

Ending the Logistics Nightmare

Integrated Freight Processing Solutions Deliver Transportation and Supply Chain Cost Savings

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As transportation costs continue to rise, companies are under increased pressure to find ways to contain spend. A recent Aberdeen study¹ found that fuel costs and customer demands for faster and more frequent deliveries were two of the most pressing concerns for respondents. The complexities around supply chain sourcing, due to increased globalization, was also indicated as a significant challenge facing logistic professionals looking to implement effective transportation spend management.

For many companies with global operations, maintaining a decentralized structure affords them the flexibility to operate separate business lines independently, providing a competitive edge. However, decentralization of business processes also creates significant challenges for logistics professionals who struggle to gain a clear picture of the entire company's supply chain and its related transportation costs.

Lack of visibility into actual spend information and the general inflexibility in the typically manual processes has left many logistics professionals wanting a more visibly interactive supply chain. This has led them to look for better technology and processes to reduce costs.

Logistics challenge: Inability to collect supply chain and financial data

Decentralized business processes create a headache for central logistics planners

because they are unable to collect the necessary supply chain and financial data needed to effectively manage transportation spend across the enterprise. Case in point, logistics executives at a large Midwestern-based, multi-national agricultural company faced a tremendous duplication of resources across the company's 50 business units. Because each unit processed their own freight payments, every subsidiary required its own controller, freight payment manager and accounts payable (AP) clerk dedicated to freight payment and analysis. This obviously resulted in enormous inefficiency.

Having diverse operations can also present technology challenges that compound the difficulties logistics professional must deal with. In the case of the agricultural company, while they did utilize a single ERP solution enterprise-wide, multiple transportation solutions implemented at each business unit meant data was being generated in different formats, which prevented logistics from making timely decisions about their overall transportation operations. Making matters worse, varying payment terms had been put in place with different business units for the same carrier. These payment terms varied anywhere from 15 days to 30 days, which resulted in a reduction in available working capital for the company.

The problem this company's logistics professionals must grapple with is a common one. They struggle to collect the data needed at the corporate

level so they can present it to the individual business units, allowing greater collaboration in consolidating spend with transportation carriers.

Lessons learned from best-in-class companies

Companies can gain key insights into the steps they must take to achieve process improvements by looking at the best practices in transportation spend management of best-in-class organizations. The Aberdeen survey found nearly half of the "best-in-class" companies have focused on improving their ability to analyze and automate true freight spend. Top performing companies have come to recognize that visibility alone isn't sufficient, and as a result are putting in place processes to better utilize spend data and optimize activities around sourcing and payment.

Successful management of transportation spend requires companies to organize their capabilities around a centralized platform capable of handling global complexity, including multi-lingual and multi-currency functionality. By having a global, centralized platform to collect and share data across regions, divisions and operating silos, provides logistics professionals with ammunition they need to evaluate the company's extended supply chain and analyze transportation spend management data.

The Aberdeen study revealed that best-in-class companies consistently employ practices such as the automation of data collection and analysis on freight

spend; collaboration and synchronization of data with carriers, suppliers and trading partners; and the tying of transportation, carrier selection, audit and payment into a single process.

Integrated freight processing: Automating the entire supply chain process

Companies looking to implement the best practices of best-in-class organizations can avail themselves of today's cutting-edge freight processing tools. Highly specialized solutions, such as Citi® Integrated Freight Processing (CIFP), simplify the audit, approval and payment of freight-related expenses by automating the entire supply chain process.

Using advanced solutions such as CIFP, buyers can make what has traditionally been a highly complex freight and transportation invoice and payment process, into something far more manageable. In the case of CIFP, the solution leverages Citi's global supply chain network, which allows a company's carriers to submit invoices electronically to the bank via a secure, online portal, at which time the system automatically conducts a prepayment audit to match pricing and other required fields to the carrier's invoice. By automating audits, time consuming, manual processes are eliminated, which in turn speeds up payments.

Once a pricing match is established, payment is then initiated by the bank and the carrier is paid electronically. However, if the pricing does not match, both buyer and seller are notified of the dispute, after which they can negotiate a resolution entirely online. To ensure corporate policies are enforced and regulatory compliance is met, audits are accompanied by a full audit trail.

Solutions such as this enable a company to authorize immediate payment to its carriers, while receiving a single, monthly bill that consolidates all freight expenses regardless of the carrier or mode of transportation. As a result, all freight transactions are consolidated into a single process across all payment methods and currencies, which enable companies to extend their Days Payable Outstanding (DPO) to the same period each month, offering important working capital advantages.

On the carrier side of the equation, an automated freight processing tool speeds invoice payment causing Days Sales Outstanding (DSO) to be greatly reduced to as little as four days after approval. For the carrier, the risk of short pay is all but eliminated since invoice discrepancies are negotiated online prior to payment approval. This type of reliable, predictable payment schedule also has the effect of strengthening the relationship between shipper and carrier.

An integrated freight processing solution can be a game changer. Accounting is streamlined with automated expense postings and allocations down to the line item without the need for manual intervention. Costs associated with billing errors, collections, late payments and account reconciliation are reduced. Ultimately, with enhanced visibility into expenses and improved collaboration between shipper and carrier, logistics professionals have more control over freight spend, which can only benefit the bottom line.

Delivering a more interactive supply chain

Freight processing solutions enable logistics professionals to aggregate data at the corporate level, which can facilitate improved carrier management and more cost-effective contract terms. In many cases, the savings can be between two and five percent of a company's transportation budget.

As companies consider freight processing solutions, it is important to pick the right banking partner, in order to ensure the greatest success. With one of the largest trade networks in the world, Citi is uniquely equipped to meet clients' end-to-end needs globally. The CIFP solution is a specialized component of the bank's broader suite of working capital supply chain management solutions, helping to address the complex requirements related to managing transportation payments.

In today's challenging business environment, freight processing solutions can deliver a truly interactive supply chain, while allowing a company to dramatically improve its ability to manage working capital.

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Jeff began his career at Koch Industries in the Transportation Group where he managed Truck, Rail, Barge and Vessel negotiations for the Carbon Group. In 1997 Jeff joined US Bank during the development phase of the PowerTrack freight payment solution. He was involved in sales to commercial clients in the Fortune 1000 marketplace and sold PowerTrack both in the direct sales channel and through indirect channels such as 3rd Party Logistics companies. In July 2009, PowerTrack was spun off from US Bank to form Syncada. Jeff assisted in the development of the sales process that new sponsor banks will utilize to sell Syncada to their clients.

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