

Analysis of Settlement Automation Levels

BUSINESS CHALLENGE

Like all recent adopters of Transportation Management System (TMS) software, program sponsors in the transportation department of this client were expected to demonstrate to their corporate board, the results of their deployed TMS solution. In order to justify the investment into their fledgling TMS, the transportation team needed to deliver verifiable evidence of how well the implemented solution had met the automation goals established at the outset of the program.

After nine months of operation, the client had accumulated enough data to support an automation-level review. Program sponsors were interested in capturing metrics to illustrate the degree to which automation had replaced the labor-intensive and time consuming manual processes they had been performing in their settlement process. While they had anecdotal evidence to support the notion that automation had improved settlement time and accuracy, there was still evidence of significant numbers of transactions subject to manual rate adjustments before payment could be rendered to carriers.

THE SOLUTION

UltraShipTMS performed an automation analysis on the settlement data collected by the program during the first 9 months after implementation. The first step involved determining the extent to which the TMS tool had reduced the number of invoices being processed manually. UltraShipTMS analysts examined the automation levels of payments for more than twenty line items.

Next, in collaborative meetings with key stakeholders from the client's transportation and financial departments, UltraShipTMS analysts established benchmarks for the number of man-hours required to manually process invoices for common carriers, dedicated carriers and independent owner/operator payments. Together, the UltraShipTMS team and client stakeholders determined that the typical finance employee could process twenty manual settlements per hour on average. Next, the data

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CHALLENGE

- Program sponsors called on by board to demonstrate results after 9 months of TMS implementation
- Sponsors needed to capture automation metrics
- Evidence of persistent manual intervention in settlements

SOLUTION

- UltraShipTMS performed automation analysis
- Analysis examined automation levels across 29 line items
- Benchmarks established for average processing time
- Automation levels identified for primary and secondary targets
- Identified root cause of manual intervention as failure to update rates ahead of effective dates

RESULTS

- Verified automation rates of 75%
- Reduced man-hours spent on settlements by 9000 hours
- Delivered data to support staffing and process changes
- Changes yielded cost savings and improved carrier payment efficiency

further revealed that, over the course of the first nine months of the program, the TMS logged a total of 260,000 settlements. The analysis confirmed that three quarters of all settlements had been successfully processed by the TMS automation.

With this information confirmed, the client predictably wanted to understand the root causes impeding additional automation of settlement transactions. Some line items are more easily automated than others – line haul charges, fuel surcharges and stop charges for example. The analysis showed that automation

levels had reached 85%, 89% and 97% for these line items respectively. However, there are numerous line items that by their nature are not prime candidates for automation making it functionally impossible to reach 100% automation. However, best-in-class solutions can attain cumulative automation levels as high as 85% to 95% and the client was interested in pursuing such goals. Having the visibility into the data and the transportation expertise of the UltraShipTMS analysts on hand to create the relevant queries, provided the client with greater perspective on how the TMS solution could play a strategic role in identifying flawed business processes.

Armed with data-driven decision support, the client was able to make additional process and staffing level adjustments to further increase the efficiency yielded by the TMS program, driving significant bottom line cost savings.

In a notable example of this strategic visibility, it was determined that small changes in the rates negotiated by select carriers were not always being updated in the rate matrix (by the tendering department) ahead of their effective date. As a result, settlement was finding discrepancies when generating invoices, requiring them to return to tendering to validate that rates had indeed been modified. UltraShipTMS helped the client to create a new process flow requiring dispatch/tendering supervisors to ensure their rate matrices would be updated to reflect carrier rate changes ahead of their effective date.

THE RESULTS

The automation analysis was very well-received and provided transportation leadership with the hard data needed to deliver proof of concept and illustrate attractive ROI. Transportation leadership was able to demonstrate that, at the current 75% automation level, their department had shaved 9000 man-hours from the settlement process over the first nine months of the program. Moreover, they were furnished with detailed data sets illustrating such metrics as:

- Automation vs. manual levels by carrier type
- Monthly breakdown of manual transactions by carrier type
- Average manual transactions performed by user
- Average monthly transaction by driver owner/operator

This level of visibility enabled executive leadership to make informed decisions with regard to such critical cost centers as staffing levels, relative carrier-type efficiency, the relative efficiency of lanes (identifying lanes where frequent anomalies necessitated manual changes in settlement) and a variety of other incisive actionable intelligence. Armed with data-driven decision support, the client was able to make additional process and staffing level adjustments to further increase the efficiency yielded by the TMS program, driving significant bottom line cost savings. Moreover, the changes initiated by the analysis improved timeliness and accuracy of payments to carrier, contributing to stronger, more affirmative carrier relations. Overall, the client embraced the TMS tool not only as an effective tool for improving transactional efficiency, but also came to a greater understanding of how it can be leveraged to provide ongoing process improvement across the entirety of their transportation network.



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