inbound logistics

Freight Bill Audit and Payment Services:

Solutions You Can Bank On

Trying to manage your freight spending in house risks leaving money on the table. Partnering with the right freight bill audit and payment service provider can help balance your checks and check your balances.

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Just as companies' physical supply chains have become more global, more complicated, and more critical to their performance, so have their financial supply chains–the transactions and information that keep materials and products moving from origination to their final destinations.

Freight costs make up a key segment of the financial supply chain. Companies that ship goods or materials can boost performance and gain a competitive edge by understanding the financial ramifications of their shipments.

Among the questions companies need to address are:

- Who are they paying?
- What services are they paying for?
- What goods and transportation modes do the bills cover?
- Do the invoiced terms match the contract, as well as the services delivered?
- Most important, where can they find opportunities for savings and efficiencies?

Providers of freight bill audit and payment (FBAP) services can help companies answer these questions. While auditing freight bills remains a core competency of FBAP firms, their capabilities extend much further. Many offer invoice processing, analytics and reporting, freight optimization, and other services and solutions.

"It's bigger than just freight audit," confirms Chris Connell, chief executive officer with Memphis, Tenn.-based Veraction, which provides transportation spend management solutions. "Transportation is a massive expense category, and requires the same rigor and discipline as other expense areas. If you don't manage it, it grows out of control quickly."

"We look at transportation as a whole," says Jeffrey Pape, senior vice president with Minneapolis-based U.S. Bank, which offers freight audit and payment services and trade finance solutions.

Both shippers and carriers need visibility to the goods that are moving, as well as the transactions that accompany them. Shippers, for instance, want to know the status of shipments moving across all lanes and modes. Carriers want to know when to expect payment, and they want assurance that they will be paid accurately.

AN EVOLVING INDUSTRY

The freight payment and audit services market has evolved and matured over the past 15 years, says Keith Snavely, senior vice president of global sales with nVision Global. Based in Atlanta, nVision provides global freight audit, payment, and logistics management software and services. The passage of Sarbanes Oxley was a prime catalyst in the United States, as it forced companies to obtain a greater understanding and better control over their expenses, he adds.

As companies' supply chains have become more global, so has the freight payment and audit industry. At Cleveland-based CT Logistics, for instance, global audits are expanding at double-digit rates, says President Allan Miner, and CT's clients are adding imports and exports to their freight bill audit and payment services. CT Logistics provides logistics and transportation management system (TMS) solutions, freight invoice validation and payment, business intelligence, consulting, and other services. Its systems can accommodate international standards, such as metric weights and measures, and international tax structures and accessorial fees.

Companies take a range of approaches when working with clients whose operations span multiple countries. For example, Rochelle Park, N.J.-based Intelligent Audit, which offers freight auditing and payment, supply chain solutions and consulting, logistics, and analytics, works with many companies that ship globally. As a result, it's able to handle payments in various countries, languages, and currencies. "We tackle it and find solutions," says spokesperson Jonathan Branch.

nVision Global maintains offices outside the United States staffed with individuals who speak the local language and know how to receive invoices and remit payments in various currencies. They also process invoices in 190 countries.

nVision's employees also understand how regulations can vary from one region of the world to the next. For instance, Europe's value-added tax (VAT) regulations require companies to retain many original invoices and supporting documents for 10 years. "The core service is providing audits against the negotiated contract rates and tariffs, but there are different nuances throughout the globe," Snavely says.

"Interestingly, the core value propositions of freight invoice processing and auditing do not change from region to region," says Ross Harris, chief executive officer with Memphis, Tenn.-based A3 Freight Payment, which provides freight invoice processing, audit, and payment. "Customers still seek visibility to their

- Operational efficiencies
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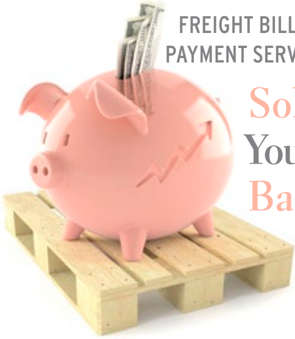


spending, robust controls, and a good charge audit."

What does change is the delivery vehicle, Harris says. For jurisdictions with VAT or goods-and-services (GST) taxes, that could mean credit memo processing for pricing exceptions. For geographies with low labor costs, companies might shift to a Software-as-a-Service (SaaS) solution, rather than a full cost model. These systems maintain a low cost of ownership, while providing transaction visibility.

TECHNOLOGY SHIFTS

About 60 to 75 percent of freight bills now are sent electronically, which can streamline the reporting and analysis services FBAP firms provide, says Nicholas Fisher of AR Traffic Consultants Inc., a provider of advanced transportation management software and third-party logistics services based in New York.

