

White Paper

Best Practices to Reduce International Freight Costs

A Guide for Global Logistics Managers



Table of Contents

Executive Overview	3
<i>The Challenge</i>	3
<i>The Opportunity</i>	3
<i>The Solution</i>	3
<i>Improvement Strategies</i>	3
Centrally Manage Contracts and Offer 'Total Cost Rate Searches'	3
Optimize Carrier Selection Prior to Booking	4
Audit and Correctly Pay Freight Bills-of-Lading.....	5
Summary.....	7
<i>Implement Winning Negotiation Strategies</i>	7
<i>Control Transportation Spend</i>	7



Executive Overview

The Challenge

The drive to capture the business benefits of low cost country sourcing has far out-paced the processes and systems needed to efficiently manage the global supply chain. A recent survey by Aberdeen identified that higher than expected transportation expenses was the primary factor in landed cost budget variances. Most importers do not have a formal solution to manage international transportation. Today's TMS solutions are oriented to managing domestic transportation and cannot handle the complexities of containerized transportation and airfreight. Yet, technology holds the key to containing escalating international transportation costs.

The Opportunity

According to AberdeenGroup's recent report, Winning Strategies for Transportation Procurement & Payment, 81% of 380 enterprises surveyed with freight spend over \$25 million plan to implement new transportation procurement and payment technology. And, the majority of respondents believe that a more sophisticated procurement and freight audit solution can save an average of 8.8% on their overall freight budget.

The Solution

Amber Road delivers the transportation management and supply chain visibility capabilities you need to realize these savings through the manage, audit, and pay processes. Beyond execution, the solution also collects key operational metrics to better manage your transportation providers in areas such as invoice accuracy, booking performance and delivery performance. These can become important non-price attributes for the next sourcing cycle.

Improvement Strategies

Through automation Global Logistics Managers can implement key improvement strategies to help to better manage and reduce international freight spend:

- Centrally manage contracts and offer "total rate searches"
- Optimize carrier selection prior to booking
- Audit and correctly pay freight bills-of-lading

Read on to discover how your company can benefit from contract automation to meet, even exceed your aggressive budget commitments.

Key Benefits

- **Reduce Transportation Expense**
Operationally capture the savings by optimizing carrier selection and eliminating over-charges through freight audit
- **Improve Carrier Performance**
Manage carrier booking and delivery performance with a score-carding approach and integrate as non-price factors in next bid

Centrally Manage Contracts and Offer 'Total Cost Rate Searches'

With awards made and accepted, you can throw away the three ring binders and faxed amendments and archive your old, chronically out-of-date rate spreadsheets. Users should be able to access contract terms – with pre-defined privileges – from anywhere in the world, while ensuring that they are using an approved carrier and always working with up-to-date rates. Approved carriers and costs inclusive of your specially negotiated business rules are now available to make better shipment decisions throughout your business and with other divisions and business partners. Ultimately this will enable you to operationally capture your sourcing savings throughout the year.

To access these rates, you need a powerful search engine that can find all feasible routes and service options under contract. So, no more cheat sheets, or carrier booking bias. What this means for your users is that they don't have to

