

Checking the Check

Freight bill auditing and payment services expand as international supply chains become more complex

When just-in-time supply chains stretch around the globe, the last thing anyone wants to hear is “the check is in the mail.”

That’s why freight audit and payment technologies increasingly are becoming integral to business for shippers and carriers as regulations multiply, transportation lanes lengthen and supply chains grow increasingly complex.

“We have extraordinarily complex pricing structures in transportation,” said Nathan Pieri, senior vice president of marketing and product management for Management Dynamics, a global trade management software provider that just expanded its on-demand ocean freight audit system into air freight. “It’s only going to get worse.”

That’s because well-established U.S. domestic freight payment and audit systems are more frequently being asked to accommodate bills tendered by overseas providers, while air- and ocean-oriented services are catching up with globalizing supply chains reaching into countries that know little about tariff schedules or Sarbanes-Oxley-compliant expense controls.

International transportation has nearly tripled in cost, to about 6 percent of sales, while an Aberdeen Group survey of 200 companies indicated less than 10 percent were able to reduce their year-over-year international shipping costs.

Carriers are also moving from “all-in” rates to increased use of accessorial to capture items such as fuel surcharges that can fluctuate widely over the course of a shipment. Combined with terminal handling and bunker fuel charges, currency adjustments, documentation, security and corridor fees, the management of freight bills — and their audited accuracy, a big problem given the proliferation of charges — is no longer a process that can be done without technology.

“We see it actually getting more complex,” Pieri said, “and without automation it’s difficult to understand if you’re paying the right amount for transportation.”

That’s one reason apparel and accessories distributor Perry Ellis International adopted Management Dynamics’ ocean freight audit service to organize its swelling till of freight bills.

“Once they know you’re auditing, they’re more careful with your contract.”

Marvin Leto, vice president of corporate logistics at Perry Ellis, said the company counted \$400 million in annual sales five years ago and received 70 percent of its shipments at East Coast ports. After two years of acquisitions, Perry Ellis was posting \$900 million in annual sales and getting 65 to 70 percent of its cargo through West Coast destinations.

Now the company moves about 5,000 40-foot-equivalent-unit containers a year, four-fifths of it by ocean, using four major and eight minor oceangoing carriers from Asia to the United States. “We make an effort to keep it on the water,” Leto said, “because that is still the most economical means of transport.”

But only if you’re double-checking your freight bills. In the first year of using the freight bill auditing service, Perry Ellis saved \$220,000 in bill of lading overcharges across its ocean carrier contracts.

The headline numbers are only part of the story. “Once they know you’re auditing their freight bill, they’re more careful with your contract,” Leto said.

Because Perry Ellis receives arrival no-

tices five to seven days ahead of shipments, the service can calculate the freight bill before it’s even presented.

“We’re actually saving hidden dollars (by) taking care of this before payment, rather than after payment,” Leto said. “The longer it takes you to point out an error, the harder it is to get them to correct the bill.”

Michael A. Regan’s company, TranZact Technologies, got back into freight audit and payment services in 2005, after deciding software and Internet technologies had matured so that the functions could be delivered reliably and bundled with other shipper services. The freight pay-



ment and audit business was roiled by scandals in the earlier part of the decade after some companies were exposed for collecting bills but not paying them.

“The carriers, especially the majors, are much better at billing than they are given credit for,” said Regan. “What alerts us is the dollar amount of the bills, not the number of bills involved.”

Yet paying and auditing freight bills in-house costs \$3 or \$4 a piece, he said; outsourced auditors can take care of the chore for a fraction of the cost.

“You get the benefit of constant and continuous technological innovation” by outsourcing to a freight bill specialist, Regan said, as well as the cost savings from scale that a dedicated provider can bring.

“If a freight payment company doesn’t process bills in a timely manner, or if a shipper mandates that they go 30 or 45 days out before they pay a bill, that will artificially inflate their duplicate payment number,” he said, something a responsible payment and audit manager should be able to catch and correct.

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