



Freight Audit & Payment are rich in their offerings

By John Jeter

Freight audit and payment may not be the supply chain's sexiest sector, but the



“Software can restrict certain routes and areas, based upon client input.” -- says Allan J. Miner, CT Logistics.

industry is arguably logistics' biggest cheese when it comes to saving their shipper-clients major cheddar. One FAP exec shares an incident that illustrates what can happen when a shipper loses track of a carrier's operations.

“A carrier took a high-elevation route where hundreds of cans of whipped-cheese product exploded inside a refrigerated trailer due to the sudden change in air pressure from the plains to the mountains,” recalls Allan J. Miner, President of CT Logistics.

Fiascos, like those can be

avoided with CT's FreightRater, a platform now integrated with CT's Logistics Intelligence Optimization Network, or LION that calculates optimal routes, determining all legs, modes, client carriers, service types and equipment, Miner says.

“The software can also restrict certain routes and areas, based upon client input,” says Miner. (In other words, if you're a shipper, you might want to let LION help you decide whether your chosen carrier might blow up your cargo under pressure.)

Unprecedented pressure

C-suiters agree. The entire supply chain these days faces unprecedented pressures: that demand real-time resilience and up-to-the-

minute nimbleness. In a word, FAP operations look nothing like your granddaddy's green-eyeshade accountants hunched over ledgers and mountains of overwhelmingly detailed carrier invoices.

“The days of someone saying, ‘Hey, you be my freight audit company, and I'll go elsewhere for consulting work,’ are gone,” says Brian Scott, Executive Vice President of Sales at CTSI-Global.

As with every other labor-challenged industry, shipping companies are understaffed: “They want to limit the number of suppliers they have to deal with and interact with,” he says. “So they expect us to do more than just crunch numbers and report back audit savings.”

FAP companies

increasingly pride themselves on developing the latest state-of-the-art technologies to deliver such services as—to name just one—data visibility that helps clients make quick decisions about port congestion and consumer-demand issues, Scott and others say.

“If all you offer is freight audit and pay, I don't think you're gonna win many bids,” Scott says.

CTSI-Global also provides TMS, brokerage and managed services.

Josh Bouk, who was named President of Trax Technologies last July, concurs. “Shippers are no

longer satisfied with FAP providers who simply audit payments,” he says. “They need advisory services and high-quality data to help

them save costs and improve shipping efficiency. That said, FAP must be a service.”

Scott Matthews, President, Freight Audit and Payment, at AFS Logistics, echoes both



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sentiments. “Regrettably, the FAP industry is viewed as a commodity, when in fact, the services provided

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>> 17 are critical to enabling shippers to excel in the market," he says. "While some shippers may judge FAP services exclusively on low cost, it's important to note that quality has a price."

It's the details

While execs show shippers consistent ROI on those services, Bouk estimates 52%

of large enterprises do not use a FAP to optimize and audit their transportation spend. "And one-quarter of all freight bills have an error that can impact a company's bottom line," he says.

Collecting invoices and distilling zillions of bytes of data to cut checks are a given in freight audit and bill payment companies' job descriptions. Now, C-suiters say. FAPs have modernized



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-- Dr. George Kontoravdis, Fortigo.**

their portfolio even more with sustainability.

So, what would the development of software platforms for eco-friendly best practices have to do with auditing and paying freight bills?

Let's go back to CT's LION. The program consolidates

shipments into a truckload, while enabling shippers to choose routings, modes and carriers with the shortest transit times, which, naturally, saves transport costs. And that also translates into reduced greenhouse gases, Miner says

Says Bouk, "It's time for the global supply chain to make dramatic changes to reduce emissions."

He mentions the company's April announcement of its Carbon Emissions Manager. The new platform tracks

The pharma executive's response, Bouk says, included measuring ESG, or environmental, social and governance investing. That conversation, he says, was a "key player" in driving the creation of the platform.

Bread & Butter

Of course, all the C-suiters here discuss the FAPs' bread-and-butter services, namely visibility, inventory management and carrier capacity—all resulting in significant savings.

"Logistics typically represents 10% or more of a business's expenses," says Dr.

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-- Paul Vindigni, Software Solutions Unlimited, Inc.**

and benchmarks carbon emissions across all modes, vehicles, and geographical regions, that also meet oncoming environmental regulations, a Trax press release says.

