

Transportation Expense Management Systems (TEMS)

# Supply Chain Visibility With True Bottom Line Impact

IN AUGUST 2007, THE ABERDEEN GROUP RELEASED A RESEARCH REVIEW ON GLOBAL SUPPLY CHAIN VISIBILITY TRENDS IN 2007. "BEST IN CLASS" ORGANIZATIONS SHIPPING GLOBALLY ARE ALMOST THREE TIMES AS LIKELY AS THEIR LOWER-PERFORMING PEERS TO HAVE TECHNOLOGIES AT HAND THAT GIVE THEM VISIBILITY INTO SUPPLY CHAIN ACTIVITIES. TRANSPORTATION EXPENSE MANAGEMENT SYSTEMS (TEMS) PROVIDE AN EXCELLENT EXAMPLE OF THE DIRECT LINKAGE BETWEEN SUPPLY CHAIN VISIBILITY AND BOTTOM LINE IMPACT.

BY LIZ CLARKE

**T**ransportation Expense Management Systems (TEMS) capture all the data generated by freight payment processes – every freight rate, every accessorial charge, every fuel surcharge – and provide the user the ability to analyze this critical expense quickly and accurately. The financial performance of specific carriers, of inbound/outbound freight at specific distribution centres, the selection of lanes and modes – all of these details can be reviewed and compared instantly. When deployed enterprise-wide, a TEMS can provide a level of visibility that inevitably results in better decisions about both freight purchasing and freight payment processes. However, “better decisions” may be a tough outcome to quantify at a glance. Let’s break TEMS into five succinct areas of benefit.

#### **Audit Accuracy / Error Management:**

Fully deployed, a TEMS system automates the audit process and then presents line-by-line detail to the user. Shipping invoice errors present them-

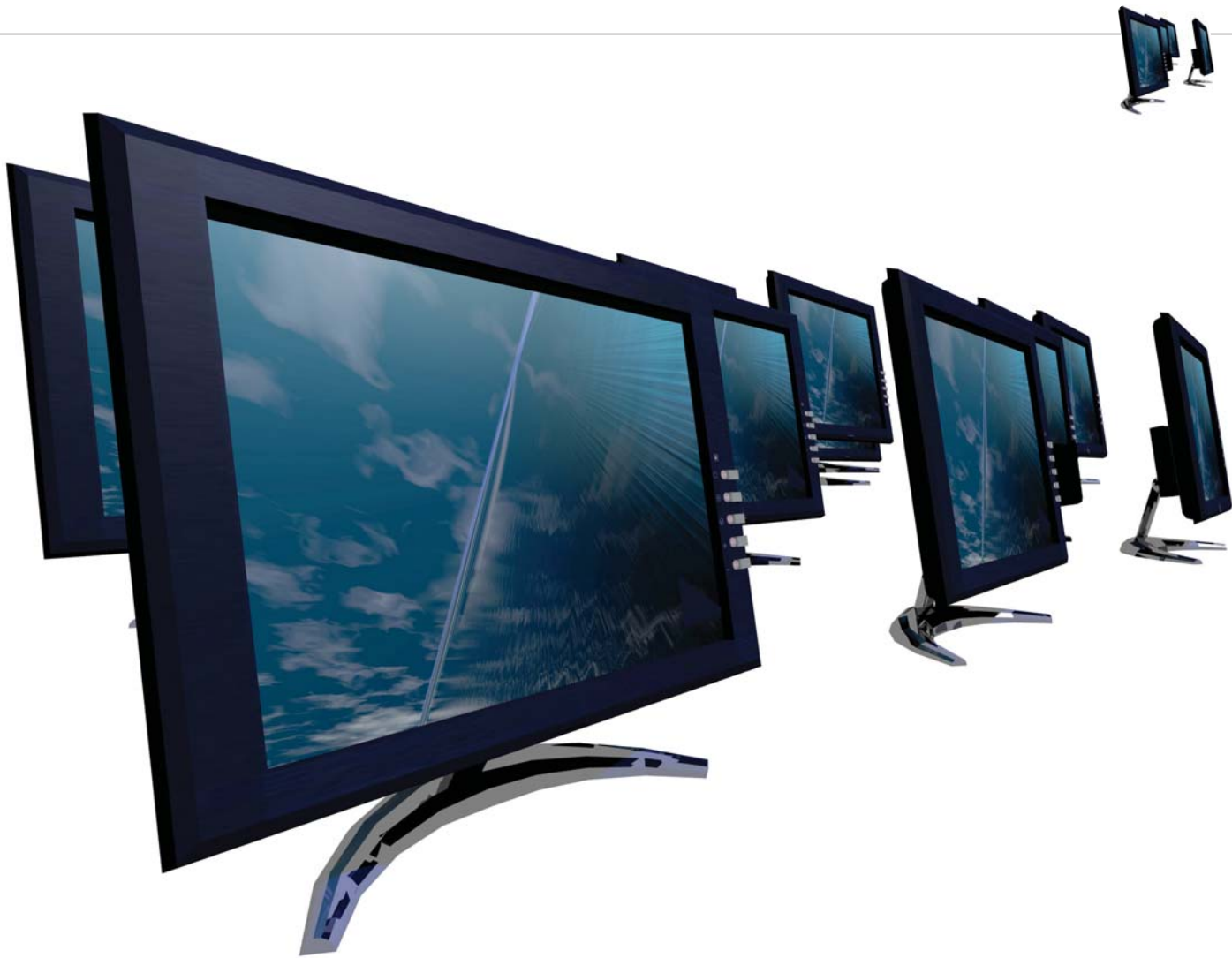
selves in a number of ways, such as incorrect freight rates, non-contracted accessorial charges, and erroneous fuel surcharges. By entering a baseline set of contracted terms with each carrier into a TEMS system, the automated process simply presents the non-matching invoice items for review. The shipper must then decide on a course of action for resolution. This, of course, usually involves not paying the bill until it complies with the previously contracted terms. The level of savings here would vary with the number of errors caught and corrected. Current industry estimates place the error rate at up to 3% of a company’s annual transportation expenditure.

