

Reflections on the TIA Meeting

By: Jason Kirkpatrick (Article appeared in the July 2007 issue of "The Logistics Journal")

Attending the TIA Annual Meeting in Orlando, Florida was a great experience; especially our participation in the financial management seminar that focused on tools for the modern 3PL. Since everyone could not attend the seminar, I thought it might be useful to review the topics we discussed, which included new systems that can help 3PLs retain and attract carriers.

First, we agreed that a strong carrier base is necessary to fulfill the needs of customers and that without carriers; a third party has no role. Unfortunately, many companies place carrier relations below other business priorities; and as a result, they fail to differentiate themselves from competitors.

Next, we discussed the fact that third parties must broaden their understanding of the term "integration". To most 3PLs, integration means having internal systems such as management, accounting and imaging linked together to reduce data entry. Our new definition of integration goes beyond the internal office systems and extends to the software of the customer and carrier. This is what we called the "integrated office". To achieve this objective, many companies have turned to web-based communication systems to receive new orders from customers, extend load offerings to carriers, track and trace shipments, update loads and implement new processes that electronically invoice customers, self invoice carriers and make settlements using direct deposit.

We said that reaching this higher level of interaction is more possible today than ever before. With more sophisticated browsers and less costly bandwidth, the use of the Internet has grown, making it possible for companies, both large and small to create and manage private data networks. They allow companies to more efficiently process a large volume of transactions and realize a dramatic increase in profitability.

We described the use of interactive distribution lists, which use the web to send available load information to carriers and allow them to respond electronically. More sophisticated systems can collect and organize carrier responses so that dispatchers can quickly review offers and award loads to the most qualified carriers. They also notify carriers of

the award and when the freight is no longer available. These systems have the benefit of allowing dispatchers to work in more organized environments with fewer incoming calls, but at the same time, providing a higher level of communication with the carrier. When fully implemented, these systems will increase the number of transactions with preferred carriers, making the 3PL less reliant on carriers in the spot market.

In addition to load tendering, we discussed how integrated offices can be designed to send load updates to customers, even when communication with the carrier is verbal. This is because most TMS packages are capable of exporting tracking information to customers in multiple ways, including EDI, web portals or automated email. Experience has shown that when automatic load updates are part of a company's technology, they become a value added service that builds strong customer loyalty.

We said the final step in building an integrated office is to create an automated payables and receivables system that uses direct deposit. Although many 3PLs have limited control of their receivables, a growing number send invoices and supporting documentation to their customers electronically. On the carrier side, nothing enhances a relationship more than a payment system that eliminates paper and mail and in the process reduces the number of days the sale is outstanding for the carrier. Experience has shown that self-invoicing systems with multiple payment options are the best way to accomplish this objective.

We concluded that a strong carrier base is essential to maintaining good customer relations and we discussed the benefits of using technology as a way to expand the use of existing carriers. We noted that when these carriers are used, in place of spot market carriers, 3PLs can increase the transaction base and reduce risk. To facilitate the use of these carriers, we introduced the concept of the integrated office and defined it as the integrated flow of information between the customer, the 3PL and the carrier. We said that technology can be used to automatically receive loads from custom-

ers and electronically offer and award them to carriers. We noted that a fully integrated office allows a 3PL to exchange invoices, collect documents, pay vendors and collect from their customers electronically. Finally, we noted that most 3PLs, with modern TMS packages, are capable of realizing the benefits of an integrated office without delay, especially when these systems are combined with private load tendering and payment networks.

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