

Freight Audit and Payment Services

# STACKING UP SAVINGS



Analyzing shipment data can reveal trouble spots and identify opportunities to cut costs. Freight audit and payment services provide the supply chain analytics and expertise to give shippers an edge.

# STACKING UP SAVINGS



**F**reight bill auditing and payment has long been about leveraging data—scrutinizing invoices to discover billing mistakes that can cost shippers thousands of dollars in erroneous rates and accessorial charges. No question, ferreting out errors is still important. But many freight audit and payment companies are now delivering an entirely different set of benefits using the data shippers share about their freight bills.

Today's freight audit and payment services focus on applying deep analytics, married with supply chain consulting expertise, to glean insights from data—then delivering those findings quickly and clearly to help shippers drive both tactical and strategic decisions that improve supply chain efficiency and remove costs.

Increasingly, those needs and expectations don't apply just to shippers' domestic freight bills. More shippers are seeking the same level of visibility and analytics about international freight activity, unified in a single platform with consistent formats that resolve differences in language, currencies, units of measure, and other variables.

To meet these needs, freight payment and audit companies are investing in technologies, processes, and expertise to deliver value to shippers—and differentiate themselves in a crowded marketplace.

These developments have considerably driven up the value freight audit and payment customers receive for their money. Current rates for audit and payment services are 40 percent lower than they were 10 years ago, one provider estimates.

Not all shippers have their freight bills thoroughly audited. Many freight audit and payment customers are large companies, although activity among mid-size

shippers is rising. Of those companies that do engage a freight payment auditor, only a fraction take true advantage of the full range of services they're paying for.

## MORE FOR YOUR MONEY

Many freight payment companies offer services in addition to auditing and paying invoices. For example, these invoices provide a complete picture of a shipper's supply chain, while the data forms a snapshot of the supply network's current design that freight audit and payment providers can query and scrutinize to better understand what's going right, and identify opportunities to improve efficiency.

Analyzing the data can reveal trouble spots that shippers and carriers can address to head off future costs, such as unnecessary accessories or incorrect mileage calculations. A deeper look can drive strategic decisions about issues such as carrier rate negotiations and facility site selection.

## ON THE UP AND UP

To enhance these value-added offerings, and help shippers reap greater insight from their data, many freight payment companies are continuously upgrading their IT platforms and professional services.

"Shippers are increasingly turning to us

for data analytics," notes Allan J. Miner, president of Cleveland-based CT Logistics, which provides post-audit, pre-audit, freight payment, business intelligence, transportation management consulting, and global transportation management systems (TMS).

"Our Professional Services Division helps shippers with challenges such as rate analytics, benchmarking, and bid analysis. Our clients receive the full expertise of a seasoned logistician who can help them use the capabilities of TMS and data analytics, and provide specific supply chain consulting. By outsourcing to CT Logistics, the shipper doesn't have to hire a full-time employee to perform those tasks."

## EVERYONE BENEFITS

Freight payment data can reveal a lot to shippers about their business. In response to customer feedback and requests, many freight payment companies have developed new types of services, improved reporting capabilities, and added more telling key performance indicators (KPIs). Projects initially customized for one customer often develop into a product any freight payment customer can take advantage of.

For example, Austin, Texas-based logistics IT service provider Fortigo receives frequent customer requests to conduct closed-loop audit services—cross-referencing freight data elements with corresponding information from their sourcing, visibility, or manifesting systems. While a freight invoice may seem accurate, cross-referencing can reveal discrepancies—for example, a service the shipper requested may be different than the service the carrier actually provided, calling for a chargeback.

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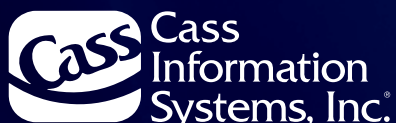


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Shippers also are expressing growing interest in real-time reporting, which allows them to view KPIs online and drill down for more granular data, rather than waiting for periodic reports, notes George Kontoravdis, president of Fortigo. Another common request is route optimization based on historical shipping data, which shippers can also use to improve the routing guides they issue to suppliers.

“The freight audit process uncovers numerous findings shippers can funnel into their decision-making,” notes Kontoravdis.

Many shippers have set a goal to

measure the true landed cost of their goods by SKU, order number, or other metric. But calculating true landed cost has proven challenging because of all the variables that impact it, and the difficulty in gathering its components—including accurate invoices, customs duties, taxes, and accessorials.