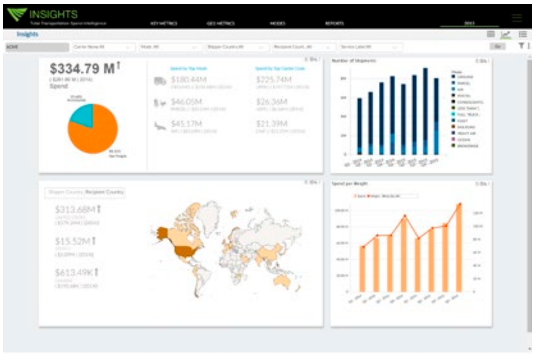
More companies also are implementing cloud-based transportation management solutions. "There's less emphasis on maintaining software in-house," Fisher says. To accommodate that shift, and ensure 24/7 uptime, providers are building redundancies into their solutions, he adds.

In another shift, a small but growing number of shippers pre-rate their bills, or essentially self-invoice. They pay an estimated amount before they even receive a bill, eliminating the freight bill review process. Once the actual bill comes in, they make any adjustments needed to correct it.

The benefits? The carrier is paid more quickly, yet doesn't have to tie up resources generating and issuing bills that may be subject to disputes anyway.

This practice requires "companies to establish a true partnership with their carriers to minimize incidents of balances due," Fisher says. In addition, shippers need to be diligent about updating their carrier rate records. "It all starts with a good rate engine," he adds.

Companies may lose some of the detail, such as proof of delivery, they automatically receive under more traditional invoice practices. They may need to request this information from their carriers.



To help shippers gain better control and attain best-in-class transportation spend management, Veraction provides reporting that goes beyond basic shipment-level data.

Finally, this practice tends to work best when shipping outbound, Fisher adds, because it's easier to control the variables that go into the bill.

Some freight bill audit and payment services providers focus on large-volume shippers. A3 Freight Payment's typical customer, for instance, spends more than $30 million annually on transportation services.

Others work with companies that span a wider range of sizes. Technical Traffic Consultants works with a variety of companies, but finds its sweet spot in mid-market firms that post between about $5 million and $65 million in transportation spending.

"These companies typically don't have a large transportation team, so we can give them the most support services, as well as customization and flexibility," says Lauren Mecchella-Plate, director of sales and marketing for Congers, N.Y.-based Technical Traffic, which provides freight invoice audit, payment, data analytics, and transportation law consulting, among other services.

IS FREIGHT A PAIN IN THE ASSET?

"It comes down to whether the customer deems freight to be a strategic asset or a tactical necessity," says Shannon Vaillancourt, president of RateLinx, based in Madison, Wis., and providing customized shipping and logistics management software. Some organizations consider freight just a necessary cost of doing business and don't try to understand it in any depth, or to optimize their spending.

"We see freight as a strategic asset," Vaillancourt says. "Companies can leverage freight data and utilize technology to gain a competitive advantage."

Veraction's customers, which range in size, possess a singular goal: "They want to control transportation spend in a way they haven't been able to before," Connell says.

Many FBAP firms started by auditing freight bills for inaccuracies, and that remains a cornerstone of their services. On average, one to two percent of outbound bills contain an error, while two to four percent of inbound bills do, Fisher says.

The reason for the discrepancy?

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Outbound shippers typically have greater control over their shipments.

Say a manufacturer uses a carrier to ship lawn mowers to a chain of home improvement stores. The manufacturer knows the quantity being shipped, the date and time they're shipped, their destination, and the shipment rate, among other data. It can provide this information to the carrier, minimizing the opportunity for errors.

Conversely, if the retailer covers freight costs on the same shipment, it often lacks control and possibly knowledge about much of the shipment. For instance, it may not have solid data on the time the goods left the manufacturer, the actual number of units in the shipment, or even the originating shipping point, all of which can impact the final cost. Because of this, recoveries are always higher on inbound shipments, Fisher notes.

BEFORE AND AFTER

Most firms offer both pre- and post-payment audits. As the terms suggest, pre-payment audits are completed before the shipper pays the freight bill, while post-payment audits are completed after payment.

Pre-payment audits tend to offer higher recoveries. However, Intelligent Audit does conduct audits without being involved in the payment process. "Some companies just want to be sure they're hitting all the boxes," Branch says.

In addition to higher recoveries, pre-payment audits can generate data that helps companies gain a deeper understanding of their freight spending. For instance, Veraction works with many customers to track and allocate transportation charges to the SKU level. That's typically not practical with a post-payment audit, Connell says.

One area where post-payment audits can add value is catching duplicate payments that weren't detectable at the time of the pre-audit, Harris notes.

A LITTLE SOMETHING EXTRA

Along with auditing and analyzing freight-related transactions, some freight audit and payment firms provide additional services. One is keeping an eye on the myriad regulations that come into play with many shipments. While A3 doesn't have a formal program for tracking regulations, it maintains a continuing dialogue with both its clients and their carriers about the impact of regulations, Harris says.

