

## Bekins HomeDirectUSA drives service levels higher with an integrated solution from IBM.




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### Overview

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■ **Challenge**

*Obtain long-term, flexible financing for a strategic business transformation solution*

■ **Solution**

*IBM Project Financing with Business Consulting Services, featuring customized terms and conditions*

■ **Key Benefits**

- Match cash outlays with expected benefits*
- Speed project implementation and time to value*
- Conserve capital for other growth initiatives*

### Planning for profitable growth

Based in Hillside, Illinois, The Bekins Company (Bekins) provides high-quality logistics and fulfillment services to businesses and consumers in the U.S. and Canada. In 1999, Bekins ([www.bekins.com](http://www.bekins.com)) launched HomeDirectUSA through its subsidiary Bekins Worldwide Service. HomeDirectUSA serves online and storefront retailers by delivering large, heavy items such as sofas, big-screen TVs and high-end appliances to customers' homes.

HomeDirectUSA employs approximately 200 of Bekins' 350 employees and has a network of 60 distribution agents nationwide. With annual growth rates of up to 50 percent, HomeDirectUSA is expanding its

distribution network to ensure that business doesn't exceed the company's delivery capacity.

### Achieving an early-adopter advantage

To improve service levels and operational efficiency, Bekins is implementing a wireless route-optimization service for distributors. Known as STARS (Service Tracking Automated and Routing System), the system will allow drivers to use handheld computers to pinpoint delivery locations, determine the fastest routes and capture point-of-delivery information. The drivers will also use the devices to scan bar codes throughout the shipping process, enabling dispatchers and end customers to track orders online in real time.

Bekins selected IBM Business Consulting Services to help integrate handheld computers from Intermec Technologies Corp. and a route-optimization system from InterGis with IBM software and hardware. IBM professionals will also help roll out the devices to more than 800 drivers across the U.S., beginning in early 2005.

As no other logistics company that ships items weighing over 100 pounds provides drivers with wireless connectivity, Bekins anticipates that this business transformation solution will give HomeDirectUSA a distinct advantage. "We think it will put us light-years ahead of the competition,

and help us to lock in customers and revenues for awhile,” says Jim Vargo, CFO at Bekins.

### **Delivering flexibility and predictability**

From the outset, Vargo knew that the success of STARS depended in part on Bekins’ ability to secure the right financing—financing that would accommodate multiple vendors and a variable, long-term timeline. Leveraging his business relationships at IBM Global Financing, Vargo asked IBM to bid on the project.

According to Vargo, IBM Global Financing demonstrated levels of responsiveness and dedication that went beyond those of other financial services providers. “We looked at two or three other competitive proposals, but IBM spent a lot of time learning about our business and financial position. We could see that it wanted to be a partner with us for the long term, and wouldn’t go away when the deal was done,” he says.

Through IBM Project Financing with Business Consulting Services, IBM Global Financing provided Bekins with an innovative loan structure that allows it to draw down advances as needed—and avoid making a large up-front capital investment. “The ability to match cash outlays with projected benefits was very important for us. IBM gave us what we call ‘on demand future financing.’ Any time that we need an advance up to our line [of credit], we simply send IBM a notice and they fund it. That’s terrific flexibility,” says Vargo.

IBM also customized the agreement so that each advance is funded through a 48-month loan, with a one-month

payment deferral, and the interest rate is tied to LIBOR (London Interbank Offered Rate). This predictability will enable Bekins to better manage cashflow at each stage of the project.

### **Moving ahead in the transportation market**

With help from IBM, Bekins has attained the financial agility it needs to speed implementation—and time to value—of its wireless service. Bekins has already benefited from its first advance, which enabled it to purchase the handheld devices when the vendor was offering a discount and interest rates were favorable.

And with a solution that aligns cash outlays with expected benefits, Bekins now has more capital to invest in other growth initiatives. “IBM stepped up and provided long-term financing for our IT equipment,” explains Vargo, “which allows us to put short-term dollars toward expanding our network and doing other things that are critical to growing the business.”

*“We will improve service levels dramatically and transportation efficiencies up to 20 percent—with minimal increase to incremental costs. That’s what teaming with IBM has allowed us to do.”*

—Jim Vargo, CFO, Bekins HomeDirectUSA

### **For more information**

Contact your IBM Global Financing representative or visit:

**ibm.com/financing**



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