

“Please hold, we’re busy talking to our truckers...”

Forwarders spend more time managing their vendors than they do serving their customers. Surprised? Until I ran the numbers, so was I.

The cost of vendor administration dominates our operating expenses, limits the quality of the services we offer our clients – and confines our bottom line to regrettably small percentages.

Our customers come second. Don’t believe it? Have your station employees log their phone calls for a couple of days. One out of three, or less, will be with your clients; most phone time is spent talking with your vendors. Take a look at the mail in each station: stacks of bills from vendors tower over the payments received from clients.

The sad reality is that we think of ourselves as an intensely customer-driven industry, but our employees spend most of their days administering transactions with our vendors. Too little of their time is directly devoted to bringing value to our clients.

We are vendor transaction managers. And we aren’t particularly good at it.

One for the customer, two for the vendor

When I was running Hellmann, I did a simple analysis and learned that, on average, we invested more than three hours for each shipment we handled.

I was stunned – what were our very good people doing for three hours? When I dug deeper, I learned that we dedicated, on average, just one hour creating value for the customer (phone calls and other customer communications, preparing documents, handling freight on the dock). **Almost two hours per shipment were spent managing vendor transactions.**

Why does it take two hours to manage vendor transactions for a single shipment? *Because there are so many.* A typical international shipment has just one invoice to the consignee – but you are paying as many as 15 to your vendors. Cartage agents for pickup, line-haul truckers, airlines or shipping lines, overseas offices, customs brokers, bonded warehouses, customs authorities, cartage agents for delivery to the consignee. Each invoice will require several tasks before payment is actually made.

Do the math for your own company – if you are running an international operation, you’ll probably come to the same general conclusion. **Three hours per shipment – one for your customer, two for your vendors.**

We need to get out of the vendor-transaction-management business, and back into the service business. We should finally become in reality that which we have always perceived ourselves to be – intensely customer focused. In order to do that, it is imperative that we find ways to release the energy of our employees to allow them to focus on bringing more value to our clients.

The answer isn’t imploring our people to think more about our clients. That won’t make much difference so long as most of their days are spent coding \$40 transactions or chasing POD’s by phone. The answer lies in redirecting their efforts by giving them the time to act in the clients’ best interest.

International forwarders spend the bulk of their money with four kinds of vendors: carriers, Customs, overseas networks and truckers. Most of the money goes to carriers. But the largest administrative cost, and a compelling opportunity, is administering trucking.

Trucking: the low-hanging fruit in vendor transaction management. Why is there so much opportunity in trucking?

1. **More transactions.** Two to three trucking transactions for each shipment we handle.
2. **More vendors.** Forwarders do business with thousands of trucking companies.
3. **More data.** In addition to billing data, forwarders need to recover POD data, and sometimes POD images, from their truckers on all deliveries.
4. **Less automation.** Most small truckers run their operations and billing manually, using a computer only to do their accounting.

On the surface, these can be significant barriers to creating efficient administration. Currently we manage them by throwing more and more people at the administrative tasks: operational people who call the truckers, chase POD data, and enter it into our systems; accounting personnel at our stations who receive, code, audit and enter the billing at the transaction level; and finally A/P people who create and mail the checks, and receive the phone calls from truckers demanding payment.

As an industry, forwarders assign the equivalent of 6,000 full time employees simply to administer these tasks with their trucking networks. And, despite the astronomical cost, this army of 6,000 is fighting a losing battle:

- POD data is generally entered inconsistently – and not promptly enough to satisfy our clients
- POD images are rarely available to clients on-line
- Billing data is rife with exceptions, short-pays and disputes

There is a better way...

Forwarders need straightforward technology that will move POD data and billing data automatically from their entire trucking network into their operational and A/P systems. It should be inexpensive for the forwarder, and within forwarders' technological capabilities. Clearly, any

system that benefits the forwarder must also offer similar advantage for the trucker. It should be free for all truckers, and must be so simple that truckers have no reason not to use it. And the truckers themselves must also be able to eliminate costly accounting procedures.

A system designed to these requirements is now available.



Only senior managers can solve the issues of vendor transaction management. Although the changes required may be surprisingly straightforward and inexpensive, they are, nonetheless, fundamental and far-reaching for the organization.

The forwarders who dominate our industry in the next decades will be those who transform how their people spend their time. Their employees will bring greater value to clients because they will have been freed from endless hours of vendor transaction administration. These forwarders' operating costs will plummet, the quality of their services will skyrocket and their profits will swell.

Gregg Borgeson is a long-time industry senior executive who was President of Hellmann through most of the 1990's, and ran ASG in the 1980's. Gregg established Ex Works Inc. (www.exworksinc.com), which provides a comprehensive solution for forwarders in managing their trucking networks. Gregg can be reached at (617) 236 1728 or gborgeson@exworksinc.com

How does your company compare?

Consider the annual statistics for a hypothetical international and domestic forwarder with 40 offices:

- **1,200:** Trucking vendors in the US
- **1.5 million:** Number of unique transactions with those 1,200 truckers
- **\$75 million:** dollars spent on trucking
- **41,000:** Phone calls made by the forwarder's employees to truckers to chase POD data
- **10,500:** Phone calls answered by A/P employees from truckers chasing payment or reconciling short-pays
- **60,000:** Checks the forwarder A/P employees create and mail to truckers each year
- **43 stories high:** height of all billing envelopes received from truckers in one year, if stacked on top of each other
- **40:** Full time forwarder employees at stations who receive, sort, code each transaction with file numbers, audit and data enter the trucker billing.

We can one-up the integrators

Fed Ex and UPS have no vendors; they have costly fleets. We have no trucks; we have truckers' payables. Profitability will soar if we find a way to retain our vendors and automate our vendor administration.

While the integrators must keep their fleets, we can redeploy whole departments devoted to vendor payables. What would that mean?

- 6,000 employees devoted to the customer
- \$355 million reinvested in systems and real customer service.
- Better and swifter trucker auditing
- Seamless vendor transactions
- The confidence that we can always tell our clients when their shipments were delivered