#### **Carrier and Distribution Centre Performance Analysis:**

Paid freight invoices left to sit in filing cabinets without being entered into a TEMS represent hard dollars hemorrhaging away. The mountain of untapped data in those file cabinets can be compiled to evaluate everything from carrier

performance to distribution centre compliance. Which carriers regularly charge non-contracted accessories? Which carriers routinely charge less, or more, to ship to specific destinations? Do regional distribution centres follow direction with regard to using specified carriers? Armed with the answers to these, and literally thousands of other critical questions, a transportation manager can easily shave 3-5% off their annual transportation expense through improved carrier negotiations (based on solid historical data) and strengthened compliance at the DC level.

**WMS/TMS Validation:** Great leaps forward have been made in both warehouse management systems (WMS) and transportation management systems (TMS). The effectiveness of these systems can be enhanced with the addition of a TEMS. For example, an integrated WMS/TMS system will help distribution centre staff plan the efficient movement of product from the warehouse floor to the dock door to its next destination. But – how can the effectiveness of shipping decisions be measured until the planned, pre-costed movement of goods are compared against the reality of the actual freight invoices received? Here is where TEMS can really shine – by validating, supporting and enhancing the decisions made using an integrated WMS/TMS.



**Controlling the Payment Process:** Freight payments, whether handled internally or outsourced, remain a sore spot with most expense managers. For high-volume shippers, the sheer magnitude of incoming invoice paperwork can be a daunting prospect to manage properly. However, once the invoices have electronically flowed through a TEMS, control, optimization and regulatory compliance is not only possible but is actually easy. Previously untapped savings in early bill payments to carriers can be captured while late payment charges on overdue bills are eliminated. Additional savings to be found using “intelligent batching” – writing one cheque instead of ten. Estimates suggest that simply streamlining and monitoring payment processes can capture savings valued at close to 1% ATX per year.

**Improved Case-by-Case Carrier Selection:** A TEMS suite would not be complete without providing a rating/routing tool to allow each individual distribution centre the ability to instantly determine which carrier is best for each lane. Having instant access to “best rate”/approved route carriers – rather than having to search through multiple spreadsheets, faxes, binders and e-mails – reduces the time expenditure of traffic/transportation staff, leaving them time to source and negotiate even lower cost carrier contracts.

It isn't all about cost savings – TEMS provides value on the revenue side as well. Here is where a web-based TEMS can provide particular benefit. Imagine a mobile sales force that can access actual, real-time freight costs, on a per shipment, per destination

basis, prior to finalizing quotes to potential customers. Arming a sales force with instant access to this information enables them to compete much more effectively against rival quotes, especially in tight bidding situations.

Italpasta Limited has been using a TEMS since October 2005. Gabriel Michetti, Logistics Manager for Italpasta, states that “It offers us unprecedented control and visibility into our freight payment details and has become our primary tool in the management of our freight budget. In our experience, no other tool currently on the market offers as much insight into how we manage this critical expenditure.” ■

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