CIS: The Cost Intelligence System for LTL Load-to-Ride Carriers

Cost Intelligence System

SMC³ Cost Model

SMC³ has developed a separate Cost Intelligence System for carriers moving LTL freight outside of a freight terminal network. Load-to-ride CIS combines the freight terminal performance aspects of LTL CIS, for local pickup and delivery as well as cross-dock handling operations, with the TL CIS irregular route model for linehaul stopoffs to drop or load LTL freight directly at customers.

SMC³ develops and delivers a model of each carrier's operations and service areas directly from their operating expenses and statistics, mapped to SMC³'s unit cost categories, so that ongoing updating can be performed quickly and efficiently. Multiple models for various accounting periods, and projected future levels of costs and performance, can be easily established using SMC³'s maintenance software. The model will:

- Include the carrier's freight terminals with locations and sizes for local and cross-dock operations
- Reflect performance for Pickup and Delivery (P&D) areas served by the carrier's drivers and equipment
- Populate the carrier's direct linehaul service areas from actual dispatches and stop-offs to properly reflect the cost of moving full truckloads and the cost of providing direct-to-customer LTL shipments, including loaded and empty miles, load, cube, and, critically, adjustments for balance
- Include standard extra-cost codes, which can be set up and then applied to recognize notification, temperature control, inside pickup and a wide range of other costs incurred in addition to the movement of the freight

Prospective Cost Analyses

Several tools are available in the user software for the Cost Intelligence System to develop the cost of prospective freight.

- Interactive: An easy-to-use shipment data entry routine for costing one or more shipments with a minimum amount of key entry via a template feature, selection lists and worksheets
- File Importing: This allows users to map columns and then read-in shipment data from files, adding other information where available, for efficient bid-response

These methods of delivering shipment data to the Cost Intelligence System, which include sophisticated editing capabilities for making "what if" and other data adjustments to large numbers of shipments, allow for precise shipment descriptions, leading to more accurate shipment costs.

Pricing CIS

The cost system interfaces with RateWare® XL. This allows shipments in a cost file to be rated at the same time they are costed, via user-selection of the tariff required for a proposal, allowing shipment discount, fuel surcharge, and/or minimum charge manipulations to determine the most profitable response to customer requests for proposals.

Every shipment is a unique combination of weight, handling units, density, origin, destination, and other factors. This all makes average-cost calculations meaningless. The SMC³ Cost Intelligence System provides motor carriers with the cost of moving each shipment from origin to destination, utilizing their company's expenses and operating information. This is supplemented by SMC³'s industry database of P&D stop-time and cross-dock handling performance.

CIS has two purposes: developing projected costs for moving prospective freight for both bid response and spot-pricing, and producing an ongoing costed database of actual freight. That database is used to analyze the profitability of customers and other traffic segments.

Cost Intelligence System

Let's get started

The system "startup kit" is provided upon request. It outlines both the financial data and files from freight management systems that are required to set up the model and cost all freight on an ongoing basis. This includes:

- A general ledger file and a chart of accounts
- A freight file with all freight moved
- A linehaul file with dispatch activity for each driver
- A pay file with both driver pay and owner-operator settlements
- Support files including city names with each carrier's unique coding method, customer names and codes, and any customer groupings stationed
- Any local performance data currently collected
- Rates charged by cartage agents

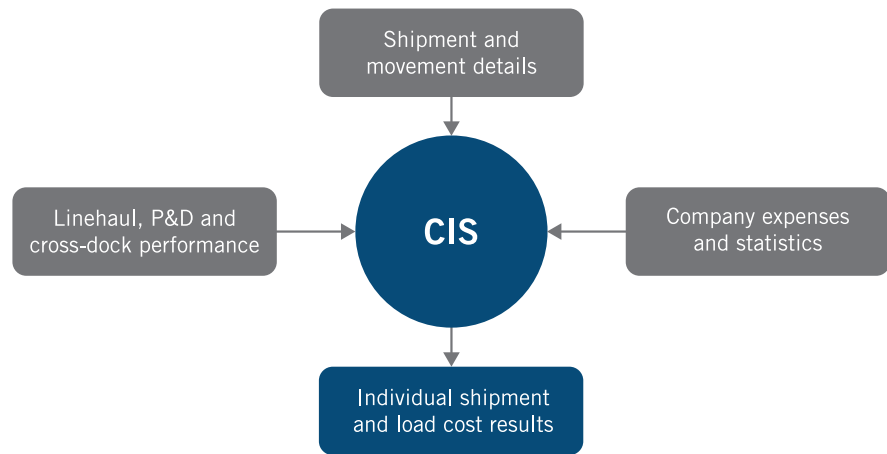The cost model has interfaces for some mileage lookup systems.

Balance

SMC³ has developed and patented a unique process for the linehaul operation that allocates the cost of each freight movement based on the revenue contribution of each segment of the entire round-trip to the total cost of the trip. These adjustments for balance are applied to the segments of the trip, with a further allocation of the segment cost to multiple shipments on board when moving LTL freight. Without these adjustments, most headhaul moves would appear profitable and most backhauls would look unprofitable. By adjusting direct costs for balance, CIS returns an accurate accounting of the resources spent to move each shipment or load from origin to destination.

Traffic CIS

Each carrier's cost model, once established, is used to cost all the carrier's freight on an ongoing basis, providing a costed traffic database of all business, reconciled each financial period to actual expenses and payroll hours. Standard month-end reports are automatically generated, ranking customers by size and profitability. The CIS user software includes a reporting tool to allow analysis of freight by weight, area, density, distance, and dozens of other factors users can drill-down to the cause of both profitable and unprofitable traffic segments, or even to the individual shipments.

Want to know which customers give profitable freight and which don't?

The Cost Intelligence System provides these answers.

Shipment and movement details → CIS ← Company expenses and statistics; Linehaul, P&D and cross-dock performance → CIS → Individual shipment and load cost results

About SMC³

SMC³ is a hub of expertise in the LTL arena. Fueled by heavyweight, analytical APIs, SMC³ delivers its core competency—LTL pricing expertise—through collaborative pricing technology that supports end-to-end, ongoing predictability in shipper/3PL-carrier relationships. More than 5,000 North American shippers, carriers, logistics service providers and freight-payment companies rely on SMC³'s sophisticated LTL base rates, content, and expert bidding and planning tools to make the best business decisions, achieve higher returns on their transportation investment, and meet the dynamic demands of the market. Through hosted API solutions, SMC³ supports the entirely supply chain with industry-leading speed, reliability and performance. SMC³: Investing a lifetime to help optimize freight transportation.