

CIS: The Cost Intelligence System for TL Motor Carriers



When evaluating the profitability of truckload business, each load represents an array of factors—origin and destination locations, miles, product, equipment, to name a few.

Each load can be costed on its own merits, but to truly understand whether or not the load made money, carriers must consider all other loads that became necessary to return the equipment—and the driver—to origin domicile. Only when viewing this unique combination of loads together can carriers accurately evaluate whether or not the freight resulted in a profit.

TL CIS is the only costing tool that is designed to cost all related loads as a single operating event for the purpose of evaluating profitability.

SMC³'s Truckload Cost Intelligence System (TL CIS), a comprehensive cost and profitability solution for carriers, is designed to provide a number of tools based on baseline data generated at the individual load level. This approach leads to deep analysis of what moving freight actually costs. The system provides actionable intelligence based on a given carrier's actual loads, operations, services, revenue and expenses.

The Cost Intelligence System looks at each load moved, allocating costs based on the operational movement of the load to determine both the actual profit or loss of each load and the operating ratio. By costing each individual load, carriers can view their business from almost any perspective:

- Customer
- Shipper/consignee
- Origin/destination
- Deadhead origin/destination
- Deadhead miles
- Operating ratio
- Fuel surcharge levels

The real power behind TL CIS is the analysis. Each carrier needs a thorough understanding of its current business and operations; comprehending each customer and market is critical to identifying opportunities for improvement.

No freight is omitted, no matter how “bad” the data seems at first glance. SMC³ has built logic into the system that will compensate and still reflect the cost of moving the load even with the absence of data—every load is costed, every load is reflected as a profit or loss, and every load has an operating ratio assigned to reflect its role in corporate financial results.

Another important role of the TL CIS is using historical data to project the cost of new opportunities. This may include casual rate requests, customer traffic rate reviews, bid package response, and more. The solution includes like-traffic comparison in building the projected costs, allows carriers to determine fuel surcharge and target operating ratio factors in addition to “overriding” certain projected factors. This is a highly intuitive and interactive function within the system.

SMC³'s TL CIS uses this holistic approach along with actual driver pay rates from each carrier's files to accurately cost both past and future loads. As loads are costed, the data is saved to produce a costed database that opens the door for deep analysis of the profitability of individual customers, markets, company divisions and sales territories. Inputted costs and operating conditions can be as specific as each carrier's data allows.

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 both set up the model and then cost all of the freight on an ongoing basis. This includes:

- A general ledger file and a chart of accounts
- A freight file with loads 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

The cost model has interfaces for some mileage lookup systems.

Balance

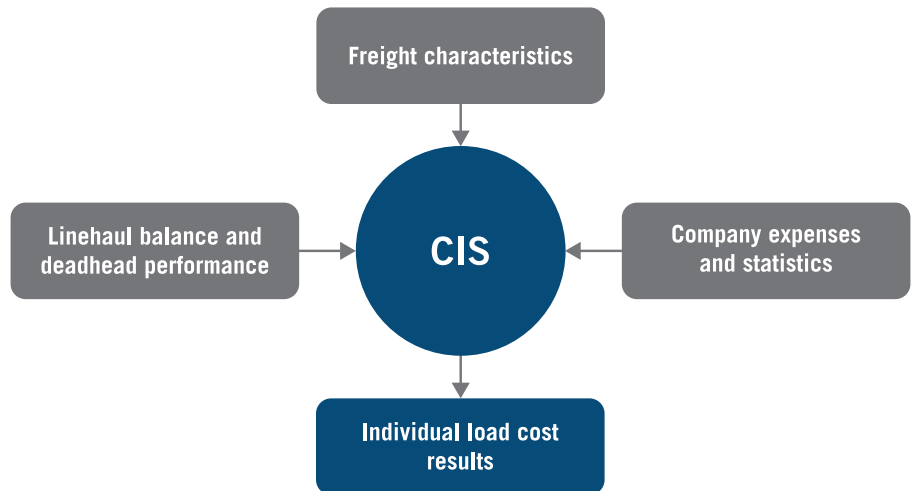
SMC³ has developed a unique process for TL CIS that allocates the costs of each carrier's load based not on headhaul and linehaul moves, but spread out over the entire roundtrip journey. These are displayed as balance adjustments and weighed against the per-driver costs of round trips. Without these adjustments, most headhaul moves would appear profitable, and most backhauls would look unprofitable. This disparity would render any cost results meaningless. By addressing the foundation of the cost to move each load—the mileage price of each round trip—TL CIS returns an accurate accounting of each load's profitability.

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. 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 type, area, lane, distance, and dozens of other factors. This allows users to drilldown to the cause of both profitable and unprofitable traffic segments, or even to the individual loads.

Want to know which customers give you profitable freight?

The Cost Intelligence System provides these answers.



About SMC³

SMC³ is a hub of expertise in the transportation arena. Thousands of 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 entire supply chain with industry-leading speed, reliability and performance. SMC³: Investing a lifetime to help optimize freight transportation.