

WHAT IS DRIVING YOUR TRANSPORTATION EXPENSE?

Transportation Managers have 3 tools available to manage costs: Rate Negotiation, Mode Selection and Carrier Selection.

When policies are implemented related to production, inventory management, purchasing, sales and more, it can significantly impact or completely negate the power of the transportation managers' tools.

Look for and investigate the policies and scenarios below to help you understand the TOTAL cost of moving and managing transportation in your organization.



TRANSPORTATION COST INFLUENCERS not controlled by the Transportation Manager

CUSTOMER DEMAND

POLICY / THREAT: Ship as product becomes available—incomplete orders.

SCENARIO: An order that fills a full Truckload doesn't have the inventory to ship and alternatively. Product ships as available, resulting in multiple LTL shipments. Shipping costs increase as well as costs for your warehouse labor, accounting and customer service.

Multiple shipments coming inbound can have a similar impact. Control inbound costs by recouping charges you incur when your vendors are sending multiple shipments.

KEY METRIC: Perfect Order—All products, all quantities, received on time, damage-free, with correct billing

18-20%
OVER BUDGET



CUSTOMER SERVICE

POLICY / THREAT: Fulfill the customers' orders even if it means pulling from multiple locations.

SCENARIO: A full Truckload shipment is ordered from a customer in Atlanta. Product ships from multiple locations in Cleveland and Denver to fill the order. Shipping costs increase and create more effort for your warehouse labor, accounting and customer service.

KEY METRIC: Percentage of customer orders shipped from backup locations



FINANCE

POLICY / THREAT: Keep inventory low, focus on inventory turns.

SCENARIO: Purchasing orders the smallest quantities it can on a weekly basis, paying Parcel or minimum LTL rates which is typically **2 - 4 times the cost** of a non-minimum order. Larger shipments should be considered and encouraged where possible.

KEY METRIC: What is the "total landed cost"? Total landed cost = The inventory carrying cost of the product plus the freight costs per unit and the receiving and accounting costs for handling the purchase order

10%
OVER BUDGET

SALES & MARKETING

15-20%
OVER BUDGET

POLICY / THREAT: "Free freight", rush orders, using customer carriers

SCENARIO: Concessions and gimmicks that look like a solution to earn sales actually increase the order fulfillment cost and potentially reduce the product and customer profitability.

KEY METRICS: Variance between actual delivered cost vs. least cost delivered expense, Customer and Product profitability reporting



SCENARIO: 1,000 Units ship from your Denver location, as none are available in Cleveland. Ships via Truckload, though at a much larger distance.

5%
OVER BUDGET

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More detail available in the Storm Center at: www.tranzact.com.