

NUCLEUS
RESEARCH

ROI: 379%
Payback: 4.8 Months

BLACKLINE

RED WING SHOE COMPANY

ANALYST

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THE BOTTOM LINE

Red Wing Shoe Company (Red Wing) deployed BlackLine's Tasks, Reconciliation, Journal Entry, and Transaction Matching solutions to streamline its accounting processes. Leveraging the BlackLine platform, Red Wing set controls and standardized workflows across all its financial activities. As a result, Red Wing's corporate finance, retail finance, and accounting teams achieved significant productivity gains, with savings valued at over \$1.2M every year. The company also centralized its ledger accounts and financial data, granting an end-to-end view of its finances, from individual retail locations to the corporate office. By modernizing its financial systems, Red Wing has the organizational visibility necessary to scale up its business operations.

THE COMPANY

Red Wing Shoe Company (Red Wing) is a premium quality work and safety footwear brand. Founded in 1905, the American company manufactures and retails its shoes, and operates its tannery along with two domestic manufacturing facilities. Red Wing currently distributes its products to over 100 countries and over 4,000 US retail locations, including company-owned, dealer-owned, and branded stores.

THE CHALLENGE

Red Wing was previously using Excel spreadsheets and email to manage their day-to-day accounting activities. The legacy accounting system lacked standardization and controls; thus, as the company grew, managing the financial processes became increasingly inefficient and laborious. Spreadsheets were housed across four geographic locations, key controls were manual and time-consuming, and without a centralized repository of accounting data, the Controllershship lacked visibility into the completeness of its financials.

Manually preparing a high volume of monthly reconciliations, the finance team was understaffed and unable to resolve reconciling items timely. The backlog of unreconciled cash transactions posed a significant auditing risk. Each journal entry also had to be approved via email and then saved in a shared drive. The process proved time-consuming, and management had difficulty implementing traceability or accountability measures. These issues would often lead to missing deposits from the ledger and out-of-date financials, increasing the risk of undetected fraud.

**Cost : Benefit
Ratio**

1 : 3.2

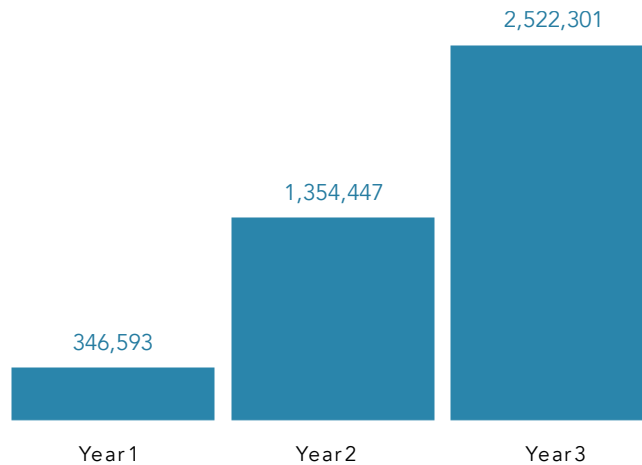
THE STRATEGY

Recognizing the need to modernize its accounting process, Red Wing began searching for a dedicated financial close and consolidation (FCC) software solution in 2017. The company considered the software services of Trintech and BlackLine, before selecting BlackLine for the following reasons:

- Consolidation. Red Wing's priority was to achieve organizational visibility by consolidating all its financial processes and data in a single location, as well as implement standardization and controls over its workflows. Red Wing selected BlackLine because it provided a comprehensive solution platform with multiple applications to address various elements of their accounting processes, from reconciliations and transaction matching to journal entry and reporting.

- Usability. Another consideration was reducing labor and time input as the accounting teams needed to manage an increasing workload without driving up headcount. BlackLine’s seamless user interface design and intuitive guided workflows enabled Red Wing to quickly onboard both new and existing employees. In addition to the solution’s range of functionality and ease of use, BlackLine’s customer support and wholistic training services were also deciding factors.