Some freight payment companies, including Carmel, Ind.-based supply chain consulting and IT services firm enVista, are enabling shippers to overcome these hurdles by compiling all the data needed to calculate a true landed cost.

“Once shippers know the true landed cost of their goods, they can use historical data to better plan, predict, and execute future performance for events such as key product launches or peak seasons,” explains Doug Kahl, vice president of sales for enVista.

## ALL DATA UNDER ONE ROOF

Some providers complement their freight payment and audit services with a full TMS to tender and track customer shipments. At Memphis-based supply chain management and technology

## COPING WITH CAPACITY CONSTRAINTS

Economic and other forces have the pendulum swinging between a shippers' market and a carriers' market. Right now, it's a carriers' market, so savvy shippers need to shift their approach to rate negotiations.

To respond accordingly, freight payment companies urge shippers to take advantage of their services. “Many factors are affecting the transportation market,” says Harold B. Friedman, senior vice president, global corporate development, at logistics service provider Data2Logistics. “Truck driver Hours-of-Service regulations are driving up carrier costs. The Compliance, Safety, Accountability program adds pressure, because it makes finding qualified drivers more difficult. The economy is starting to improve. All these elements combine to raise freight costs.”

### PLAY NICE

The ability to manage freight bills efficiently grows more acute in a capacity-constrained environment, driving more shippers to rely on freight payment companies to help them make decisions that maximize their shipping dollar.

“When capacity is constrained, it's crucial for shippers to work well with carriers,” says Brian Scott, senior vice president, global sales, CTSI-Global. “Carriers won't move freight for shippers that cause problems.”

Companies that engage with freight audit and payment providers often maintain streamlined systems to process bills, pay them on time, and drive out exceptions that cost

carriers money. All these actions enhance their appeal to carriers.

Current conditions are not just impacting long-term contract rates. Shippers should also be mindful of using their data when negotiating spot buys.

“Capacity issues are requiring shippers to tender more spot quote movements with their carrier base,” says Lauren Mecchella, director of sales and marketing for Technical Traffic, a transportation data management company. “Spot quotes can be difficult to track and quantify.”

### GET SMART

To help shippers get more value from spot quotes, Technical Traffic created a Web-based tool, *Smart Quote*. Shippers enter data into the tool every time they negotiate a spot quote with a carrier; the information can then be integrated into reporting, analytics, and freight payment processes.

“We need to incorporate all those spot quotes into the shippers' master contracts, so we employ a transportation attorney and a CPA in-house,” adds John Mecchella, president, Technical Traffic. “We make sure issues don't arise later when a carrier doesn't have a rate documented in its system.”

*Smart Quote* can also be used to track other quote and accessorial changes, and a related function tracks the approval process for these changes.



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provider CTSI-Global, about 70 percent of clients use at least some modules of the company's TMS, in addition to its freight audit and payment services. Some customers use CTSI-Global to supplement in-house functionality; others entirely out-source shipment tendering and tracking.

Housing all the data in one place means shippers can gather the information they need from a single source—rather than collecting various components from carriers, freight payment companies, and TMS solutions—to gain full supply chain visibility.

“Companies can access one global data warehouse to analyze on-time deliveries or shipping cost per unit, for example,”

explains Brian Scott, senior vice president, global sales, at CTSI-Global.

Other providers blend freight payment and audit services with financial services. “The more advanced customers want help managing cash flow to maximize their advantage,” says Rick Erickson, global director of freight payment solutions for financial services company U.S. Bank, headquartered in Minneapolis.

“Extended term financing, for example, allows shippers to maximize cash on hand without delaying payment to carriers,” he explains. “We pay carriers on their due date, but the shipper doesn't have to repay us for 90 days. This service essentially extends the

shipper's terms with carriers without having to renegotiate contracts, which could potentially result in increased freight rates.”

## IT MULTIPLIES POTENTIAL SAVINGS

Effectively using freight data can benefit shippers in ways beyond simply catching invoicing errors. Because supply chains evolve as companies grow—with lines of business or customers continually being introduced or discontinued, and routing needs shifting—regularly analyzing freight bill data can deliver new insights, drive intelligent decision-making, and increase potential cost savings.

