



CASE STUDY

DuPont Looks to Cass for Solutions in Transportation Expense Management

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Introduction

DuPont is a science-based products and services company that employs more than **60,000 people worldwide**. Founded in 1802, DuPont puts science to work by creating sustainable solutions for its customers around the globe. The company that created nylon, DuPont has been awarded the National Medal of Technology four times.

On an average business day, the DuPont logistics suppliers generate more than 2,000 freight invoices, including those for inbound and outbound shipments via multiple modes such as truckload, less-than-truckload and rail. DuPont has significant spend in North America and uses the services of many logistics suppliers with various rate structures. Without the rigors of strict controls executed by a centralized process and payment “command center,” such invoice processing loads could easily create chaos.

DuPont had such a command center in place; however, in the past it relied upon an in-house system that was 20 years old. While it had served DuPont well for decades, by 2004, the legacy system had reached an age and condition that made it a potential operating risk. It was time to migrate to a newer, Web-based system, however, concerns about cutting over to a new system were considerable.

Business stakeholders throughout the company had concerns about losing quality relationships with their logistics service suppliers and wanted better visibility of their transportation costs. Carriers needed to be paid accurately and on time. They needed data that could be meaningfully analyzed and tied to their specific products. Other DuPont stakeholders required the assurance that invoices would be paid accurately and that cost data would be allocated appropriately and uploaded into the SAP system with minimal manual effort.

The ultimate goal of DuPont was to achieve best practices in freight audit and payment, and the Company decided to look externally for a business partner to provide an outsourced solution to meet or exceed its internal stakeholder needs and expectations. DuPont searched for a business partner with the right expertise, insights, and core competency of handling the freight payment process. Cass was one of the five companies selected to be part of the evaluation.

After an in-depth review, Cass was selected for its demonstrated expertise and abilities to meet specific business requirements of DuPont.



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Confidence Builds with Each Relationship Milestone

Cass teamed up with the DuPont staff to work through process issues that surfaced along the way, and the confidence in Cass' technology, expertise and service levels climbed steadily. The anxiety associated with deploying a new freight payment system diminished as Cass demonstrated its ability to deliver. DuPont began to push more responsibility in Cass' direction. Soon Cass was also managing expenses associated with parcel shipments, giving DuPont a centralized repository from which to view shipments across all transportation modes.

DuPont Executes Rigorous Controls

The DuPont Freight Payment Process includes a matchpay process incorporating a three-way match (service receipt, freight bill, contract rates).

1. Receipt of Service and Freight Bill

DuPont generates a shipment record (Receipt of Service) from the sales order or purchase order to authorize or decline a carrier's invoice. The shipment record also contains information such as origin, destination, weight, date of shipment, and description of material shipped.

DuPont does not pay an invoice unless there is a receipt of service record in the system or, in the absence of this record, there is some other documented authority to pay.

Additionally, DuPont required a streamlined process to manage exceptions. When the matchpay system rejected an invoice due to a non-match, DuPont wanted a systematic approach for managing these exceptions. The Cass core system addresses this requirement with its suspense function, which can be configured to suspend processing and/or hold an invoice in queue for further action, based on the client's business rules. For example, the invoice could be sent back to the carrier, or routed back to DuPont, or it could be held in queue for a period of days and then re-presented to the matchpay system to look for a match among newly received shipment files. Today's exception management process allows DuPont to carefully track and manage exceptions online.



DuPont moved to the Cass rating engine, Ratemaker[®], in 2010.

2. Rate Verification

An additional and all-important control in the 3-way match process is a rate verification, whereby the invoice amount (calculated by the carrier) is matched to the shipper's independently calculated rate. In the world of freight services, pricing structures are complex, so rates can easily be miscalculated and invoices will contain errors. Ratemaker®, the Cass rating engine, is deployed for nearly every Cass freight payment client and represents an integral component of the Cass outsourced solution. Ratemaker applies rating information from the rate authority to calculate an accurate freight charge for each shipment. When the invoice arrives, the Cass system compares the invoice amount with the freight charge supplied through Ratemaker. If there is a discrepancy, the invoice is processed accordingly, depending upon the client's business rules.

In 2010, the Cass freight payment system for DuPont received freight rating data from a DuPont-owned system. Developed in-house, the DuPont rating engine maintained all current rate information, which changed with every new or renegotiated supplier pricing document. The use of a proprietary rating system was an anomaly among Cass clients. When DuPont first became a Cass client, it was reluctant to retire its internal rating system since it had served the organization well in the past. In 2010, DuPont determined that it needed additional capability to manage shipments by individual carrier and break out accessorial charges. DuPont wanted the option to use AAR Rule 11 rates*, if necessary.

