innovation was necessary to maintain a competitive advantage. After careful consideration, Whirlpool decided to adjust the company's supply chain structure and introduce additional third-party logistics providers (3PLs) into the mix. By taking this step, Whirlpool hoped to further reduce supply chain costs.

However, having multiple 3PLs created the need for an objective resource to keep homogeneity for the consumer, select and manage the 3PLs and analyze the overall supply chain. After reviewing internal options, Whirlpool realized it lacked the capability or resources in-house to manage the 3PL relationships and made the decision not to increase staff to fill this role. This decision crystallized the need to hire a lead logistics provider (LLP).

As Whirlpool searched for the right LLP, Penske Logistics continually surfaced as the leader in technology and engineering. Plus, after years of working together, Penske's capabilities were already embedded in Whirlpool's processes and structure. The main concern facing Whirlpool in its decision to appoint Penske as its LLP was that Penske would have to remain objective when reviewing 3PLs. Essentially, Whirlpool was concerned about whether Penske could objectively award or remove business from a 3PL based exclusively on the business requirements and not show any favoritism to Penske 3PL. Penske actually assumed the unofficial role of LLP when the need arose. Penske filled the gaps to re-engineer the Whirlpool network to accommodate the new multiple 3PL structure. By demonstrating its capability ahead of officially being awarded the contract, Penske built the trust of Whirlpool senior management and made the transition easier.

A Separate Entity is Created

"Penske Logistics provides us with the platform, technology and execution we need to ensure world-class distribution services. Truly, it's been a collaborative partnership since day one."

Steve Whalen, Director of Supply Chain Operations, Whirlpool Corporation

Penske was awarded the business. Immediately, Penske LLP began building a strong business foundation to maintain the confidence with Whirlpool that it could act independently. Penske LLP first separated from Penske 3PL. This separation applied to all facets of the business, including financial statements, technology systems, human resources and physical location. The successful separation was crucial to building trust with Whirlpool, as Whirlpool ran the risk of litigation from other 3PL providers if any party suspected special rights/privileges were being awarded to Penske 3PL.

The first and most notable transition was separating the financial and operating statements, which was accomplished in only 60 days. During this process, Penske and Whirlpool decided what information could be shared and what was to be confidential. Working together, a code of conduct and process of signing off between the two entities were established.

Penske LLP also maximized human resources by not adding any additional staff but, instead, moved qualified associates within the organization to fill needed roles. Penske appointed several General Managers to oversee key functions, such as:

- Distribution network services – including support of strategic sourcing and contract administration, provider payment management, business process improvements, policies and procedures and customer service of all distribution centers and cross docks
- Transportation network services – focused on shipment load planning and optimization, mode selection, shipment tendering and monitoring, carrier performance, carrier freight payment, proof of delivery compliance, claims management and managing carrier rates and budget compliance
- Financial consolidation – responsible for auditing and reviewing the key performance indicators (KPIs) of all 3PLs. This function focuses on RFP financial analysis, the annual business plan, carrier and provider financial audit, financial reports and statement consolidation.
- Technology and engineering – a key function as Penske LLP is the link that allows Whirlpool visibility to all of their suppliers. This function includes network design and transportation modeling, warehouse engineering/design, LLP freight and provider management, LLP portals to 3PLs, web visibility/shipment monitoring, exception/alert monitoring, freight bill audit and payment, business intelligence and EDI interface and support.

As Whirlpool's LLP, Penske assumed responsibility for execution and management of all 3PLs. Penske LLP became an extension of Whirlpool – in every business, staff and budget meeting. From a financial perspective, Penske LLP provided Whirlpool with an enhanced ability to view supplier's key performance indicators integrated with financials. This scorecard provided a clear picture of performance.

Penske LLP developed a monthly reporting process for Whirlpool to review at a high level the LLP, RDC and LDC scorecards, as well as the scorecard for every provider location. Penske LLP began conducting monthly reviews with all providers and Whirlpool using the scorecard as the basis to identify best practices and areas for improvement. RDC scorecard metrics include inventory cycle count accuracy, damage as a percent of throughput, inbound on-time loading and on-time departure. LDC scorecard metrics include total units per stop, miles per stop and on-time delivery percent.

