



Executive Report:

EFFECTIVELY MANAGING FREIGHT EXPENSES IN CHALLENGING ECONOMIES

Executive Summary

With the current downturn in the U.S. and global economy, it is clear that there are currently varying levels of sophistication regarding today's companies' ability to effectively navigate their shipping activity in the most economically efficient fashion, primarily procuring the *right* carriers at the *right* rates, paying and auditing their freight bills, and benchmarking and budgeting their transportation activity with near real-time visibility. With today's erratic fuel costs, financial insecurity of both carriers and shippers alike, and generally the lack of first-rate analytical tools using current technology that can properly *benchmark* and *control* transportation costs while cutting cost drivers, shippers have been experiencing challenges over the past months.

Other challenges exist for today's shippers, including a duopolistic small parcel arena, improper rating mechanisms for less-than-truckload carriers, and the need for better visibility and reporting capabilities to accurately review, benchmark, and forecast their shipping activity.

Utilizing common rate bases, brokers, 3PL's and 4PL's has been a generally-accepted practice for many U.S. shippers for years. Due to the advent of RateLinx technology in concert with Business & Decision's Microsoft technology, shippers in the U.S. and abroad now have the ability to develop their *own* program *directly* with the carriers that make the most sense for their company, their facilities, and their distinct freight profiles and corresponding characteristics. This allows them to have the tools available to create a totally integrated, efficient solution that touches every area of a company's logistics process – from obtaining carrier rates (all modes), execution, payment, and auditing – all in a solution that *immediately* saves shippers transportation dollars.

The Problem: Finding an effective way to manage the RFQ

The first step for most shippers is managing a Request for Quote (RFQ), which is generally a very time-consuming and tedious task for companies that “go it alone.” Contacting carriers, structuring the RFQ itself, obtaining bids, reviewing bids, and quantifying the results can be an overwhelming task that can take months to endure. And, once completed, it is very important to determine if the bids that were received in this process are at or below market level pricing for a company with similar freight volume – for that determines the success of a company’s bid process. This is the inherent problem – how does one know? Then, once in place, how do these companies actually ensure compliance of their carriers and rates company-wide? Lastly, how does the shipper effectively monitor that the bills they receive from their carriers are actually correct?

Previous Solutions

Until recently, companies had two choices in their RFQ process, either

- 1) Perform the RFQ process themselves; or**
- 2) Utilize a Third-Party Logistics Company (3PL) to manage the RFQ process.**

In the first case, managing the RFQ process internally is extremely time-consuming, and in the end, the company is limited by their own market knowledge. It is difficult to measure the success of the bid before the program is actually implemented.

In the second case, using a 3PL can greatly reduce the process time – and will leverage market knowledge of the 3PL. But the problem exists of not truly knowing why the particular carriers were chosen – was it to meet the needs of the Shipper, or the 3PL? As a shipper, is your 3PL working to optimize their freight, or yours? Also, the problem of not fully knowing the actual true market level pricing exists as well – every day, every transaction.

Once pricing is obtained, shippers are then challenged with how to have their products shipped to their customers correctly companywide– in accordance with the logistics processes that were created and the rates put in place. Lack of internal compliance to a shipper’s program (even if that program is substandard) drives up costs considerably. Available shipping technologies help, but are generally slow, unreliable, outdated, and expensive. Freight payment and pre-auditing bills are concepts that are often disregarded, overlooked, performed internally, or contracted with a 3rd party who manually performs their duties in a painstaking process. Finally, proper visibility is non-existent due to lack of technology and integration with antiquated carrier technology, much less being able to properly manage, measure and benchmark logistics activity and costs.

In today’s world of Sarbanes-Oxley, proper GAAP accounting, intensified shareholder awareness, and, above all, the pressing need to compete on a global landscape, now more than ever, it is a necessity for shippers to revisit each aspect of their logistics operations from beginning to end.

The Business and Decision / RateLinx Solution

Business & Decision (B&D) has partnered with RateLinx, one of the top freight management and logistics technology providers, to develop RLinteract — the first 3PL solution to combine Business Intelligence and shipping management tools, plus offer a tight integration with ERP systems.

RLinteract offers several benefits to help users realize greater savings potentials than they would through a traditional 3PL provider offering. These include:

Benefit 1 - ANALYSIS - It is difficult to establish direction to one's destination without knowing where one is actually starting. Establishing the starting point is precisely what a RateLinx Analysis does, and is the first step to determining the direction. By having RateLinx input historical shipping information and data, one's freight characteristics are accurately captured in the RateLinx Analysis, the results of which are important to move to the next step – the Strategy.

Benefit 2 – STRATEGY – The Strategy is based on the freight characteristics determined in the above Analysis, through the use of RateLinx' Statistical Normalization process. It is extremely difficult to compare different rate bases due to the inherent biases that each carrier applies to their own rates. These biases, both for the shipper and against the shipper, are then used to determine which carriers are the best fit to haul the shipper's freight. Once these biases are removed through the Statistical Normalization process, RateLinx is able to rank the carriers based on which carriers will provide the pricing that is at or below market discount levels – it is very clear.

Benefit 3 – EXECUTION — Execution is actually obtaining and securing the market level pricing from the carriers that were determined by RateLinx' Normalization Engine as the best fit(s) for the shipper's freight. This entails facilitating and obtaining the necessary tariffs, contracts, etc. – between the shipper and the Carrier – in order to move onto the next step in the RateLinx process. Nothing is finalized with the carriers until the Quantification process occurs below.

Benefit 4 – QUANTIFICATION — The most important mechanism in the RateLinx Solution – determines and re-affirms that the pricing obtained is where it needs to be in relation to current market levels. The proposed pricing is entered and modeled against the historical shipment data to determine what the Shipper's actual final freight cost would be, and the final carrier mix is also distinguished and re-affirmed.

Benefit 5 – IMPLEMENTATION – The final carrier pricing, rules, terms, etc. are then entered into the shipper's ShipLinx software, which enables the shipper to comply with the most optimal freight decision on a transaction by transaction basis – from any and all of the shipper's shipping locations, outbound and inbound, thus ensuring that the shipper enjoys maximum benefit derived from the RateLinx process.

About Us

Business & Decision is a world-class professional services company providing solutions and related consultancy in Enterprise Resource Planning, Business Intelligence, Customer Relationships Management and E-Business. Founded in 1992 and listed on the Euronext, B&D has gained its leadership by leveraging its functional and technological expertise to successfully address an organization's most critical challenges.

Business & Decision currently employs 3000 consultants worldwide. Combining technological and methodological expertise, along with practical skills and industry knowledge, we implement cutting-edge solutions with minimal risk. Our teams focus on results in terms of cost, time and quality. We are experts in market-leading software solutions and are recognized externally for the quality of projects that we deliver.

Benefit 6 – VISIBILITY / MONITORING / MEASUREMENT – The final step for maximum effectiveness and efficiency is implementing Business and Decision's **RLinteract** software that provides shippers with valuable insight that monitors, near real-time, the shipper's logistics processes and ensures the ongoing measurement of corporate logistics performance in order to track internal compliancy and ensure corporate goals are being met. Using reliable, well-established Microsoft Business Intelligence tools, combined with B&D's custom-developed intelligence in **RLinteract**, shippers obtain a view into their freight spend never seen before.



B&D North America
USA - (609) 575-6883
Technical - (718) 766-9163
info@rlinteract.com

www.businessdecisionmsft.com