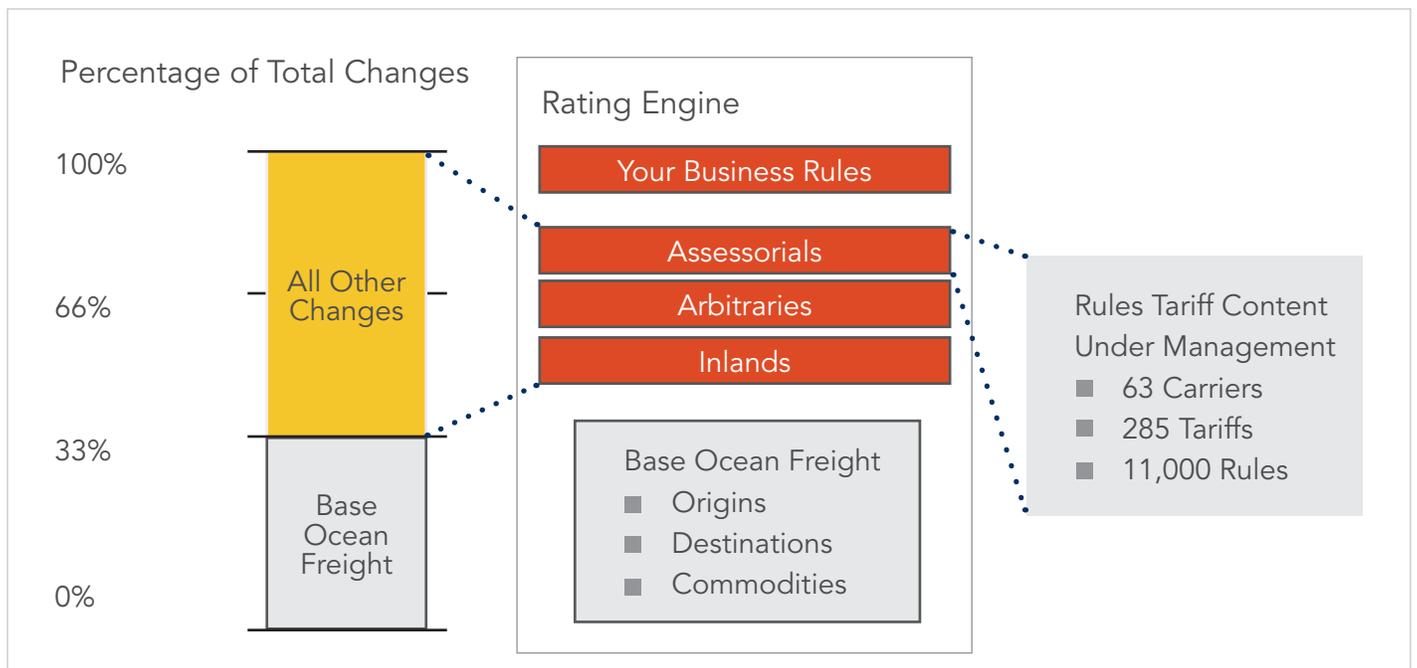


Best Practices to Reduce International Freight Costs

know much – if anything – about ocean or airfreight pricing. As simple as booking a business trip on Expedia®, they can define their requirements – date, origin and destination, compare alternative services side-by-side and book with the carrier that offers the best price and service. The critical success factor for this type of solution is the ability to consistently and accurately figure out exactly how much it should cost to move a 20’ container from Kaoshiung, Taiwan through Long Beach to a distribution center in Kansas City. For many, the base freight rate that is negotiated and memorialized in the contract is a fraction of the total cost. Can you imagine trying to book a flight from Hong Kong to Boston by only knowing half of the cost of your ticket with any certainty?

“The USSA can now fully optimize the value of our contract portfolio to help members achieve their customer service and transportation cost objectives.”

Executive Director
United States Shippers Association



The challenge is to keep up with assessorials, arbitraries and inland freight charges, then apply your specially negotiated business rules. Even the carriers make mistakes and often mis-rate your bill.

We address this challenge by monitoring the carrier’s governing rules tariffs so that as a route is being constructed, we look to your contract to understand how charges should be applied or overridden and then calculate a complete bottom-line rate. For this reason, our rating engine is the most accurate in the industry. Not only do we handle all of your specially negotiated business rules, but also track 285 tariffs across 62 carriers to ensure that we have the most up-to-date assessorial charges. This not only helps to optimize the booking process, but you will later see how this delivers freight audit savings.

Optimize Carrier Selection Prior to Booking

The key to realizing transportation spend reductions is to automate the process of carrier selection and help your users to quickly identify all their options to make better total cost and service tradeoffs prior to booking. By automating contracts with Transportation Management, shippers efficiently manage their contracts and optimize carrier selection at the time of booking based on bottom-line freight totals.



Best Practices to Reduce International Freight Costs

Our solution helps global logistics managers to search across all service contracts by commodity keywords, equipment types and by rate type – either thru-rates or port-port rates that can be combined with inland and arbitrary add-ons to satisfy the full point-to-point routing. Dozens of service contracts with thousands of rates can be searched and evaluated to return rate and routing options in just a few seconds.