CT Logistics monitors specific Department of Transportation and Federal Motor Carrier Safety Administration (FMCSA) regulations. For instance, it monitors the Safety Measurement System (SMS) ratings of carriers identified by their clients. "The FMSCA uses the SMS to identify carriers with potential safety problems for interventions as part of its safety compliance and enforcement program," Miner explains.

U.S. Bank, a federally regulated financial institution, offers trade finance as part of its freight audit and payment solution. Once a client company approves a freight invoice, U.S. Bank pays the carrier within a few days. The shipper, however, pays U.S. Bank according to its contracted terms, such as 30 or 60 days.

"This improves cash flow for both parties," says Joy Goodwin, vice president and transportation marketing manager for U.S. Bank. "Once we audit the invoice to ensure it contains the correct terms, and it's approved, we pay the carrier."

Business analysis, intelligence, and reporting solutions have become key competencies of FBAP firms. "Companies are starting to realize that if they can capture good, clean data, they can do something with it," Vaillancourt says.

Greater visibility, especially when available in real time, can lead to tighter expense management and more intelligent spending. "Granularity is becoming more important," he says. "The high-level look is not cutting it."

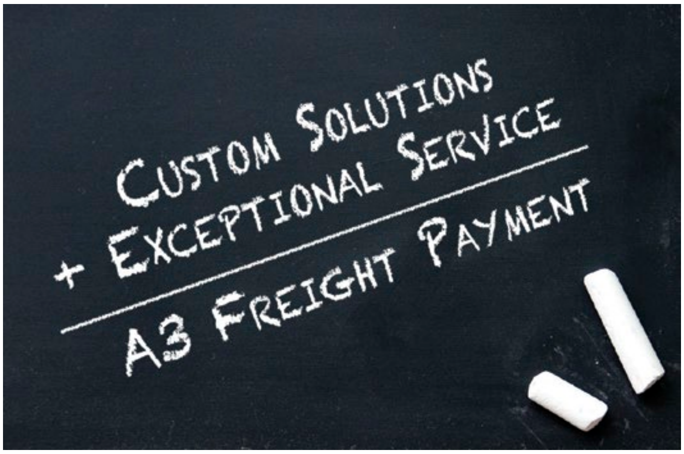
Having clean, credible freight spend data helps companies negotiate with carriers. Companies that can't provide solid estimates of their transportation spending, both overall and by mode, can lead many carriers to boost their fees to minimize the risk of losing money on the contract.

SLICING AND DICING SPENDING

While Fortigo's system generates a number of standard reports, the most popular is the Spend Report. "It provides end users the ability to slice and dice their spend by dozens of different criteria, while combining 100-plus report fields," says George Kontoravdis, president of Austin, Texas-based Fortigo, which offers logistics cost management solutions, including a TMS, a freight audit application, and other solutions.

"Analysis capabilities and customizable reports also help companies see the unintended consequences of their actions," Vaillancourt says.

Say a company expects to save a certain amount of money by shifting its freight from one carrier to another that appears to cost less. Once the shift is made, however, the actual savings are a fraction of what was forecast, yet the company can't freightpayment



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determine why. RateLinx's analytical capabilities might reveal that a large number of orders still need to be expedited. As a result, these orders can't take advantage of the lower costs.

Another benefit of granular and detailed freight information is that it allows customers to more accurately price their products.

"With many food companies, we're able to allocate transportation expenses to the SKU level," says Tom Zygmunt, manager of marketing and business development with Cass Information Systems, a freight audit, payment, and business intelligence services company based in Bridgeton, Mo.

The company knows how much freight to expense to the 20-ounce jar of peanut butter, and how much to the 40-ounce jar. That enables food companies to more accurately price their products, which can impact both the top and bottom lines.

"Our clients want as much information as possible in formats that allow them to quickly monitor their transportation expenses," Zygmunt explains. This includes dashboard reports that allow shippers to easily see expense totals and breakdowns, as well as reports that incorporate transportation expenses from around the globe.

nVision Global provides a single global platform and data warehouse from which companies can view a range of key performance indicators, such as total freight spend by zone, region, and transportation method or provider. nVision also conducts a "virtual lane analysis" to evaluate transportation lanes by factors such as provider, mode, and company division.

In addition to robust reporting and comprehensive information tools, A3 Freight Payment also is being approached by customers to explore last-mile delivery analysis projects, Harris says.

"Once companies see the analytics, they realize they can use the information to improve their operations," Branch says. For instance, they can identify when it makes sense to shift from air to ground transport by weighing the cost savings against the typically longer transportation times.

By auditing and analyzing information across transportation modes, locations, and systems, as Intelligent Audit does, companies can make more informed decisions when selecting carriers or considering opportunities to consolidate shipments.