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to drive business decisions, “the transportation savings dwarf the audit savings,” says Shannon Vaillancourt, president and founder of RateLinx, a supply chain service, technology, and solutions provider headquartered in Madison, Wis. “We catch carrier billing errors, but we also focus on providing integrated shipping intelligence companies can leverage to manage their business.”

For example, RateLinx offers a “lost savings KPI” that measures every shipment to see if the optimal carrier was used.

When selecting a freight payment provider, shippers are now as interested in IT investments and analytics savvy as in the potential provider’s ability to accurately and efficiently manage invoices and freight bill payment.

“More multinational companies are looking for a single-source provider that can process and pay invoices on a global scale, and provide a single global data warehouse from which to analyze their supply chain,” says Keith Snavelly, senior vice president, sales and marketing, for nVision Global, a McDonough, Ga.-based provider of global freight audit, payment, and logistics management software and services.

As IT capabilities increase, so do shipper expectations. Most freight payment companies continually invest in maintaining and enhancing their IT platforms to improve performance, be more user- and device-friendly, and provide additional services.

U.S. Bank, for example, is currently redesigning its user interface with a strong focus on the customer experience, based on feedback from customers who requested a higher level of personalization and easier usability.

“Our customers want accurate data, and the ability to easily act on it,” says Erickson. “U.S. Bank’s 100-percent prepayment audit ensures that the data entering the system

is accurate, and the new user interface will enable faster response to that data. It will be more intuitive, with fewer clicks required, allowing customers to get in, do their work, access their data, and get out, which is what they want to do.”

## OVERHAULING THE SYSTEM

enVista recently completed a major refresh of *myShipINFO*, its online freight audit and payment platform. The new system processes data faster, expands the data warehouse, and increases the functionality of the system’s *Dashboards* app, which allows users to instantly see detailed transportation data and make high-level decisions.

“The real value is in having a single warehouse of data that is of higher quality than a company’s internal processes have been able to offer,” says enVista’s Kahl.

CT Logistics’ 24 full-time programmers are currently preparing to deploy a new website with enhanced features and functionality. The site is designed to work across all browsers, devices, and applications, so users can access their data anywhere.

On the heels of introducing global

transportation management system *CT Logistics Intelligence Optimization Network (LION)* in 2013, the company is also updating its *FreitRater* TMS, which will launch in late 2014. The .Net SQL solution will feature a look and feel familiar to users of Microsoft tools and protocols such as XML and HTML. It includes a Cognos business intelligence tool to present dashboards, graphics, and drill-down reports.

“The new solutions will allow us to send clients data in whatever format they prefer,” says Miner. “They can upload the data using Microsoft tools, for example, if that’s the platform they’re familiar with.”

Once data is processed and readily available for decision-making, it’s common for freight payment companies to establish custom portals to provide shippers online access to their data. But a growing number of shippers are seeking deeper integration between freight payment companies’ IT and their own backend systems to complement the online tools and enable them to use the information in their internal software.

Freight payment providers must also



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be able to accommodate a broad range of IT sophistication—from state-of-the-art technology to paper forms—among their customers and carriers. This requires freight payment companies to offer both highly flexible IT platforms and technical staff capable of tweaking those systems to meet individual shippers' specific needs.

Setting up communications protocols with carriers' systems can also prove challenging. Large carriers can typically handle direct exchange of shipping data, often via electronic data interchange (EDI), but smaller operators may lack this capability.

"As a result, some freight payment companies provide a Web portal for carriers to enter their invoices," says Fortigo's Kontoravdis. "But carriers don't like the double data entry, or potential for errors. We developed a tool that enables carri-

companies are able to reduce support staff while putting more of the research into the users' hands."

## ACCOMMODATING GLOBAL EXPANSION

For many shippers, expanding their global footprint has been a critical component of business growth strategies. Some companies focus on finding new sourcing locations for raw materials and production services, while others seek new emerging markets for their products and services. Many shippers are working to achieve both goals.

Pursuing globalization requires intensive decision-making, including how to accommodate increased complexity and the risk it introduces into the supply chain network. The data companies reap from freight payment activity offers an excellent resource for analyzing the network's

the data companies need to make sound decisions is difficult to attain. Or, they can get the freight data, but it is presented in different formats and levels of granularity than they are accustomed to.

"One issue in global operations is lack of automation," says Tom Zygmunt, manager of marketing at Cass Information Systems, a St. Louis-based freight audit, payment, and business intelligence provider.