CUMULATIVE NET BENEFIT



KEY BENEFIT AREAS

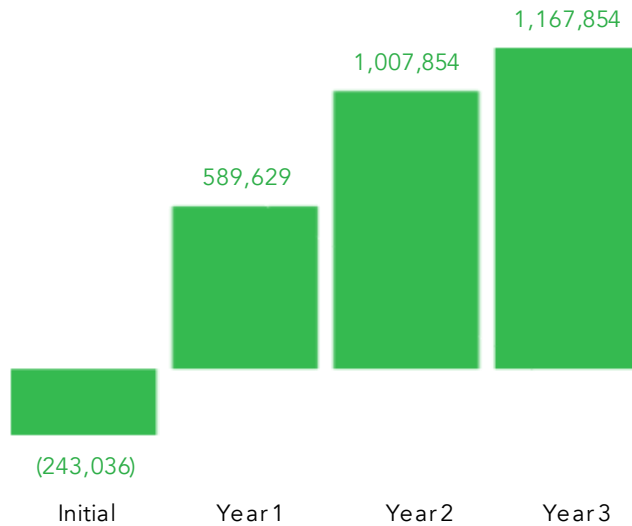
Red Wing has realized significant returns in their continuous accounting journey with BlackLine. Key benefit areas include:

- Increased productivity from reduced workloads. BlackLine’s Account Reconciliations enables accountants to reduce the number of reconciliations by creating account and cost center combination groupings. Red Wing reduced the volume of monthly account reconciliations by over 7,000. The decreased workload saves accountants at the corporate office over 3,500 work hours every month and shortened their retail store cash reconciliation process from an average of 40 days to about four days. Red Wing leveraged Transaction Matching to automate journal matching and cash reconciliations to reduce the number of manual actions for its retail finance team.
- Time savings from streamlined tasks. With BlackLine’s platform, Red Wing has built standardized workflows to facilitate and automate its financial processes. For example, BlackLine’s Journal Entry has accelerated the journal entry process from creation to approval with customizable workflows and controls, reducing the cycle time of each entry by over 33 percent. Altogether, the guided workflows save staff, managers, and directors a total of 1,500 hours every year for other value-add tasks.

As Red Wing simplifies its accounting system, it is also able to onboard new employees at a faster rate.

- Improved organizational visibility. By consolidating its financial information under BlackLine's platform, Red Wing's employees now have access to a central repository for all financial close activities. The connectivity between applications on BlackLine's platform and integration with Red Wing's multiple ERP solutions provided a single source of truth for financial data across the entire organization. Management has gained confidence in the accuracy of reported numbers and can better understand changes through traceability functions. Staff is also more productive as they avoid mistakes by always sourcing correct and up-to-date data, which alleviates the auditing risks they previously faced.

NET CASH FLOWS



KEY COST AREAS

The largest cost area for the Red Wing deployment was the internal personnel responsible during the implementation process. Other cost areas include third-party consulting fees for implementation and training, BlackLine's subscription costs, and internal resources spent onboarding existing and new employees onto the platform.

LESSONS LEARNED

Pursuing a phased approach to implementation, Red Wing elected to start with Tasks to gain global visibility to their close process, build process documentation, and get the team using BlackLine with a crawl, walk, run approach to build on their wins. Future solution implementations were based on priority, such as Account Reconciliations and Transaction Matching to ensure financial accuracy. As Red Wing was replacing its in-house system and implementing a dedicated FCC solution for the first time, it had to establish the standardization of its business practices, which prolonged the implementation process. Red Wing also hired a third-party consultant firm and BlackLine partner to facilitate change management and aid in the implementation and training processes. These investments in upfront planning and thoughtful configurations drove up implementation costs, but Red Wing achieved greater value at go-live and encountered fewer errors.