Bouk cites proposed rule changes from the U.S. Securities and Exchange Commission that would require registrants to disclose greenhouse gas emissions from "upstream and downstream activities in its value chain," according to an SEC news release.

He says he sees the adoption of the so-called Scope 3 rules as inevitable, which would then compel companies to devise strategies to reduce their emissions.

Noting that environmentally damaging gases have increased more than 16,300% over the last 170, he says, "This is a fundamental problem and one that the world—and the logistics industry—is finally waking up to."

Referring to the Carbon Emissions Manager, he credits CRO Chris Cassidy with posing a question to a pharmaceutical company's vice president of global logistics about what keeps him up at night—a typical part of Cassidy's strategic conversations with industry leaders.



George Kontoravdis, Founder and President of Fortigo.

Last year, Fortigo saved its established customer base an additional 2% to 3% compared with previous years.

In pre-pandemic 2019, Supply Chain 24/7 reported that FAPs recover an average of 8% from carriers' erroneous charges and human error.

Do the math: at that rate, audits save shippers an additional \$8 for every \$100 in transportation spend. "Applied across 10,000 shipments," the logistics publication says, "it amounts to nearly \$1 million."

More recently, as Paul Vindigni, CEO of Software Solutions Unlimited Inc., points out, inflation is



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>> 18 hammering shippers, with logistics costs rising by more than 20%. That's reason enough, he says, to have "expert freight audit support. It's important because billing errors get magnified as invoice costs increase."

Ongoing concerns

Today's challenges, he says, are not only frustrating shippers, the myriad supply chain problems, in turn, contribute to global inflation.

Kontoravdis likewise voices concern about ongoing rate volatility. Consequently, he says he sees a "significant shift" from long-term to short-term rate contracts over the past 12 months due to surging global consumer demand and shortages of transportation equipment, especially in air and maritime sectors.

"As rate adjustments occur more frequently, there is expanded potential for overcharging, incorrect charges and other billing mistakes," he says. "Moreover, the rise of inflation, along with potential near-term recession, make the need for detailed freight audit even more necessary than before."

That may explain why the global freight audit and payment sector appears poised to experience a boom. In July, the Digital Journal cited a market research report predicting the FAP market's compound annual growth rate to increase nearly 12% to some \$37 billion over the next eight years.

Vindigni suggests yet



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another growth opportunity for shippers to get even more freight and parcel savings: reverse logistics. With e-commerce increasingly dominating the world, he says, "Customer returns are a costly headache."

He then points to one particular problem facing SSI's major high-tech clients: the shortage of semiconductors, which, he says, has led to rising air freight bills this year. "What's ironic about the chip shortage is that even the companies that make the equipment necessary for chip production are experiencing their own supply chain headaches," he says, adding, "As we have all seen, a single disruption in one region or market can have a ripple effect across the world."

Still, as the saying goes, disruption can create opportunity. And as the Digital Journal also suggests, an increasing number of strategic partnerships that extend FAP companies' product portfolios will, in turn, escalate the sector's growth.

Anticipating the value of those partnerships, AFS launched First Pass Processing, a service-level agreement that builds collaborative engagement with the client, the carrier and AFS itself, "all working

together to identify root causes of exceptions and systematically address the issues to the benefit of all parties involved." Matthews says.

All of this to say, forward-

looking FAPs are serving up considerably more than traditional audit/payment solutions, namely data-enriched services. And these mind-bending technological advances were pie-in-the-sky dreams back when, say, CT Logistics started 100 years ago, next year, as Commercial Traffic Co.

And ... speaking of pies, the Cleveland-based company got their just desserts after

completing a multi-round, three-year LTL and small-parcel bid for a food service company's \$50 million spend, Miner says. As a thank-you gift, the client delivered four pallets of gourmet apple, pumpkin, chocolate, Key lime and Boston cream pies last Thanksgiving.

Indeed, that's a tasty illustration showing the high-tech freight audit and payment sector still runs on

people power.

As AFS's Matthews puts it: "Ultimately, we want to facilitate the transaction on both sides. Our goal is to make sure carriers are getting paid appropriately for what they've done, the shipper is not getting overcharged and that it's happening as efficiently as possible. We all have skin in the game. Let's make it frictionless and keep business moving."

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