

How Perry Ellis saved \$225,000

More companies are using software to audit freight charges

BY ALAN M. FIELD

You're importing products from dozens of manufacturers throughout Asia and Latin America, and your list of suppliers is continually changing. How do you make sure your freight invoices are accurate?

That was the question facing Marvin Leto, vice president of logistics at fashion designer Perry Ellis International, whose supply chain for garments and swimwear uses 12,000 port combinations. Although Perry Ellis was using third-party specialists to audit its freight bills, Leto wasn't satisfied that those audits were as thorough or quick as they needed to be.

To get a handle on the problem, the company began using Rate Explorer, a software product from Management Dynamics Inc. The software automatically compares invoices against expected freight costs, and then posts the audited freight charges by line item, including charges that

weren't invoiced or haven't been paid.

"This gives us the bottom line very quickly," Leto said. Over the first year, Leto said he saved \$225,000 in overcharges — \$400 to \$500 per TEU moved.

As carriers' supply chains become longer and more complex, Rate Explorer and other technologies for freight audit and payment are becoming key parts of shippers' operations.

"Companies get a comprehensive scorecard to evaluate their transportation carriers," said Nathan Pieri, senior vice president of marketing and product development at Management Dynamics. Without automation, he said, it takes too much time to check more than a sampling of bills — and there is always the risk of mistakes.

Pieri said Rate Explorer gives shippers "the power to audit the rates of 100 percent of their bills. Otherwise, it is very hard to get a comprehensive scorecard when you audit only 2 percent of your bills." The software prints out all the charges that should have been made and highlights any errors made by carriers.

Freight-audit software has been kicking around for about a decade, but only recently has it begun to attract much attention. For shippers, the attraction is the ability to see that they aren't being overcharged for freight.

"Most shippers can realize from 3 to 5 percent freight expense reduction by using them," said Dawn Salvacci-Favier, vice president of transportation and logistics solu-

tions at JDA Group, which provides such products. Other vendors that sell such freight-audit modules for their transportation management systems include Infor, Logility, Manhattan Associates, Oracle, SAP, TransPlace and Ocean Freight Refunds.

A recent study by Aberdeen Group found that 47 percent of companies automate or outsource freight audit and payment but that an overwhelming majority wants to automate these activities soon. About 15 percent of the companies surveyed said they outsource their automated freight auditing, rather than use software in-house. That number is expected to rise to 20 percent soon, Aberdeen said.

One reason that freight-audit software is finally catching on, Pieri said, is the growing complexity of carriers' rate structures. Another reason is that carriers must complete documentation faster, largely because of the 24-hour rule, which requires carriers to provide Customs with cargo documentation a day before U.S.-bound ships depart overseas ports.

Vendors also are making their products more useful. JDA Software has been selling freight-audit software since 1997 but has added functions such as one that allows shippers to create consolidated invoices from multiple movements of products invoiced on a single bill. Another function calculates accrual charges that companies will face eventually but for which they have yet to receive an invoice.

Freight-audit technology also has gotten a boost from the Sarbanes-Oxley Act of 2002, which requires companies to demonstrate that their financial controls are in place or face legal sanctions from the Securities and Exchange Commission. ♦

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