"Shippers want more data and process controls, and to eliminate exceptions as best they can," he says. "That requires trying to automate as many pieces as possible, as well as establishing systems that incorporate robust business rules."

These needs prompt many shippers to seek freight payment providers that are able to offer visibility to international freight activity. It is especially helpful if the information is brought together in a unified way so they can access a single view of global activity, with all the metrics normalized across geographies.

But freight audit and payment has historically been a uniquely American activity; it is less well-known and practiced in other areas of the world. Each freight payment company has needed to climb a steep learning curve to understand foreign legal requirements and practices, and ensure their systems and processes work with different languages, currencies, and units of measure.

As customer needs for international services have increased, freight payment companies have taken different approaches to tackling freight bill volume in other regions, particularly when it comes to physically locating these activities.

For some freight audit and payment providers, the best way to offer complete service for global shipping operations is to maintain facilities with their own staff in regions where customers do business.

**“By outsourcing to a freight payment provider, shippers don’t have to hire full-time employees to do rate analytics, benchmarking, and bid analysis.”**

—Allan Miner, President, CT Logistics

ers without EDI capability to export data from their accounting system, which streamlines processes and reduces errors and costs."

Freight payment companies' technology investments don't just help shippers expand and improve data access. They also lower costs for the audit and payment provider, freeing resources for developing better IT and services.

"Users can get answers to any of their questions without having to make a phone call," says CTSI-Global's Scott. "They have information at their fingertips, so payment

current state, and making decisions about where and how to locate extended supply chains.

"As companies increase spending on global transportation, the need to get visibility into, and control over, those logistics costs has escalated," says CT Logistics' Miner.

As they expand, however, many shippers find freight billing process practices vary widely around the world. Closely auditing freight bills, or outsourcing freight audit and payment services to a third party, may be new concepts in some regions. Often,



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“nVision Global is truly global,” notes Snavelly. “Some providers outsource to other freight payment companies, or maintain separate systems. For example, they may utilize one system in North America, and another in Europe and Asia, to process and pay invoices. Or they may outsource to another freight audit and payment provider, because they don’t have the capability.”

“But all nVision Global facilities are corporate owned, and they all operate on a single global platform,” he adds.

The value of maintaining local resources—including in Asia, and South and Central America—lies in providing improved service. “Freight audit and payment is a customer service-based industry,” Snavelly notes. “Providers need strategically placed, full-service processing centers, located throughout the globe, to accommodate regional, language, and customer service requirements.”

“Customers in Asia with issues regarding an invoice do not want to call the United States for an answer,” he adds. “And they may not connect with someone who speaks their language.”

## IT'S NOT THAT EASY

But setting up operations in other parts of the world can be tricky for freight payment companies. It is challenging to serve entire continents from shared service centers given the language and cost differences compared with a shipper’s on-site accounts payable process, according to Ross Harris, CEO of A3 Freight Payment, a Memphis-based freight payment and audit provider.

This is especially true in low-wage manufacturing areas. Payment companies, and, in turn, their customers, can save if they can address challenges through the use of IT.

In addition, many shippers use international forwarders that can provide electronic data globally. “Freight audit and payment providers don’t need to be located in-country to process invoices,” Harris explains. “We may miss a few courier bills for sites in a remote part of China, but overall, large forwarders supply the information we need, and we can process it anywhere.”



**Considering that the majority of logistics expenditures focus on transportation, shippers have much to gain by using a freight audit and payment provider to ensure freight invoices are accurate and paid on time.**

This centralized approach to managing supply chain IT and decision-making is a familiar model to many shippers.

“Many Fortune 500 companies have centralized logistics operations, and that’s where they make their decisions,” adds RateLinx’s Vaillancourt. “Similarly, freight audit and payment represents more of a strategic data collection process than a tactical procurement process. Providers can centralize, and pick the specific locations where they need to be in-country.”

Shippers need to ask questions about how freight audit and payment providers will handle their international freight bill

activity, and ensure the model fits with their own approach to managing global supply chain activity.

## CONSTRAINED RESOURCES LIMIT BENEFITS

During the recession, many companies started cutting back on logistics operations. “In some instances, they cut not only the fat—they cut into the bone,” says Harold B. Friedman, senior vice president, global

corporate development, at logistics service provider Data2Logistics, based in Fort Meyers, Fla. “While shippers today are much more knowledgeable, they have less time to deal with some of these situations.”