In the example below, you can click on the base rate to see all notes and special rules pertaining to that rate or click on commodity to review further details regarding the applicable commodity types. We also present transit time and identify the portions of the bottom line that are prepaid or collect. The China Shipping rate is almost \$1000 less expensive and it has a longer transit time than the K-Line rate. So, you can tradeoff \$1000 cost for a slower transit depending on your requirements.

The screenshot displays the Amber Road Transportation Management interface. At the top, it says 'TRANSPORTATION MANAGEMENT' and 'Amber Road POWERING GLOBAL TRADE'. Below this is a 'Calculation List' section with a search bar and navigation options. The main content shows three shipping rate options for 'AUTO PARTS AND ACCESSORIES' from Shanghai, China to Dayton, NJ. Each option includes details like Origin, Destination, Commodity, Transit Time, Signatory, Tariff, Base Freight, Prepaid, Collect, Effective, and Expiration dates. The total costs are \$4,071.00 USD for CSCL, \$5,048.81 USD for KLINE, and \$5,716.31 USD for MAEU. The KLINE option is currently selected.

Select Rate	Size/Type	Rate Basis	Service	Signatory	Total
<input type="checkbox"/>	20 PC	PC	YD	CSCL	4,071.00 USD
Origin	Shanghai, China (P)			Tariff	NVO 004
Destination	Dayton, NJ 08810 Via Los Angeles, CA			Tariff Type	Contract
Commodity	AUTO PARTS AND ACCESSORIES			Contract	2567
Transit Time	24 Days Origin-Destination WEEKLY			Cntr Count	1
Base Freight	1900.00 USD			Prepaid	4005.00 USD
Collect	66.00 USD			Effective	03Apr06
Expiration				Expiration	31May09
<input checked="" type="checkbox"/>	20 PC	PC	YD	KLINE	5,048.81 USD
Origin	Shanghai, China (P)			Tariff	NVO 004
Destination	Dayton, NJ 08810 Via Long Beach, CA			Tariff Type	Contract
Commodity	AUTO PARTS AND ACCESSORIES			Contract	08-7654
Transit Time	19 Days Origin-Destination WEEKLY			Cntr Count	1
Base Freight	2400.00 USD			Prepaid	0.00 USD
Collect	0.00 USD			Effective	01Apr08
Expiration				Expiration	
<input type="checkbox"/>	40 PC	PC	YY	MAEU	5,716.31 USD
Origin	Shanghai, China (P)			Tariff	NVO 004
Destination	Dayton, NJ 08810 Via Tacoma, WA			Tariff Type	Contract
Commodity	AUTO PARTS AND ACCESSORIES			Contract	7A1
Transit Time	20 Days Origin-Destination WEEKLY			Cntr Count	1
Base Freight	4425.00 USD			Prepaid	88.00 USD
Collect	5628.31 USD			Effective	20Jul07
Expiration				Expiration	30Jun09

Prior to booking, this dynamic 'routing guide' helps to identify the total and service attributes of a transaction, ultimately enabling users to make better decisions that can have a substantial impact – up to 10% of the total bottom-line cost.

Audit and Correctly Pay Freight Bills-of-Lading

With specially negotiated contracts and complex rules, you should expect a much higher incidence of carrier rating errors. Using the same rating engine that we use to optimize carrier selection, users can back-date to the search to the actual ship date to initiate an audit of the bill of lading's service parameters. It takes only a few minutes of effort and many of our customers will staff this activity with a junior employee or temp (yes, it is that easy). For higher volume applications we can receive invoices electronically from your carriers and automate this initial step.

“Amber Road allows us to better manage our international transportation spending by providing accurate and secure access to all contract terms and bottom-line charges when the information is needed at each step in our logistics process.”

Manager of Logistics
Honeywell Specialty Materials



Best Practices to Reduce International Freight Costs

Once the bill has been rated and a bottom-line total calculated, you can quickly determine if the variance is 'out of tolerance' and requires further study. With a click of the mouse you can drill into the charge details and quickly determine the discrepancy. This rich information can also be shared with the carrier so they can quickly reconcile the error. This reduces the cost of handling invoices and speeds the approve-to-pay process.

