

The Reengineering of Modine's LTL Procurement and End-to-End Execution

Manufacturer worked with TranzAct to completely revamp their LTL operations and realize an 11% LTL freight bill savings.

The Challenge

Arrest increasing rates and inconsistencies in classifications and contracts

The Solution

[Custom Tariff](#) and data mining through [Freight Audit and Payment](#)

The Result

A streamlined procurement process and 11% freight bill savings

Company Background

With 100 years of experience, Modine is one of the most trusted names in the HVAC manufacturing industry—furnishing integrated heating and cooling solutions, differentiated through innovation. Modine serves a variety of markets, providing residential HVAC, geothermal heating and cooling, commercial rooftop HVAC systems, classroom HVAC and more. Other divisions serve the world's vehicle makers and commercial equipment manufacturers, including Automotive, Truck, Agricultural, and Construction.

Modine is a global company headquartered in Racine, Wisconsin (USA), with operations in North America, South America, Europe, Asia, and Africa. Their US domestic freight is approximately one half truckload and one half LTL.

Modine pursues market leadership by being a customer-focused, global company delivering exceptional quality, innovation, and value. A key motivation is to grow their core business while being a great business partner that is easy to do business with and provides a cost competitive structure. To this end, Modine has embarked on a multi-stage program to improve transportation by reducing costs and improving performance.

Business Problem

Modine's Corporate Logistics Manager's first step was to have TranzAct implement its Freight Audit and Payment (FAP) system at Modine to accomplish two objectives. First, to pay all freight bills properly, only once, and only Modine's bills and second, to accumulate an accurate and complete database of actual shipment history for Business Intelligence and continuous improvement. The Corporate Logistics Manager suspected that significant savings were possible in his annual LTL transportation spend and several factors compelled him to move forward:

1. Carriers had been changing product classifications and significantly increasing rates over time.
2. The base tariff employed in Modine's contracts had carrier and lane biases and was becoming obsolete.

3. Modine had not conducted a procurement event in several years.
4. Carrier contracts were not consistent and existing carrier contracts were due for renewal.

Their focus was on the LTL segment of the business. Modine wanted to improve their shipping performance, to reduce their transportation costs, and to improve their overall customer service. Modine's strategy included procuring lower rates, then securing planning and execution technology to guide transportation and prevent rogue spending.

Solution – LTL Procurement & Freight Audit & Payment

Leveraging the data they accumulated in TranzAct's FAP solution, Modine measured their recent operational performance and compliance. Modine also evaluated their internal resources, current budgets, and objective timelines and determined that outsourcing to TranzAct was their best course. As a result, Modine's transportation manager asked TranzAct to employ Modine's FAP shipment history to both analyze and benchmark its transportation rates.

While TranzAct is capable of using their extensive data warehouse to create benchmarks per a specific industry, in this case they had access to Modine's specific data because of the freight audit and payment process. TranzAct analyzed and benchmarked their rates and identified significant savings. The savings opportunity could be realized through completely overhauling Modine's LTL rating structure, but not by simply going out to procure better rates.

TranzAct created a Custom Tariff around Modine's specific shipping needs, then executed an LTL rate sourcing event employing the new tariff and contract form. This tariff:

- Standardizes and equalizes all LTL carriers' rate structures and contracts.
- Employs FAK rates, preventing shipment reclassification.
- Standardizes fuel surcharges and accessorial charges.
- Eliminates lane biases from the individual tariffs.
- Streamlines Modine's carrier billing process and eliminates the need to manage and maintain multiple carrier tariffs in daily execution and FAP.



TranzAct's procurement process obtained rates from incumbent and newly recommended carriers that matched Modine's lanes and volumes with those best suited to each carrier. With the procurement process successfully completed, Modine installed the StarRate technology from TranzAct to manage the day-to-day planning and execution. StarRate ensures compliance with the negotiated rates, protects Modine's savings, and prevents rogue spending.

With their TranzAct FAP solution already in place accurately and efficiently paying Modine's carriers, Modine has "closed the loop" on their transportation spend management. They continue to have accurate historical data, which provides insight into their transportation spend. This data has now become the foundation for continuously improving their supply chain in the future.

Value Proposition

The LTL procurement event and tariff restructuring saved 11% from their annual LTL freight bill. Modine now matches their needs with the preferences of their carriers—and enjoys the best rates and the best service as a result! Their updated rating technology, combined with process changes, ensures 100% compliance with negotiated rates and protects their negotiated savings.

"Without TranzAct, we could not have completely restructured our LTL process and realized the magnitude of savings we now enjoy. They have allowed us to implement a closed loop transportation spend management program that also protects and ensures those savings"

- Modine's Corporate Logistics Manager

An additional benefit of the program was to rationalize their carrier base—to create a core carrier program and to make the best use of regional carriers. They have balanced their usage of regional and national carriers. This process also improved Modine's carrier communication, improved carrier responsiveness, and improved customer service.

Stop leaving money on the table.

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