DuPont desired a better way to process, audit and report for AAR Rule 11 data and looked to Cass for a solution. Cass was readily able to accommodate the needs of DuPont. The solution involved the transition of DuPont to the Cass Ratemaker engine, which resulted in even greater process improvements. Unlike the former DuPont rating engine, Ratemaker not only manages base rates but also applies accessorial charges. Now, the DuPont automated audit process systematically applies its rates for accessories, increasing accounting controls. The transition to Ratemaker was effective and efficient.



Having Cass manage the freight payment process seems to be a plus for many carriers.

* The Association of American Railroads (AAR) Accounting Division established Rule 11, which applies to shipments involving multiple rail carriers. Prior to Rule 11, the first carrier issued an invoice on behalf of all railroads that carried the load. Under Rule 11, each rail carrier issues a separate invoice against one shipment or bill of lading file.

DuPont Values Strong Supplier Relationships

Prior to its relationship with Cass, the DuPont freight payment process was managed entirely in-house. Among the concerns of moving to an external vendor was the potential to disrupt or even injure relationships with key logistical suppliers. DuPont relies heavily on its carriers, and they in turn rely on DuPont for accurate and timely payment. DuPont did not want to transition the process to an outside party that would fail to deliver quality service. Having Cass manage the freight payment process seems to be a plus for many carriers. Carriers like having the online visibility to invoice and payment status so they know when they can expect payment. They get the remittance detail online and many are already familiar with the Cass portal.



Cass Generates Meaningful Process Metrics

The Cass system furnishes data on carrier billing accuracy. Being able to provide objective feedback by having system-generated data is a useful business tool. DuPont has information that can be shared and discussed with the carriers.

The Cass online reporting engine, CassPort, provides an OLAP cube perspective of DuPont's process metrics. CassPort offers valuable transparency to the process, and DuPont can generate a variety of reports using its drill-down and filtering functionalities. DuPont relies on these primary metrics to monitor the process:

1. Matchpay % or “First-Pass Match”

This is a key metric that helps measure throughput. The data reveals how many invoices are processed the first time through the matchpay system, without any people in the process. Cass refined its system to generate such a metric that would be useful to DuPont's process improvement analysis. The Cass system also provides data about the causes of non-matches.

2. Rate Audit - % in Tolerance

This metric shows the number and percentage of invoices that rate accurately. This means that when the Cass Ratemaker engine applied its audit rules, the invoice passed. Invoice amounts were accurate or within the tolerances established through DuPont's business rules.

3. EDI %

This metric is used to track invoice format - the number and percentage of invoices received electronically vs. paper. Cass works with DuPont's carriers to manage the conversion from paper to EDI, helping to steadily increase EDI percentages.



DuPont Leverages Freight Payment Data

A valuable byproduct of an automated process for freight payment is extensive and reliable data, which DuPont uses in several ways:

1. Transportation Sourcing

DuPont uses data furnished by the Cass system to support the procurement process. Logistics professionals within DuPont know their spend for each carrier at the lane level.

2. Product Cost Analysis

DuPont loads data from the Cass system into SAP so the business units in each supply chain understand their transportation costs and how they affect associated products' landed costs. They can tie freight costs back to specific orders and products.

3. Forecasting

DuPont is able to analyze data, identify patterns and project future costs.

The DuPont–Cass Relationship

The DuPont-Cass relationship has endured for several years and continues to evolve. DuPont believes Cass is a leader in freight payment technology and processes. Cass works with many other global manufacturers, which gives them knowledge beyond the DuPont experience and builds the expertise to enable best practise. Cass and DuPont look to each other for advice in many areas.

“DuPont is among our most valued clients,” commented Mark Campbell, senior vice president, Cass Information Systems. “DuPont is continuously engaging us as they work on exceedingly complex problems, and we like being challenged. Working to meet their business needs causes us to push ourselves, to think creatively and deploy our technology in new ways. Often the end result is seen in system enhancements that benefit DuPont as well as other Cass clients,” he said.

DuPont looks forward to continuous improvement by working with the team at Cass. As the dynamic business environment continues to change at DuPont, there will be additional opportunities to build on the DuPont/Cass relationship.



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Cass Information Systems (NASDAQ: CASS) is North America's largest and leading provider of freight audit, payment and business intelligence services. Clients include Ford Motor Company, Emerson, The Hershey Company and Restoration Hardware. Cass pays more than \$25 billion to logistical providers each year on behalf of its clients.

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US: 314-506-5500
Europe: 011 31 6310 10480