

## **"Transportation Spend Management." (TSM)**

**Distribution Solutions, Inc. (Dsi)-Plymouth, MA** formed in 1990 is a business process improvement company with a specific discipline in transportation spend management services.

Transportation spend for most companies makes up almost fifty (50) percent of their total logistics costs and logistics costs in general as a percentage of sales are trending higher. Chief Financial Officers ( CFO's) are well aware of this trend and can quickly and easily determine if TSM is effectively implemented at their company by seeking answers to these five (5) simple questions:

(1). Are we leveraging our total transportation spend when negotiating with carriers, or is our spend fragmented across departments, business units, or Logistics Service Providers?

***DSi's Answer:** DSi enters a complete thirty (30) to ninety (90) sampling of all freight invoice level detail for all modes, (small parcel, less than truckload, truckload, domestic & international air freight, international ocean freight and rail car or intermodal) into our proprietary "Assessment Database" to create a client specific database model. Invoice data is collected for inbound collect shipments, outbound prepaid shipments or third party invoiced shipments where the client is responsible for freight payment. A total of 32 unique data fields are recorded for each invoice. A good data set requires a complete, current and representative sample which when projected annually ties to P&L line item expenditure for transportation expense for all departments, and affiliated business units. This database model becomes the basis for a formal assessment using DSi's proprietary historical benchmark data collected from hundreds of RFQ( Request for Quotation) programs conducted for existing and prospective clients. The database model is also used to establish historical benchmark pricing for required services.*

(2). Are we engaged with the right set of carriers, or are there other carriers that can meet our service level expectations at a lower cost?

***DSi's Answer:** Before any discussion or negotiations with carriers DSi establishes a complete set of 'business rules' and SOP's (standard operating procedures) through a series of interviews and discussion with all client personnel who interact or otherwise have input into and influence on the specific requirements of participating carriers. The information gathered from these interviews and discussions form the basis of a uniform disclosure document ultimately used in negotiation and discussions with prospective carriers. These business rules become a condition of bid. If a carrier cannot meet or exceed required services and insure that the business rules are adhered to, they are not allowed to tender a bid for available business. Through this screening process a list of all qualified carriers is pulled from Dsi's database of over 500 carriers.*



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(3). Are we consistently using contracted carriers and paying contracted rates, or is there a lot of "maverick" spending taking place?

**DSi's Answer:** *DSi designs, develops and integrates a complete set of Routing Guides for all of its clients. These routing guides provide specific carriers by weight, service parameters and geographic coverage for all inbound, outbound and third party shipments that are paid by the client. Inbound Routing Guides are sent to all vendors who ship freight collect and are sent on a Return Receipt basis. The routing guides carry an Acknowledgement Letter which is returned to DSi who acts as the Routing Guide Administrator. The Acknowledgement Letters when received establish that the vendor has (1) received the guides (2) understands and will follow the routing guides and (3) will be liable for any premium freight costs incurred as a result of their non compliance with those routing guides. Outbound routing guides are placed with all shipping facilities. A Default Routing guide is implemented for any other unidentified lane requirements. DSi tracks program compliance through its Freight Bill Audit, Payment and Management Reporting System and provides weekly or monthly Non Compliance and Lost Savings Reports which are used to charge back the offending vendor or to debit an internal departmental budget for outbound prepaid non compliance. Through this process DSi's clients maintain a ninety seven ( 97%) compliance ratio. The Routing Guides are kept current as new vendors or shipping locations are added.*

(4). Are we being invoiced correctly, or are we paying too much? What's the cost of our freight settlement process and can we streamline it?

**DSi's Answer:** *The first part of this question can be misleading. You can in fact be invoiced correctly, but still be paying too much. DSi's Freight Bill Audit, Payment and Management Reporting process recovers an average of \$.0303 cents in carrier invoice errors for every\$1.00 invoiced. Our contract management system, audit database rating engine, and highly trained senior auditors insure that each invoice is rated correctly as per specific client/carrier contracts as negotiated and maintained by DSi on behalf of their clients. Our freight payment system provides duplicate payment protection, General Ledger coding and proprietary freight payment accounts are maintained for each of its clients. No funds are co-mingled and all clients have access to these accounts. Cass Logistics, one of the largest freight audit, and payment houses in the country in a whitepaper report establishes a fully supported allocation cost of \$11.03 per invoice to properly receive, audit, and pay a freight invoice. For a copy of that report, please contact your DSi representative. Internal payment and audit functions can easily be streamlined through these services. The client issues one check or electronic funding transaction for all audited and approved carrier payments to DSi which is deposited in the clients proprietary freight payment account. DSi then processes all payments to approved program carriers as per agreed upon contract terms.*



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(5). Are our transportation costs aligned with the rest of the market, or are we paying more or less than other companies?

*DSi's Answer: DSi's freight cost assessment process can provide the answer to this question. Having conducted hundreds of RFQ processes involving hundreds of carriers providing services to companies in similar industry spaces with similarly profiled freight characteristics and requirements, DSi's proprietary assessment database and freight audit database become powerful metric devices used to evaluate savings opportunities specific to your industry segment.*