TRACKING TRANSPORT COSTS

Intelligent Audit's connections with carriers also enable it to efficiently obtain data on fees and surcharges, among other expenses. "We can track the transportation costs associated with shipping a specific SKU from Asia to the United States, then trucking it from a California port to a distribution center in Texas, and on to a retail store," Branch says.

The provider's systems can calculate the most effective rate for a specific package, taking into account time or other constraints.

CT Logistics captures more than 800 data elements or fields, such as total distance traveled, the NMFC freight classification, and surcharges. The company's Data Grabber can generate customized reports that draw data from transactions going back 10 years, as well as those in process, while its Image Archive allows access to historic data and images for all freight bills processed. The Rate Grabber, an ad hoc spreadsheet or report generator, allows access to all rate files.

Veraction offers three reporting and analysis modules. The first, TSI Insights, shows companies the amounts they spent and past transactions by region and mode. "For many customers, we're the system of record for transportation spending," Connell says.

The second module, TSI Analysis, delves into the drivers behind the costs, such as an increase in fuel prices. The third, TSI Advisor, helps companies engage in scenario modeling and check the likely impact of swapping, say, one carrier or transportation mode for another.

Based in Cleveland, CT Logistics' experienced team provides freight payment and audit, carrier rate negotiations, business intelligence, and many other services.

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CHOOSING A FBAP PROVIDER: 10 QUESTIONS TO ASK

Freight bill audit and payment (FBAP) providers can help companies streamline operations and boost their bottom lines. Before engaging one, it pays to check them out. Some questions to ask:

1. Can you provide a cross-section of references? The goal is to find companies using the prospective solution the same way you will, says Nicholas Fisher of AR Traffic Consultants. While this may include other companies in your industry, it also might mean looking at a broader cross section. If your company needs to ensure shipments leave within one hour, or that products remain at a certain temperature, you will want to know how the solution worked for other firms with similar constraints.

2. How financially secure are you? The FBAP provider should offer audited financial statements, be ISO certified, undergo an annual Service Organization Control (SOC) audit, and carry at least a $1 million (per occurrence) employee dishonesty bond. "In the past, a few FBAP firms have co-mingled their operational funds with clients' freight payables and misappropriated funds," says Allan Miner of CT Logistics. Strict separation of these funds at different financial institutions is warranted. The firms that meet these criteria should pose less of a risk.

Also in the past, some audit firms held on to clients' money longer than they should have, or put them into investments that weren't as safe as they should have been. "We release and document payments within 48 hours," says Technical Traffic's John Mecchella.

3. Is the technology scalable? Check the provider's current system capacity, and verify that it can handle your invoice volume, recommends Tom Zygmunt of Cass Information Systems. Ask about its ongoing technology investments and ability to handle growth.

4. How do you manage relationships with carriers? To gain the most from the partnership, your FBAP provider should have staff dedicated to maintaining carrier relationships and communicating with them to resolve issues and create efficiencies.

Technical Traffic Consultants works closely with its clients' carriers. "We treat them no differently than our clients," Mecchella says. "Our goal is to enhance the relationship between the client and carrier." It's also important to check the time a provider requires to pay carriers, and whether payments are made via check or electronically.

5. Can you provide details on your global capabilities? Many providers can process an invoice from the United States to another part of the world, but stumble when asked to process invoices in foreign currencies and languages. Or, they may be unable to provide customer service in the region where the invoice originated.

"Companies should scratch below the surface when considering providers," nVision's Keith Snavely says. The chosen provider should not only be cost efficient, but also should have brick-and-mortar locations within the region, which can allow payments through in-country accounts and eliminate currency fluctuations, as well as international banking fees.

6. How will you secure my company's data? "Freight bills contain a tremendous amount of data," notes Jeffrey Pape of U.S. Bank. "Companies need to treat the transmission of data like the transmission of funds." That means asking about security measures the providers have in place to safeguard their clients' data. U.S. Bank, for instance, maintains a Tier IV data facility—one of just six in the world. Among other capabilities, its mission-critical servers and computer systems have fully redundant subsystems, such as heating and cooling, and its compartmentalized security zones can be accessed only via biometric controls.

7. Can you handle multiple modes? The provider should cover all modes of transportation an organization might use. "Companies don't want to look at their LTL spend in one place, and their ocean spend in another," Veraction's Chris Connell says.

8. What sort of analytic, reporting, and transportation spend intelligence capabilities do you provide? There can be a big gap between what companies claim to offer and what they actually deliver. "Poke hard," Connell says, to ensure the system matches the rhetoric. Check that the provider has the processes and tools needed to not only pay bills, but also to promote better cost allocations.

Miner suggests asking if the provider can derive client-specific internal general ledger cost centers from other data elements and by using coding logic. In addition, the rules in the system should be "table-based and event-driven," he says. That is, they should be triggered by events, such as a shipment delivery, so the accounting and freight allocations can be completed and applied to the general ledger without human intervention.

