

The Importance of an Integrated Office

By: Jason Kirkpatrick (Article appeared in the February 4, 2008 issue of "Transport Topics")

As a company that markets software solutions to all types and sizes of transportation companies, we have the benefit of listening to a variety of perspectives on the industry and where it's headed. One issue that concerns almost every 3PL is how to attract and retain carriers in order to provide the highest level of service to customers.

Because the transportation industry is competitive and profit margins are traditionally low, even the smallest advantage is important. This is why for years companies have focused on becoming more efficient by integrating databases to reduce errors caused by data re-entry. While this approach can improve efficiency and lower costs, it's generally not enough to have a significant impact.

Today, it's important for a 3PL to go beyond internal data integration and take steps to integrate their systems externally. This means integrating their company's software with customers and carriers using web-based tools and other methods to more effectively receive new orders from customers, broadcast new orders to carriers, track and trace shipments, process invoices and make payments electronically.

This advanced level of integration is more attainable today than ever before. The growth of the Internet and the development of web-based network applications have given companies alternatives to EDI technology. With these applications, the Internet has become the great equalizer; it provides companies, both large and small, the ability to create and/or participate in private data networks. When fully operational, these networks provide 3PLs a gateway to more efficiently communicate with customers and carriers and manage transactions.

When a company integrates its office with its business partners it's able to do more with less. Many companies find they can grow without significantly increasing staff because integrations allow routine tasks to become automated. For instance, instead of canvassing customers on a daily basis and transcribing load details into software, data networks can be constructed to allow this information to be received electronically, and imported into a company's transportation

management software (TMS). In the past, this level of communication was only possible with EDI, but today, most TMS packages have built in capabilities that allow companies to exchange information electronically, without data re-entry.

In most offices, once loads are entered into a company's TMS, its dispatchers must quickly broadcast this information to carriers to determine their availability. In most instances, this means picking up the telephone and calling as many carriers as possible and posting these loads to various matching services. While these methods may never be completely eliminated, private data networks offer a more sophisticated alternative to covering available loads.

Because of the large number of carriers that exist in most databases, many third parties simply do not have the time or resources to offer continuous loads to their most trusted carriers. And, in the process they fail to capitalize on their greatest asset; the list of carriers in their company's database. These carriers have established contracts, insurance and a history of service with the company. By using these carriers more frequently, a 3PL not only saves setup time, but it also eliminates the operational risk of placing cargo on an unproven carrier. With advanced technology, a 3PL is now able to communicate available loads to thousands of their carriers in a matter of seconds.

Reaching these carriers is only the first step. When a company electronically sends a list of available loads to thousands of carriers, it must be prepared to field responses. In the past, this was accomplished using EDI technology; but now, many companies are turning to web-based distribution lists to notify carriers of available freight. Many of these lists provide a mechanism for carriers to respond to the loads and for dispatchers to award them to selected carriers and notify others when the freight is no longer available.

Another benefit of these networks occurs after a load is delivered and the payment process begins. Because electronic networks can be used to exchange invoices, proof of deliver-

ies and make payments to carriers using direct deposit, they become a competitive advantage over third parties who rely on traditional methods of processing. This is especially true when you consider the impact of reducing a carrier's payment cycle by up to 10 days or the ability to offer carriers payment options that include discounts for faster payment. Third parties who use these tools have a more loyal and motivated carrier base to serve their customers.

Since there is little doubt of a carrier's value to a 3PL, the challenge for most third parties is to strengthen carrier relationships so that a growing number of pre-qualified carriers are always available to service customers. Many companies realize that their ability to continually access these carriers depends on their ability to create interactive systems to distribute loads, process documents and payments electronically. The good news is that most 3PLs are closer to achieving these goals than they may think. This is because most modern TMS packages already provide simplified methods of importing and exporting data. And, when you combine these capabilities with the development of web-based network applications, 3PLs are now in a position to efficiently exchange load and transaction data with their carriers and customers.

In summary, we believe that interactive load distribution lists and electronic invoice presentment and payment systems are two effective tools that allow third parties to strengthen their relationships with their carriers, differentiate their company from its competitors and secure a stronger position in the marketplace.

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