To accurately identify invoice errors, the audit is performed according to your contract, all published amendments and all applicable tariff rates. For example, Amber Road monitors volatile fuel and security assessorial and make sure these charges are kept up to date, as well as special charges for hazardous fees that may be tariff based or specially negotiated and captured as a rule in your contract.

The screenshot displays the Amber Road Transportation Management interface. At the top, there's a navigation bar with 'TRANSPORTATION MANAGEMENT' on the left, 'Help | (3) | Sign Out' in the center, and the Amber Road logo 'POWERING GLOBAL TRADE' on the right. Below this is a breadcrumb trail: 'Bottom Line' > 'Rate Search' > 'Calculation List' > 'Bottom Line'. A 'Search Criteria | Print' link is also visible.

The main content area is titled 'Bottom Line' and contains a summary table with the following data:

Size/Type	20 PC	Rate Basis	PC	Service	YD	Signatory	KLINE	Filed Rate	2400.00 USD	Cntr Count	1
Commodity	AUTO PARTS AND ACCESSORIES						Effective	01Apr08	Rated Count	0.0 PCS	<input type="button" value="Remove from Cart"/>
Origin	Shanghai, China (P)						Expiration		Rated Volume	0.0 CBM	
Destination	Dayton, NJ 08810 Via Long Beach, CA						Tariff/Type	NVO 004 Contract	Rated Weight	0.0 KGS	
Transit Time	19 Days Origin-Destination WEEKLY						Contract	08-7654	Haz. Code		

Below the summary is a detailed tariff breakdown table:

Tariff	Rule #	Charge Description	Effective	Amount	Total	PT
NVO 004		Base Freight	01Apr08		2400.00 USD	
KLINE 011	101-E	GRI - General Rate Increase, 01May08	01May08		480.00 USD	
KLINE 011	002-C	PSS - Peak Season Surcharge	01Jun08		320.00 USD	
KLINE 011	023-D	SPS - Shanghai Port Surcharge	11Feb03		66.00 USD	
KLINE 011	010-C	CUC - Chassis Usage Charge, U.S.	01Sep06		60.00 USD	
KLINE 011	010-Q3	CSF - Carrier ISPS Security Charge	08May05		6.00 USD	
KLINE 011	010-A	FAF - Fuel Adjustment Factor (FAF/ EBAF)	01Sep08		1192.00 USD	
KLINE 011	010-A	FAF - Fuel Adjustment Factor (FAF/ EBAF)	01Oct08		1084.00 USD	
KLINE 011	001-A	IFS - Inland Fuel Surcharge	01Sep08		464.00 USD	
KLINE 011	001-A	IFS - Inland Fuel Surcharge	01Oct08		411.00 USD	

Finally, with the operational metrics that are collected through the solution you can establish goals for your carriers and track delivery performance, invoice accuracy and shipped vs. quantity commit. Over the course of the year, these performance metrics are available to support continuous improvement programs and ultimately to feed back into the sourcing solution as a non-price attribute. Finally, you will be able to quantify the value of premium service.

"We were losing thousands of dollars per month in carrier overcharges and this was just not acceptable. Amber Road offered a better way to identify and resolve these skyrocketing rating errors. Last year alone we were able to save \$220,000 in overcharges."

Corporate Logistics
Perry Ellis



Summary

Amber Road offers a truly best-of-breed solution to implement winning negotiation strategies and to best manage your international freight spend.

Implement Winning Negotiation Strategies

- Patented optimization engine to analyze potential award scenarios across an unlimited number of bids, bid attributes and business constraints in seconds

Control Transportation Spend

- Improve contract compliance by managing all contracts and amendments in a central repository with role-based access
- Simplify routing decisions by comparing all routing combinations, including transshipment points, available under contract
- Optimize carrier selection decisions by comparing side-by-side alternative carrier services and bottom-line costs inclusive of all assessorials prior to booking



About Amber Road

Amber Road provides a single, on-demand platform that automates and streamlines global trade. By helping organizations to comply with country-specific trade regulations, as well as plan, execute and track global shipments, Amber Road enables goods to flow unimpeded across international borders in the most efficient, compliant and profitable way.