9. How do you benchmark customer service? Quality FBAPs monitor their service levels, using key performance indicators, such as days to processing completion and cycle times for first-time invoice pass-through processing, Miner says.

Also ask how the provider guarantees audit accuracy, Kontoravdis says.

10. What capabilities are available through your website? Companies should be able to view and append data or images to all freight bills and supporting documentation from the FBAP provider's website, for example, Miner says. That way, they can drill down into the details and resolve bills in question.

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Companies that leverage the information made available in the business intelligence tools can achieve tangible results. U.S. Bank worked with a pharmaceutical company to evaluate its parcel shipments. The analysis showed the company would benefit by switching carriers. "It saved $150,000 annually," Pape says. "If you're looking for the most cost-effective way to handle shipments, you do that through actionable data."

SMALL COSTS ADD UP

An analysis of the reports also can identify ways to cut the number of extra charges for incorrect addresses or unplanned manual shipment unloads, among others. While these may be small individually, they add up. "The invoices and bills of lading contain a great deal of valuable data our system can access and use to boost decision making," Goodwin says.

When a freight payment and audit company begins working with a client, the first thing it needs is information. "We need to understand where you are today, and where you want to be tomorrow," Vaillancourt says.

"The first questions are typically: Where does the data reside in your system? What is the best way for you to access and send it to us? How do you want to receive data back weekly?" says Mecchella-Plate of Technical Traffic Consultants. That can mean pulling data from multiple file locations, using it for audit and validation purposes, and then feeding information back to a client data warehouse.

nVision Global asks potential clients several questions:

- What is your average number of freight shipments or transactions each year?
- Is your company's transportation management centralized or decentralized?
- How many carriers handle 80 percent of your volume?
- How does your transportation spending break down by mode?
- What percentage of your current volume is processed electronically?
- What percentage of invoices are international?

The implementations themselves can vary widely, even within a single provider. Some A3 Freight Payment implementations require little integration, while others require a high degree, Harris says. Those are the ones in which data moves to or from the company to A3. This includes shipment files the company transmits so

MAKE NO MISTAKE: FREIGHT INVOICE SLIP UPS CAN HAPPEN

Mistakes can happen. That's particularly true with freight transactions, which usually contain a great deal of information from various parties.

Moreover, parties to the transaction often come with varying levels of sophistication and capabilities. Transactions initiated at a corporate office tend to be more detailed and electronic, while those occurring on a port or loading dock are more likely to be manual and paper-based, both of which increase the likelihood of error.

Here are a few areas prone to mistakes:

- **Service slip-ups:** The carrier failed to get a package to its destination in three days as it promised to, or the package arrived on time but was damaged. In either case, the shipper may be entitled to some type of refund.
- **Misapplied terms:** The carrier failed to use the rate negotiated in the contract, or included charges that aren't allowed.
- **Wrong weight or freight class:** This can stem from a data entry mistake. One example: the system codes an address as residential, but it's a business and eligible for a different rate.

Mistakes also can result from the complexity of the rules. "It's not just the right rate and lane, but the rules regarding factors such as dimensional weight, linear feet, and minimum density," says Technical Traffic's Lauren Mecchella-Plate.

- **Tariffs:** It's not uncommon to find that a carrier hasn't updated the tariff terms in its processing engine.
- **Duplicate billing:** Many carriers automatically send a second invoice if they haven't received payment within a certain amount of time.

Moreover, some carriers will add a prefix or suffix to the second bill. Unless business rules to identify this are built into the system, the computer will read it as a different bill.

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A3 can validate the transactions, or general ledger accounting or invoice line item feeds that A3 transmits to the company.

For large-volume shippers, an integration can run three to four months, Harris of A3 says. Implementations with shippers that spend more than $100 million may take two months or longer.

Fortigo will, at a minimum, integrate with the company's financial system. It also may need to establish integration feeds with the customer's shipping and warehousing systems in order to enable a closed-loop audit that matches purchase order data against freight bills. "Freight bill accuracy is only part of the validation process," Kontoravdis says. "Equally important is tracking and measuring shipping compliance."

ANYTIME, ANYWHERE ACCESS

Web-based systems tend to require relatively less intensive technical integration because there's no software to install. It also allows for anytime, anywhere access for those with proper credentials. U.S. Bank's Freight Payment system is web-based, and both the shipper and carrier can log in to it. Because both parties have access to the same information at the same time, they can collaborate online to quickly resolve issues and exceptions.

Information typically is obtained from the carrier via EDI. "It's an efficient way to get a tremendous amount of data," Pape says. As the data becomes available, it is securely consolidated within U.S. Bank Freight Payment's data warehouse. This automated system also streamlines the audit process and increases accuracy.

