

DRAYMASTER

The Complete Intermodal Rate A Freight Forwarder's Challenge

A White Paper



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1. Introduction / Background

A significant portion of the transportation spend of global forwarders is on ground transportation, the pickup and delivery of goods they move by air or ocean main carriage.

Generally, forwarders have made significant progress managing and procuring efficient ground transportation for LTL/air shipments, and there are clear opportunities to bring those same efficiencies to pricing for ocean containers. The potential impact on the bottom line of global forwarders is significant, for the following reasons:

Gross Expense. The typical invoice for ground transportation is five to eight times higher than the average invoice for moving loose freight. Container drayage is where the big money is spent for freight forwarders, large and small.

Pricing Transparency. Automation is the key enabler. For Air or LCL pickup and delivery, forwarders have a choice of neutral or provider-maintained TMS systems, often utilizing API's direct to carriers, to obtain reliable comparisons between carriers. With ocean containers, at best, forwarders typically see and compare only freight charge and fuel surcharge when selecting carriers, so invoices tend to be higher than booked cost, as much as 80% of the time, often by hundreds of dollars. Operators are flying blind as they spend their company's money, often, unknowingly, selecting one carrier with a significantly higher final cost than another.

Wasted Labor, flawed accounting. The impact of not knowing what the final cost will be when procuring, rolls downhill and creates a host of additional inefficiencies. Cost accruals are typically based on the booked cost, but that cost is incomplete, leading to understated liabilities and if not settled promptly, out-of-period cost adjustments. Because the trucker's invoice, once received, will typically be much higher than the protected cost, it needs manual review and approval before it can be processed, leading to additional labor. Time-stressed Operators might tend to "rubber stamp" these invoices unless the variance is large. Wasted transportation cost is only the beginning of the cost and efficiency issues created by the historically opaque price of draying ocean containers in the United States. In many cases the forwarder won't create their revenue invoice until the trucker's invoice is received and approved, which leaves files open and receivables extended (the hidden DSO!).

Why is this problem more prevalent for trucking ocean containers and not for loose freight? The core reason is the issues carriers face, tend to be more complex. They aren't simply moving cargo from one place to another; they are procuring equipment at a per day cost, making multiple stops, facing different levels of port costs, congestion, etc.

The cost for running their vehicles and fuel for a certain number of miles is easy to calculate and compare. The costs for manipulating equipment is highly dynamic and complex; industry TMS systems don't attempt to maintain the ever-changing data, application triggers and algorithms relating to what are known as steamship and port accessorials.

TMS systems typically quote freight, fuel and simple accessorials, leaving forwarders with two choices:

1. They can book based on those freight and fuel costs and hope that when the trucker eventually invoices, they will add on accurate, agreed steamship accessorials.
2. Or, if they want to compare complete prices, including the steamship accessorials, they call multiple carriers, usually wait for an email back, then assemble the quotes and finally book the cargo.

The problem with the first option is obvious: carriers are business people and tend to quote low on freight and fuel to attract the business and make up any margin shortcomings in the steamship accessorials. The problem with the second option is that users don't have the time to run separate bids for each trucking move they do.

If forwarders can have the same, immediate transparency to complete comparative costs at the time they select a carrier – every time, the forwarder would save significant labor cost, enjoy cleaner accruals and can bill their clients more quickly.

2. Abstract / Business Case

The business case is simple; if a forwarder can gain full visibility into complete ground transportation costs quickly, efficiently and accurately, it will enable Operators to buy from the correct carrier and manage the subsequent accounting with far greater efficiency. Furthermore, detailed usage data that might be available from a systemic approach to this challenge can be used to create a powerful procurement strategy.

3. Solution Provider

DrayMaster was formed by drayage industry veterans to solve this issue for the companies that have been suffering for decades from issues resulting from inefficient tariff management. They do what no other provider has done – dig deeply into the intimate pricing details of each trucking company’s charges for steamship accessorials, maintain a sophisticated rate engine to manage all that detail – and then take on the enormous task of keeping all that data current as prices change from month to month and week to week. DrayMaster’s staff works with the providers to keep this information current – the trucking companies are not forced to update their own rates or follow a specific format. DrayMaster’s tariff entry “wizard” taps the industry standard PC Miler® database to convert a trucker’s tariff from a paper list of cities often with misspellings and incorrect zip codes to a digitized, accurate points list with correct zip codes. They maintain both a forwarder’s private, negotiated rates and community rates from many draymen.

DrayMaster provides a simple web interface, which allows Operators to look up rates. In addition, rates can be displayed in a forwarders TMS instantly via DrayMaster’s API library. DrayMaster includes other features, such as assisting forwarders with tenders and RFP’s, where batch queries of drayage rates may be needed for hundreds of postal codes. This saves a tremendous amount of time and protects margin.

DrayMaster is a specialist in an area no others systems provider has tackled.

4. Case Study

A leading global forwarder employs DrayMaster to manage their complete drayage portfolio. The steps were as follows:

1. The forwarder provided a list of their main drayage carriers and emailed each carrier, informing them that DrayMaster would be their rate management system.
2. DrayMaster worked with each carrier to receive their full charges for each railhead/carrier combination, flip charges, etc.
3. DrayMaster analyzed, scrubbed and loaded all data into their proprietary database.

4. DrayMaster provided a detailed analysis of the resulting pricing by running the results against three months of actual carrier's invoices.
5. DrayMaster stays in continual contact with each carrier to keep all accessorial and rates current.
6. DrayMaster provides detailed transactions rating to the forwarders TMS system via API calls with every shipment booking.

The results were nothing short of remarkable. Shipments booked on rates managed through the new process, averaged 4% lower – for this forwarder, that represented an annual savings of \$1.5M in transportation cost. It is early in the process to determine the exact impact on disputed invoices, though it appears that the number of disputes has been reduced from 87% to around 40% with the goal to drive matched invoice levels even higher. Desk-level users report great satisfaction because they have the information they need and spend far less time chasing rates, resolving disputed invoices and adjusting accruals.

5. Results / Conclusion

With DrayMaster Enterprise in place to manage drayage rates and all the components associated with a full container load move, the entire industry will save both time and money.

Protected costs will validate for payment more efficiently, increasing the velocity in which invoices are eligible for payment while avoiding disputes that consume time and damage relationships. Consumers of drayage services and their trusted trucking partners can equally share in the benefits that complete, clearly defined and consistently delivered pricing can bring. Full transparency can and will transform this immense business challenge... and DrayMaster is the key enabler!