“As a result, we’ve taken on a role as an analyst and advisor, offering services such as RFP management and negotiation,” he adds. “Our professional services team provides client support on issues shippers may not have time to address.”

Many shippers value the ability to outsource not only freight audit and payment functions, but also data analysis for strategic decision-making. It is advantageous



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because they often lack the staff or the time to do so internally.

Another reason shippers turn to outsourcing is inadequate internal systems. From an accounting perspective, recording and processing freight payments is different than capturing all the granular billing data needed to analyze logistics and supply chain activities. Corporate accounting systems often don't allow for these differences, and customizing them is a major undertaking.

"Most ERP and warehouse management systems are not set up to handle freight invoices," notes Vaillancourt. For example, these systems may use a billing address instead of a standardized ID to store carrier data.

Logistics teams sometimes hesitate to approach the IT department with this type of request, because it could require a lengthy project. Outsourcing to a provider with everything in place to produce the data needed to make good decisions becomes an attractive alternative.

## KEEPING IN CONTACT

It's clear that a growing number of shippers see the advantages of outsourcing freight audit and payment. Many logistics professionals are relieved to cross this significant set of tasks off their to-do list, and move on to their many other responsibilities.

But while outsourcing freight audit and payment delivers benefits, shippers must stay connected with their provider to achieve optimal results. Some freight payment companies report that once the initial set-up is complete, and operations start running smoothly, logistics managers spend little time and attention on maintaining the relationship.

Freight audit and payment providers urge customers to meet with them

periodically—quarterly or more often is ideal, but annually at the very least. Yet many providers report their requests for meetings are routinely put off or ignored, because logistics managers are constantly busy with other projects and attending to the daily stress of managing their supply chains.

The fact is, working closely with a freight audit and payment provider can pay off—and investing a little extra time can reap significant dividends. Here's why:

- Many providers tailor their IT and new service development to customer

requests. Shippers who make their needs known may benefit from customized solutions the provider can then incorporate into its product set.

- Close collaboration enables providers to understand a shipper's business enough to suggest process and policy improvements.

## FROM HIGH TOUCH TO HIGH TECH

Experienced buyers of freight payment services often make high-touch customer relationships a priority when seeking a new provider.

## THE DIRTY JOB OF CLEAN DATA

An old IT maxim states that decisions are only as good as the data on which they are based—also known as "garbage in, garbage out." When freight payment data is riddled with inconsistent formats and redundant information, every use of that data has an element of uncertainty attached. So ensuring data is clean and normalized is a key step in preparing it for use by business intelligence and other analytics and reporting tools.

"Shippers are demanding cleaner, more reliable data," says Ross Harris, CEO of A3 Freight Payment, a freight audit and payment provider. "We don't do short payments on transactions, so we don't have balance-due or past-due invoices coming in. We pride ourselves on having great data integrity, which is in demand in the market."

Clean, high-quality data is critical to optimizing supply chains and reducing risk. "Companies use this information to make multi-million-dollar decisions when they are designing distribution networks and siting new facility locations," notes Doug Kahl, vice president of sales for supply chain consulting and IT services firm enVista. "The higher the data quality and reliability, the fewer assumptions businesses have to make, resulting in better decisions on large-scale investments."

Good data leads to smart decisions. But in a capacity-constrained market, it also leads to shippers providing an accurate picture of volume and lanes when tendering bids to carriers.

"Unless shippers have good data, carriers will not give them the best deal," Harris says. "Carriers want to move good freight, and that means a reliable partner—one with steady pickup/dropoff appointments, accurate freight volume and type data, and consistent payment practices."

Another key step shippers can take—especially when beginning a new relationship with a freight payment company—is to gather accurate data on carrier partners, as well as current, signed, and readily available carrier contracts.

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“We wanted a partner who could not just track payments, but also answer questions and help us generate ideas for continuous logistics and billing improvement,” says Mark Wils, category sourcing manager, logistics, at Firmenich, an international producer of perfumery and flavor chemicals. “Technical Traffic has definitely been that partner for us.”

Technical Traffic, a transportation data management company based in Congers, N.Y., has generated savings by discovering and eradicating repetitive problems in Firmenich’s freight bills. For example, when a carrier complained of late payment, Technical Traffic determined that the carrier was not sending the invoice until three weeks into a 30-day billing cycle. The provider also helped Firmenich switch billing processes to EDI, and uncovered internal roadblocks.