CT Logistics can implement systems for smaller clients with few transportation modes and a modest number of invoices in three to four weeks. Implementations for larger companies that use a range of modes across multiple regions of the globe may take up to 24 weeks.

In some cases, the FBAP provider can obtain much of the information it needs from the carriers, reducing the required integration to the company's systems. With one company, for instance, RateLinx was able to access, with the company's permission, the 210s (Motor Carrier Freight Details and Invoice) from the carrier. RateLinx analyzed and cleaned them, and then transmitted the accurate 210s to the company's system. The steps were the reverse of RateLinx's standard process, but eliminated the need for the company to dedicate IT resources to the project. As a result, the client launched within one week.

Key to this effort was assessing what already was being done electronically, and then finding a way to work with that, Vaillancourt says.

It's important to note that although many carriers provide rates and other data electronically, not all have that ability. "We encourage customers to nudge their carriers to transfer data electronically," Branch says. When they do, Intelligent Audit can tap into their systems (with their permission), limiting the need to interact with customers. "It happens in the background," he adds.

Technical Traffic adapts to the level of technology used by the company and its carriers. For instance, if a carrier isn't able to send data via EDI, Technical Traffic tries to find another way to send it electronically, such as XML. Once the connection is established and data is sent each week, "it becomes the norm for us and allows us to move faster," Mecchella-Plate says.

BEEN THERE, DONE THAT

No matter the type of implementation, most are "getting easier each day," says Connell. A growing number of information-sharing protocols are standardized, making it easier to obtain data from both carriers and shippers.

Even when the implementation is more customized and requires greater

VERACTION TAKES ACTION

Veraction, a provider of transportation spend management solutions, leveraged its business intelligence platform and web-based portal to help an international retailer automate the data capture of its transportation spend function; build a SKU-level matching, proration, and total cost estimation solution; and achieve greater clarity to transportation costs.

These solutions helped the retailer correct inefficiencies and more intelligently deploy its transportation dollars. It saved eight percent by reducing manual labor and automating processes. And, by balancing inventory costs with expedited airfreight costs at the SKU level, the retailer cut inventory carrying costs by three percent.

integration to a shipper's other information systems, "there's not a lot we haven't seen before," Connell adds.

COSTS AND BENEFITS

Most freight payment and audit firms use a mix of pricing models. A common one is to charge for each transaction, sometimes offering a volume discount or a lower rate for electronic, rather than paper, transactions. The firms often add fees for any consulting or other services provided. Some charge an ongoing subscription fee for SaaS implementations.

For their investment, firms can gain a range of benefits. Companies that have handled freight payment and audit internally for an extended period may see a number of efficiencies. "Through economies of scale, we eliminate a shipper's internal processing costs, while providing the expansive worldwide data presented on their invoices, and the analytical tools that help them realize year-over-year verifiable savings," Snavely says.

In addition to eliminating the work associated with freight or parcel invoice processing, companies also can minimize the number of resources they must dedicate to tracking and reporting transportation spend when they use internal systems. They also often gain a more robust compliance process because they have more control over transactions and a better handle on their spending.

The freight payment audit itself can result in hard dollar savings by identifying and correcting for overcharges, invoice mistakes, and duplicate billing. While estimates of the amounts potentially saved vary, most say savings of about 2 to 4 percent of

