

How a Freight Audit and a TMS Can Drive Efficiency for Your Supply Chain

Could your company be spending millions on expedited air service and not know it?

It happened to one shipper who didn't audit their freight payments for several years. It turns out one shipment went out air expedited, and somehow every customer order after that went out the same way. A lack of oversight cost the company tens of millions of dollars in unnecessary freight spend.



A transportation management system (TMS) with an integrated freight approval tool could stop these kinds of problems before they occur. The tool implements a decision tree for managers, with multiple levels of approval so that the decision can escalate to another level if a manager is not available for any reason. The tool can be set up to require approval over a specific dollar amount or for certain modes.

A freight approval tool adds management visibility to the front end of the process. An ongoing and thorough freight audit program can save a company millions on the backend. Industry experts estimate that, on average, companies pay 7% to 10% more in freight expenses than they should due to billing errors.

However, freight audit is about more than correcting errors. It will also empower your company with the data to identify weak spots and highlight paths to improve performance. The expedited shipping fiasco was spotted during a freight bill audit. Are there similar horror stories hiding in your billing data?

The freight audit piece should be part of a comprehensive TMS that incorporates a system of business rules and automates many route tasks. That way, managers can focus on managing exceptions and driving efficiencies rather than completing routine tasks. For example, tools like automated spot quoting and reverse auctions deliver a high level of productivity while ensuring the processes follow the established business rules such as carrier and routing selection. Tying the TMS into the ERP will ensure the purchase order information supports the shipment from managing quantities to shipment and delivery windows.

For freight bills created in the TMS, automated audit analyzes bills to ensure the BOL and proof of delivery match to approve automatic settlement. If there's a discrepancy, the bills are flagged for resolution. Automation boosts efficiency and cuts costs with each transaction.

These tools are useful for managing inbound, outbound, and intra-company moves. Look for a tool that's available for all modes that your organization uses—air, ocean, truckload, LTL, and parcel. Don't segment your operations by mode.



TOP 5 FREIGHT AUDIT TARGETS

- **ACCESSORIALS:** Ensure that any accessorial services were actually received and any discounts applied.
- **BASE RATE:** Ensure the bill starts with the correct rate, whether it's a negotiated or spot market rate.
- **DUPLICATES:** Find double billing due to counting one shipment as two or using different options for invoice receipt and payment.
- **CLASSIFICATION:** Ensure that freight is assigned to its proper National Motor Freight Classification and charged accordingly. Misclassification can cost millions in overcharges.
- **TAXES/FEES:** Ensure all state and local taxes, as well as customs fees, tariffs, and international taxes are applied as appropriate.



TOP 3 TMS TARGETS

- **SPOT AUCTION:** Secure loads with an automated auction system that encourages market rates.
- **FREIGHT APPROVAL:** Avoid surprises with approval for specified modes or shipment costs.
- **ANALYTICS:** Identify cost-effective carriers and lanes and make strategic decisions.

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How to Build a Supply Chain Based on Speed to the Midwest

While companies look to technology for a competitive advantage in their supply chains, geography is an often-overlooked factor. A supply chain built on speed to the Midwest can boost efficiency and lower operating costs across a variety of industry sectors.

Midwest logistics hubs are typically within a day's drive of more than half the U.S. population and one-third of Canadian residents, as well as about half the U.S. manufacturing capacity. Perhaps as important as proximity is the relatively uncongested highways and airports in the Midwest compared to traditional coastal hubs.

These two factors help create a supply chain based on speed to the Midwest. With the implementation of electronic logging devices for long-haul truck drivers, proximity to distribution centers and customers is vital as well. With the ELD mandate, what were once one-day deliveries have turned into two-day runs. Using a distribution hub closer to your network will reduce transit times.

Midwest logistics hubs can include airfreight, intermodal, and truck deliveries. Even better, a few Midwest airports offer freight-only services that allow shipments to bypass mixed-used airports dealing with record levels of passenger traffic. Also, a robust Foreign Trade Zone program can help shippers, from fast fashion to retail to e-commerce, reduce their customs expenses and speed up processing.

For example, shippers have found that air cargo routed through Rickenbacker International Airport, part of the Columbus Regional Airport Authority, can be offloaded and trucked to Chicago faster than the freight can be offloaded and tendered for pickup at Chicago O'Hare.