“We’re a big company,” says Wils. “Unless we have the data, we don’t always know where our shortcomings are.”

services that could help them further control costs.

Finally, it’s important that shippers are properly staffed to manage freight payment relationships. Even when a freight audit and payment provider handles most of the routine, time-consuming, hands-on work, companies must accept that managing those relationships, and making full use of the services and information they’re paying for, is worth a portion of their resources.

## CARRIER COLLABORATION UNLOCKS SAVINGS

On the surface, the existence of a whole business model dedicated to finding errors that reduce shippers’ freight bills would seem to be a thorn in the side of carriers. But in fact, carriers devote considerable human and IT resources responding to and correcting issues with customer invoices. Identifying and eradicating bad data is in everyone’s best interest, because it lowers costs and increases customer satisfaction.

shippers and freight payment companies, and how freight payment companies could help them. “Carriers know we are here to work with them,” Vaillancourt notes.

Collaboration with carriers takes place both among staff and through digital means. A common approach is a Web-based tool where the parties can view and work out freight bill exceptions.

In many parts of the world, invoices can’t be short-paid; differences between what carriers charged and what shippers think they should pay must be negotiated before shippers issue payment—typically so the government can collect the correct value-added tax. But the collaborative tools and processes that freight payment companies use for international bills, as well as to resolve discrepancies in the United States after they have short-paid and invoiced, could potentially be used prior to payment instead.

nVision Global’s Snively draws a distinction between exception tools and collaboration tools. Typically, exception tools provide exceptions online for the shipper to work with. A collaboration exception management tool connects all the parties. The freight payment provider, shipper, and transportation provider work together online to resolve an issue, rather than the freight payment provider rejecting an invoice back to the carrier.

Another factor that supports good relations among shippers, freight payment companies, and carriers is good data. RateLinx helps shippers prepare RFPs for carriers, who appreciate clean, complete data because it helps remove risk from pricing.

“Carriers have told me that when they work with shippers using our technology, they achieve operating ratios three percentage points higher than for other customers,” says Vaillancourt. For example, if the

“The freight audit process uncovers numerous findings shippers can funnel into their strategic decision-making.”

—George Kontoravdis, President, Fortigo

In addition to taking the time to meet regularly with providers, getting the most out of the relationship means shippers must set goals and expectations, as well as measure progress toward meeting them. “I tell shippers, ‘You must measure us; you have to tell us what’s important and which performance metrics you track. Then grade us every three months,’” says CTSI-Global’s Scott.

Checking in regularly helps ensure services continue to align with the shipper’s goals, and keeps customers aware of new

Some freight audit and payment companies expend considerable resources on nurturing carrier relationships for this purpose. They maintain departments specifically devoted to interacting with carriers, and some attend carrier conferences where they exchange ideas on how to improve the processes that connect them.

For example, a less-than-truckload carrier recently invited RateLinx’s Vaillancourt to meet with top executives to discuss technology trends, how the carrier could help



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# STACKING UP SAVINGS



carrier makes five cents on the dollar for the average customer, it earns eight cents for the RateLinx customer.

Shippers' freight payment processes also benefit from clean carrier data. Evergreen, Colo.-based DDC Freight Process Outsourcing (DDC FPO), a division of U.K.-based The DDC Group, helps trucking companies drive out errors in freight bills through customized programs such as remote freight bill entry. The company recently developed two new solutions—*Freight Rate Auditing* and *iCapture for Freight Bills*—aimed at improving inefficient, error-prone processes and keeping carriers ahead of the curve, says Chad Crotty, vice president of sales at DDC FPO.

*Freight Rate Auditing* came about when DDC FPO customer SHIFT Freight, an LTL carrier, wanted to outsource non-value-added tasks that could be done more efficiently and accurately outside its lean

organizational structure. Because DDC FPO already touches every bill, the company had the resources it needed to audit freight bill accuracy on SHIFT's behalf. Moving forward, SHIFT expects to continue to outsource mission-critical, but peripheral, functions to DDC.

DDC is also getting set to unveil *iCapture*, a solution that uses intelligent data capture to process bills of lading and produce unique visibility reports, equipping carriers with more time, a bigger budget, and higher-quality intelligence. Using *iCapture*, DDC FPO can extract the data from any document—including invoices, freight bills, contracts, and letters—then classify the type of document, capture data based on its context, and verify the extracted data, all without human intervention. The system can then feed the data into an ERP or other backend system to speed the paperwork on its way.