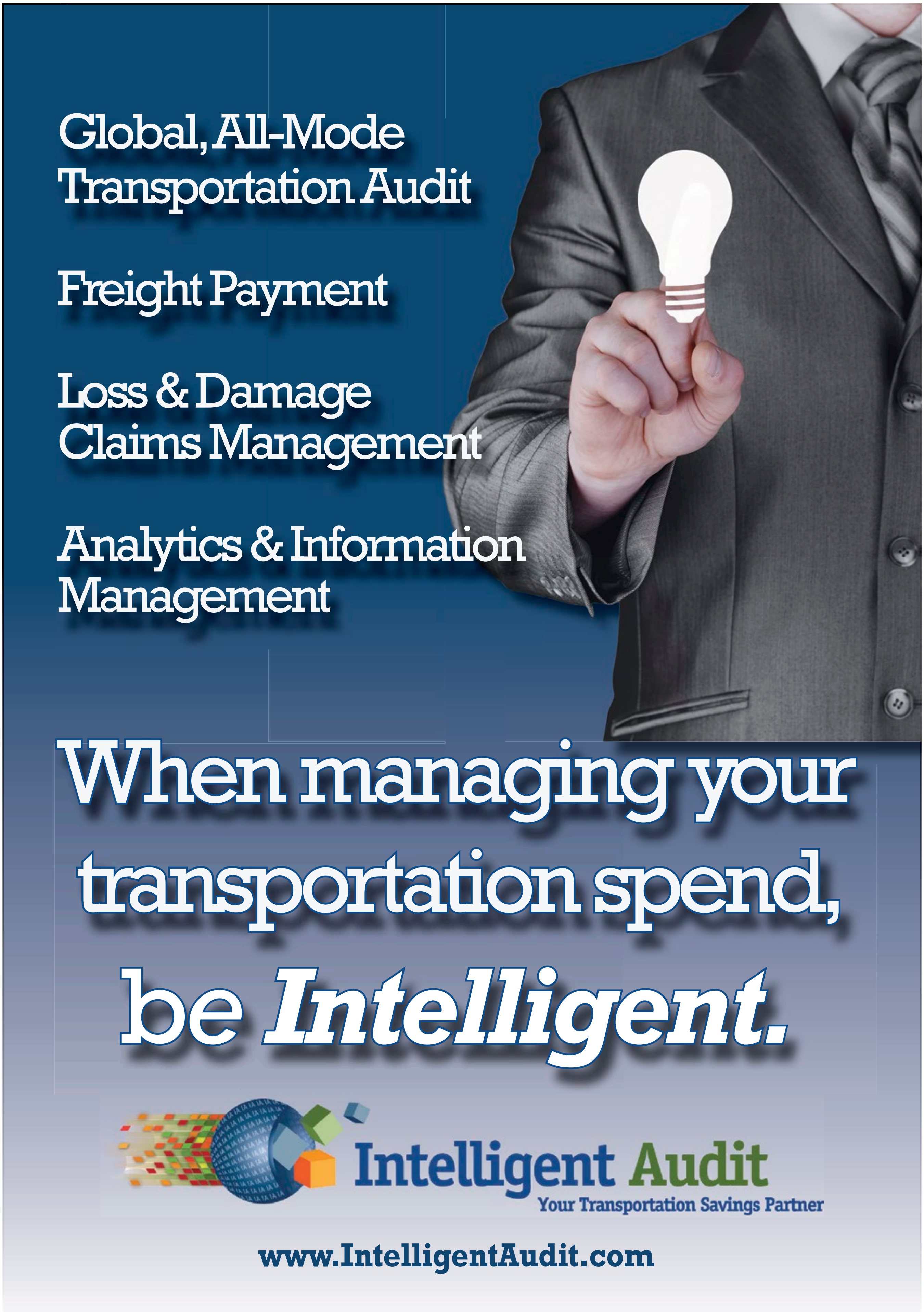
SHOULD YOU PUT STOCK IN BROKERS?

What role should freight brokers play in the relationship between shippers and their freight bill audit and payment providers?

Companies often can achieve rates similar to those brokers can get–especially domestically–and without incurring the costs of a broker, says Nicholas Fisher of AR Traffic Consultants, who has studied this issue.

"There's a place for an independent, objective, pre-payment audit firm," says John Mecchella of Technical Traffic Consultants. A firm that's paid a commission by a carrier may be less likely to suggest other carriers that may be a better fit for a particular company. "A commission can present a perceived, and sometimes real, conflict of interest," he adds.

Companies might want to use brokers for other reasons: To reduce the internal labor overhead needed to maintain a transportation operation, and to gain access to more modern technology than they may have internally, Fisher notes.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overall transportation spend is reasonable.

Over time, however, that number tends to decrease. That's because the errors that were corrected should remain corrected, if the freight audit firm has eliminated the root causes of the exceptions. A firm that detects the same issues over and over is simply padding its savings number, Harris says.

The more substantial and ongoing cost reductions tend to come from leveraging the detailed freight information available.

For starters, organizations can use the richer, more accurate data set to negotiate better terms with carriers. "When a company can take a rich data set to the market, carriers don't have to hedge against the ambiguity in their business," Connell says. That means lower costs for shippers.

Combining this information with freight analysis and optimization tools can provide insight on when to shift carriers or transportation modes, or when to change from less-than-truckload (LTL) shipments to truckload.

Fisher provides this example: Most LTL carriers charge by weight, so as the weight of a shipment increases, so does the cost. That means LTL carriers tend to work well for low-weight shipments. As the weight of the shipment increases, however, the cost eventually pulls even with the cost to send a shipment by truckload, which generally is a flat rate. In many cases, it makes sense to choose LTL for shipments of up to about 10,000 pounds. After that, truckload shipments tend to be more economical.

Or, if a manufacturer is sending 10 boxes of its goods to 10 stores in a chain, should it send the boxes to a distribution center, and have them delivered locally from there? Or, should they go straight to the stores? How does the calculation change if the stores only accept deliveries on certain days, or at certain times of the day?

Choosing a carrier based on the calculated cost may be relatively straightforward when working with a handful of shipments, but as the volume of orders rises, the complexity increases exponentially. Not only does the number of potential combinations jump, but shipping rates change frequently. Trying to optimize shipments with a manual process can be nearly impossible. "Freight optimization means trying to combine multiple shipments going to multiple customers, and determining the best routes and rates," Fisher says.