An ocean shipper moved its logistics hub to the Midwest from the Port of New York/New Jersey because it could land containers at the Virginia International Terminal and transfer them via rail to the Midwest within 28 hours, compared to a seven to 10-day move from the East Coast.

By bypassing congested urban terminals and moving logistics closer to the customer base, shippers can take days out of their supply chain and reduce landed costs. A supply chain built on speed to the Midwest can create a market differentiator in any business.



3 QUESTIONS TO ASK WHEN SELECTING A MIDWEST LOGISTICS HUB

- 1. PROXIMITY TO SUPPLY CHAIN AND CUSTOMER BASE?** Reducing travel time and using highly efficient ports can take days out of your supply chain, increasing efficiency and reducing costs at each step.
- 2. A FREIGHT-ONLY HUB?** Look for a logistics hub dedicated to serving multiple freight modes. At major passenger airports, freight has a lower priority, and space can be at a premium. A hub focused on freight understands the need for efficiency and has the infrastructure to support it.
- 3. A VISION FOR GROWTH?** Look for a logistics hub that's responding to the changing nature of logistics, driven by the e-commerce revolution. Many companies are shifting to smaller, more frequent moves compared to traditional pallet and trailer loads. A thriving hub will be investing in infrastructure to support the realities of today's demanding supply chain.

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IT'S ABOUT TIME.



How to Use Expedited Service For Painless Shipping to Mexico

As the second-largest economy in Latin America, Mexico has long been a destination for economic opportunity. For U.S. companies, cross-border regulations, varying border operating hours, and differing procedures for both import and export may complicate shipping and cause significant supply chain delays.

One way to manage the complexity is by using an expedited carrier. With expedited service, it is not only the speed of the service but also the level of communication that is provided that can simplify the process of moving goods in either direction.

Expedited shipping isn't just for emergencies anymore. Many companies use an expedite carrier simply to ensure precise delivery requirements are met, or premium communication is provided. Expedited shipping means less handling and greater oversight for each step of the shipment. Services are available in a range of truck sizes as well as air freight.

Crossing goods in and out of Mexico can be a confusing and sometimes frustrating ordeal, so it is essential to use experienced carriers that can manage the process in a timely fashion.

Utilizing carriers that voluntarily participate in the Customs Trade Partnership Against Terrorism (C-TPAT) program with U.S. Customs and Border Protection provides an advantage, as they are less likely to be examined at U.S. ports of entry.

Standard truck freight bound for Mexico typically involves multiple lengthy steps. Once all the correct documents are obtained, a freight forwarder works with a Mexican customs broker to prepare the shipment to cross the border. The forwarder inspects the load to ensure correct quantity and description, and completes customs documentation.

Once this has been completed, and the consignee pays the duties in Mexico, the forwarder hires a local drayage company. The drayage company then moves the shipment over the border and through customs clearance. Once at the dray yard in Mexico, it is common that another carrier then completes the shipment. It is not uncommon for this process to take days, or even weeks, should any bit of information be missing, or an inexperienced carrier is not well versed in remedying these situations.

This process is much more streamlined when using an expedite carrier, as many of them will already have direct relationships with Mexican customs brokers and are set up to have their shipments receive preferential treatment to be processed due to the time-critical nature of their usual shipments. Also, there is often not another carrier involved for the drayage, as the expedite carrier itself will cross and deliver the goods to their final destination in Mexico.

Before you ship to or from Mexico, ensure you are working with an experienced trans-border carrier that can manage the complexities involved with this important trade partner south of the border.



KNOW YOUR MEXICAN CUSTOMS DOCUMENTS

Shippers must understand customs requirements for goods moving into Mexico.



- **PEDIMENTO DE IMPORTACIÓN:** The basic Mexican import/export document that must be completed for all commercial crossings.
- **PREFILE:** The document required for entry into the United States from Mexico.
- **CARTA DE INSTRUCCIONES:** A form that contains all the information for all parties involved to be on the same page.
- **COMMERCIAL INVOICE** (in Spanish).
- **BILL OF LADING**
- **GUARANTEE OF PAYMENT** of additional duties for undervalued goods (see Customs Valuation) if applicable.
- **DOCUMENTS DEMONSTRATING COMPLIANCE** with Mexican product safety and performance regulations if applicable.
- **NAFTA CERTIFICATE OF ORIGIN** for products qualifying as North American to receive preferential treatment. The exporter can complete this document, and it does not have to be validated or formalized.

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