Shippers pay particular attention to freight audit and payment service provider relationships when they are in the market for a new partner. Shippers have a lot at stake when selecting a provider. Not only must they avoid providers that are not equipped to meet their current and future needs, but poor processes and carrier relations on the part of the freight payment provider put the very movement of the shipper's cargo at risk. Carriers don't favor shippers who don't pay on time.

"Cass' customer relations personnel are vigilant about avoiding exception invoices. Both our customers and their carriers benefit by making sure invoices are processed smoothly and correctly," says Cass' Zygmunt. "If we see too many exception invoices, we investigate to determine the cause, and take corrective action."

## VETTING FREIGHT AUDIT AND PAYMENT PROVIDERS

Finding a solid, trusted freight payment partner, and building a relationship that will serve both parties for many years to come, requires shippers to perform their due diligence. Here are some questions to ask potential freight audit and payment providers.

**How do you define visibility?** Because good decisions depend not just on clean, accurate data but also on timeliness, find out what the provider means by "visibility" into data. Ask what data you'll be able to see and how quickly; how much of the provider's service is electronic versus manual; and whether it offers visibility at all points of the payment process to both shippers and carriers.

"Particularly with paper-based processes, invoices sometimes arrive in the mail then disappear into a black hole," says Rick Erickson, global director of freight payment solutions for U.S. Bank. "If you can't

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# STACKING UP SAVINGS



view the invoice online, and include it on reports, then you have to call your provider and chase the data. With fully electronic processing, you have visibility to the entire process.”

**What internal controls and security measures protect your funds?** It’s important that a freight payment company has a system of checks and balances to ensure funds are never intermingled—among customers, or between the customer and freight payment company.

Ask whether processes are built around protecting customers’ money, as opposed to protecting corporate money. Does the provider fund carriers electronically, or through checks? Is payment fast or slow?

**Can we visit your facility?** Despite choosing a provider to process \$100 million or more in transportation payments, many shippers don’t actually visit the freight payment service provider prior to signing a contract. Take the time to visit the facility and meet not just the salesperson, but also the executive management team and the staff who perform auditing and payment tasks.

**What is your IT platform?** It’s important for shippers to understand what tools and reports providers offer, how data will be served, and how it will integrate into your own systems. Do the systems provide unlimited fields so you can add data you want to track? What is the provider’s roadmap for technology enhancements? What do the dashboards and reports look like, and can they be customized to your way of doing business?

Because so much benefit is derived from ensuring data is handled properly, freight payment companies recommend including IT professionals, along with procurement and logistics staff, in the process of finding, vetting, and establishing freight payment provider relationships.

**What is the cost?** The relative importance of price varies by current economic conditions and individual priorities. Today, some freight payment companies report that potential customers’ first question is about global capabilities, the second question is price, and the nature of IT capabilities comes in third. Savvy freight payment customers know price is important—but so is ensuring your partner can grow and thrive alongside you. Good service costs money.

**How effectively can you scale?** It’s important that shippers fully understand provider processes, and ensure they can scale operations in the areas where they plan to grow. That can go a long way to ensuring a lasting partnership.

One particularly significant process is the provider’s method for identifying the root cause of exceptions. Doing this well is important to driving out errors quickly and preventing excess costs in the future.

**What are your credentials?** Integrity and trust are musts when it comes to handling shippers’ money and data.

Review the provider’s audited financial statements, processes for handling reconciliations and refunds, and fidelity bonding and employee dishonesty coverage. Be cautious in overly trusting certificates of insurance and clean SAE AE 16 SOC-2 reports, which don’t actually prove the company is a quality provider.

The vendor should have at least a \$50 million Employee Dishonesty Bond that covers global operations to safeguard funds. Shippers with international freight requirements have additional questions to ask. U.S. companies operating in Europe need certification under U.S.-EU Safe Harbor, a framework to ensure adequate protection for personal data. They also need to be TRUSTe certified, and understand taxes—such as VAT or Germany’s MAUT—that may appear on freight bills.

**What do others say about you?** Talking to current customers is due diligence 101. But two other key audiences have valuable insights to share: carriers and former customers.

No one is better attuned to how well a freight payment company manages its processes and executes payments than carriers waiting for their money.