BOOSTING THE POTENTIAL FOR SAVINGS

Combining an audit with analysis and freight optimization tools significantly boosts the savings potential. Again, the numbers vary, but most estimate savings of 25 to 40 percent of transportation costs.

Freight remains a key component of most companies' transportation expense. Along with ensuring freight bills are accurate and reflect contracted terms — a key capability — freight payment and audit firms can add even greater value. They can streamline invoice processing and optimize freight spending to capture more savings and build more effective supply chains.

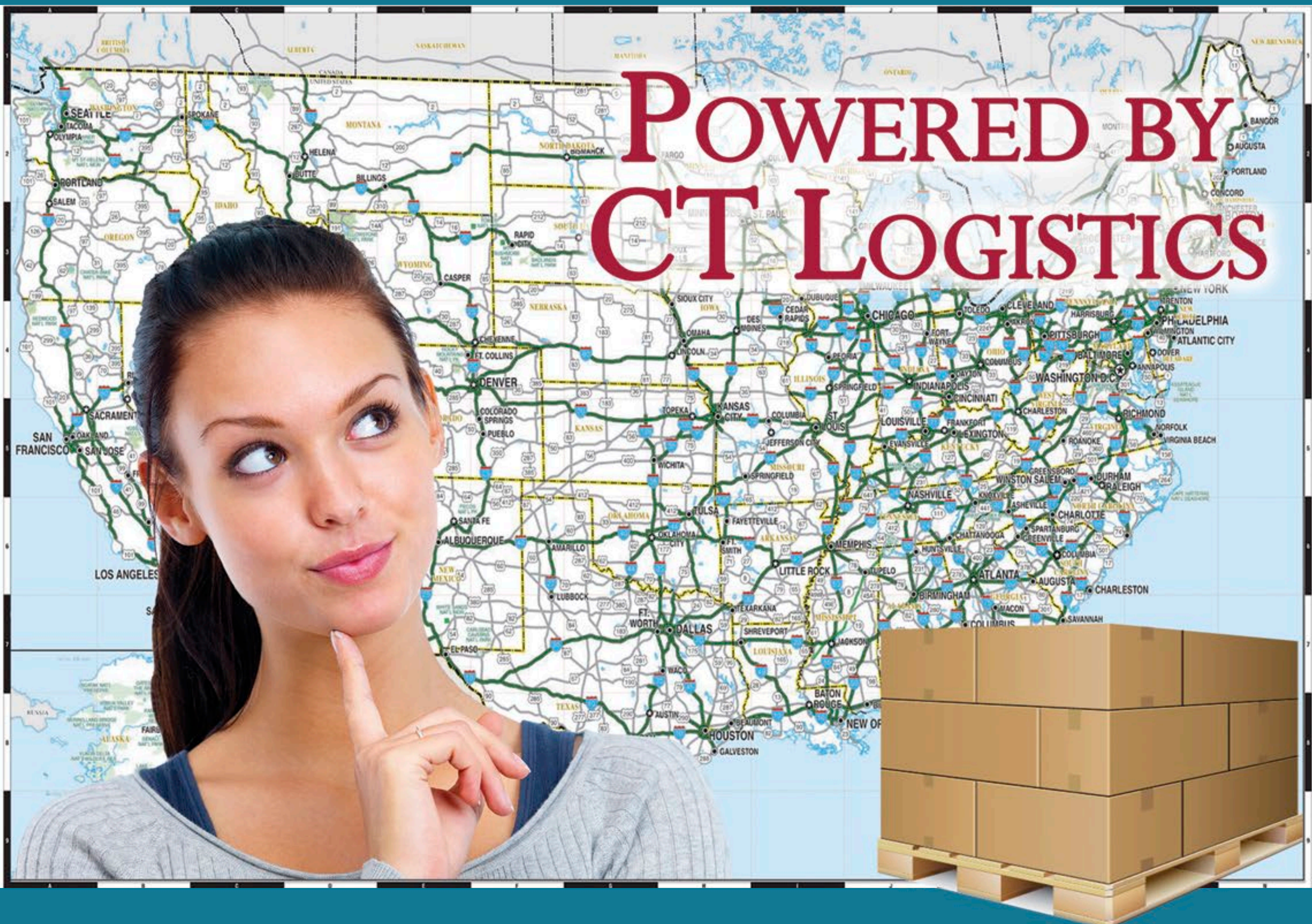
"Freight audit is vital, but it is not enough," Connell says. "Shippers need to think in terms of transportation spend management in order to make a greater impact on their companies." ■

KNOWLEDGE IS POWER

CT Logistics creates dashboards which empower you to:

- Facilitate freight spend decisions
- Perform data mining
- Turn "Big Data" into deep insights
- Drill down to analyze and act

CT's Business Intelligence allows for fast and informed decision making and delivers valuable insight that is meaningful, actionable, and relevant to your global transportation spend.



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