Technology is also an important driver in the success of this relationship. Penske built a new routing tool specifically designed for Whirlpool. Whirlpool benefited with overall cost optimization and mode selection. Orders from all 3PLs are sent to the central system, which stores all the shipping data for each region every day and determines the best-cost solution – whether it is a truck carrier, dedicated fleet, etc. This optimization allows Whirlpool to remain confident that everyday they are getting the best-cost solution.

Future enhancements are already in development. When the new I2 platform is implemented, it will streamline the process even further for processing and payment. Several larger providers may move to

EDI. While other providers can access an order link process, which is web application that includes an auto pay function.

Penske LLP Scorecard Highlights

In only four months, Penske LLP was able to:

- Increase On-Time Loading 13 percent
- Increase On-Time Departure 13 percent
- Increase On-Time Delivery to LDC 12 percent

Getting Focused on the Maytag Integration

“As Whirlpool’s LLP, we are able to assist in lowering Whirlpool and Maytag supply chain costs.”

Ray Russell, Senior Vice President – Operations, Penske Logistics

“Penske is an extension of the Whirlpool Supply Chain. Penske’s partnership with Whirlpool absolutely epitomizes teamwork. It’s everyone working together as one.”

Paul Vanderboegh, Director, Quality Express Operations, Whirlpool Corporation

At the same time Whirlpool changed its supply chain structure, it also acquired Maytag, resulting in one of the largest retail acquisitions. The primary focus of Penske LLP and all of the suppliers quickly became the swift integration of Maytag operations. This effort includes several intricate steps, including consolidating LDC networks, optimizing the routing of RDC shipments, determining optimal fleet size and operating network, combining collocated Maytag and Whirlpool RDC locations and integrating the Hi/Lo network to improve product availability and fill rates.

Whirlpool’s inbound structure was already fairly centralized, while Maytag operated in a very decentralized structure with all plants managing their own inbound freight. Penske LLP began working toward the ultimate goal of getting the inbound model of Maytag to emulate Whirlpool.

Penske 3PL was awarded ownership of three warehouses, which included ownership of the employees and a small private fleet used mostly for inbound and some outbound deliveries. Penske 3PL took over the fleet to alleviate Whirlpool’s risk.

Penske LLP uncovered several areas for immediate savings. Between 30 to 40 percent of Maytag suppliers were the same as Whirlpool, so Whirlpool could immediately start streamlining operations. Whirlpool and Maytag had outbound freight that would go to the same area but be delivered separately. Penske LLP helped determine how best to divide outbound freight among dedicated fleet, common carrier, etc. This provided Whirlpool with an interim solution to experience cost savings earlier by using a Penske system to consolidate orders for freight before the integration of the two systems was complete.

The next step for Maytag’s outbound integration is combining the distribution centers. Both Whirlpool and Maytag have distribution centers. Penske is providing additional systems and operational support, including process flow, information routing between SAP and multiple providers’ systems and ensuring correct information within SAP. Then the final step will be integrating the warehouses.

Immediate Savings and Looking International

"There is no secret to the success of our relationship with Penske. Our close partnership and collaboration enables Penske to be an extension of our business operations. And, just like our work is never done, neither is Penske's. They are always looking for new ways to improve efficiency and accountability."

Steve Whalen, Director of Supply Chain Operations, Whirlpool Corporation

Penske LLP continues to enhance Whirlpool's supply chain visibility, increase cost savings and better optimize routing. The supply chain transition and the integration of Maytag are still in process, but Penske was able to provide Whirlpool with some immediate savings. By assuming responsibility for Maytag's private fleet Penske saved Whirlpool more than \$1 million. And, Whirlpool has gained close to \$5 million from a combination of additional volume from Maytag, savings from the competitive bid process and re-adjusting surcharges. Whirlpool supply chain estimates more than \$40 million in savings from the Maytag integration.

The Penske-Whirlpool relationship is a reflection of how, in today's competitive marketplace, a company's supply chain must evolve and logistics providers have to evolve with their customers. Penske LLP remains focused on maintaining its valued partner relationship with Whirlpool. While the supply chain evolution and Maytag integration is far from over, Penske LLP is already beginning to assist Whirlpool in providing better visibility internationally. Penske LLP hopes to capitalize on its partnership with ABX to provide deeper visibility and cost savings for Whirlpool overseas. Stay tuned for the next evolution of Whirlpool's supply chain.

For more information on Penske Logistics solutions, visit www.GoPenske.com.