The shipper’s own industry contacts are one valuable source, but some providers are willing to share their own lists of former customers with potential new customers. Shippers change providers for many reasons—not all of them are negative.

## MAKING THE MOST OF DATA

They may be known as freight audit and payment companies, but many providers in this market are logistics information and services providers with roots in managing freight payment data and processes. The companies have grown and evolved their business model, and array of product and service offerings, based on transportation and logistics trends, as well as their customers’ unique business challenges.

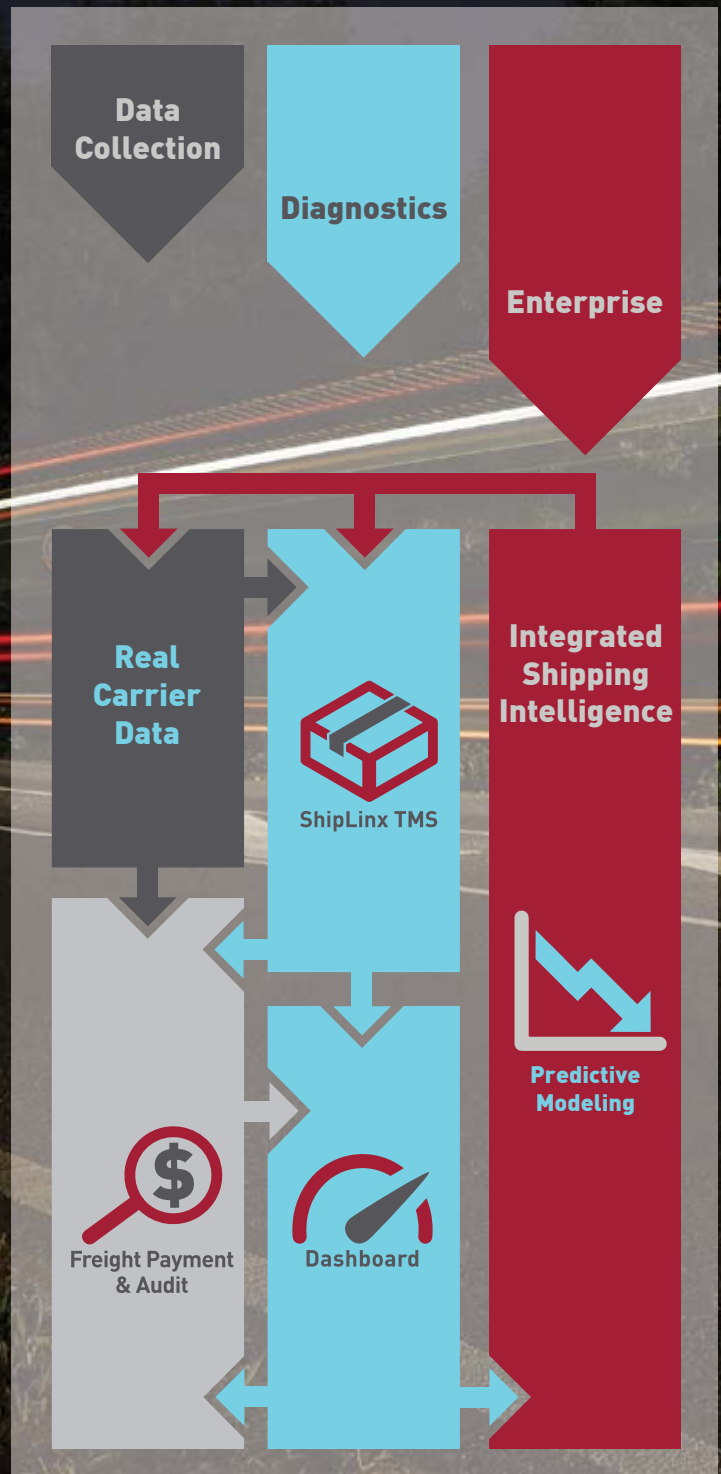
Recently, that growth has required substantial investment in supporting the expansion of payment services and data-enabled visibility into shippers’ global supply chains. It also means continuous enhancement of providers’ IT platforms to keep up with customer needs and take advantage of evolving technology.

All that adds up to substantial value, particularly for those shippers that draw maximum benefit from the expertise and extended services their freight payment providers offer. Those that choose carefully and maintain close, collaborative relationships enjoy deep insights into their supply chains to feed well-informed, strategic decision-making. ■

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