Red Wing underwent a complete digital transformation of its accounting system with the deployment of BlackLine's platform to facilitate continuous accounting. The benefits of consolidating financial activities under a comprehensive solution platform are two-fold: improved accuracy and confidence in financial reporting and increased agility and flexibility in monthly-close processes. These benefits enabled Red Wing to scale their operations while maintaining visibility and control over both the entire organization and individual business units, as well as mitigate auditing risks. Previously, Red Wing's finance teams were bogged down in manual practices, but by leveraging BlackLine they freed up vital personnel resources to address other business concerns. Since 2018, Red Wing has been able to reduce extra audit billings, track down missing deposits, and perform analysis to track key performance indicators (KPIs), while avoiding additional hires.

CALCULATING THE ROI

Nucleus Research analyzed the costs of software, personnel, professional services, and user training over a three-year period to quantify Red Wing's total investment in BlackLine technology.

Indirect benefits quantified include the time savings for streamlined workflows, standardized practices, automated journal entry and matching, and reduced monthly reconciliations. The indirect benefit is multiplied by a correction factor to account for the inefficient transfer of time between time saved and additional time spent working.

Benefits not quantified include avoided hires, reduced extra audit billings, and improved auditing efficiency, as well as improved organizational visibility, KPI tracking, and leveraged analytics, which support the company's strategic decision-making.

FINANCIAL ANALYSIS

Annual ROI: 379%

Payback period: 0.4 years

| BENEFITS | Pre-start | Year 1 | Year 2 | Year 3 |
|-------------------------|-----------|------------------|------------------|------------------|
| Direct | 0 | 0 | 0 | 0 |
| Indirect | 0 | 1,168,704 | 1,263,144 | 1,263,144 |
| Total per period | 0 | 1,168,704 | 1,263,144 | 1,263,144 |

| COSTS - CAPITALIZED ASSETS | Pre-start | Year 1 | Year 2 | Year 3 |
|----------------------------------|-----------|----------|----------|----------|
| Software | 0 | 0 | 0 | 0 |
| Hardware | 0 | 0 | 0 | 0 |
| Project consulting and personnel | 0 | 0 | 0 | 0 |
| Total per period | 0 | 0 | 0 | 0 |

| COSTS - DEPRECIATION | Pre-start | Year 1 | Year 2 | Year 3 |
|----------------------------------|-----------|----------|----------|----------|
| Software | 0 | 0 | 0 | 0 |
| Hardware | 0 | 0 | 0 | 0 |
| Project consulting and personnel | 0 | 0 | 0 | 0 |
| Total per period | 0 | 0 | 0 | 0 |

| COSTS - EXPENSED | Pre-start | Year 1 | Year 2 | Year 3 |
|-------------------------|----------------|----------------|----------------|---------------|
| Software | 118,000 | 159,000 | 160,000 | 0 |
| Hardware | 0 | 0 | 0 | 0 |
| Consulting | 40,329 | 76,927 | 0 | 0 |
| Personnel | 76,621 | 335,062 | 95,290 | 95,290 |
| Training | 8,086 | 8,086 | 0 | 0 |
| Other | 0 | 0 | 0 | 0 |
| Total per period | 243,036 | 579,075 | 255,290 | 95,290 |

| FINANCIAL ANALYSIS | Results | Year 1 | Year 2 | Year 3 |
|--|-----------|---------|-----------|------------------|
| All government taxes | 45% | | | |
| Cost of capital | 7.0% | | | |
| Net cash flow before taxes | (243,036) | 589,629 | 1,007,854 | 1,167,854 |
| Net cash flow after taxes | (133,670) | 324,296 | 554,320 | 642,320 |
| Annual ROI - direct and indirect benefits | | | | 379% |
| Annual ROI - direct benefits only | | | | -128% |
| Net Present Value (NPV) | | | | 1,177,899 |
| Payback period | | | | 0.4 years |
| Average Annual Cost of Ownership | | | | 390,897 |
| 3-Year IRR | | | | 283% |

All calculations are based on Nucleus Research's independent analysis of the expected costs and benefits associated with the solution.