

Putting Freight Costs in Their Place: New white paper simplifies logistics costs

Supply chain management company AEB demonstrate how reallocation of freight costs can be managed more accurately and efficiently

Many companies find it difficult to deal with a critical aspect of logistics controlling: The reallocation of transport costs to their original cost drivers. What expenses were incurred for transfers of products between locations? And what were the specific costs per product group or location? Traditional accounting methods are often insufficient for breaking down logistics costs to the product or item level.

Today, many companies are active on a global level, have comprehensive procurement and fulfilment networks and work with a number of different logistics service providers. Yet few of them have implemented an efficient logistics controlling process that tracks the exact cost allocation of freight expenses.

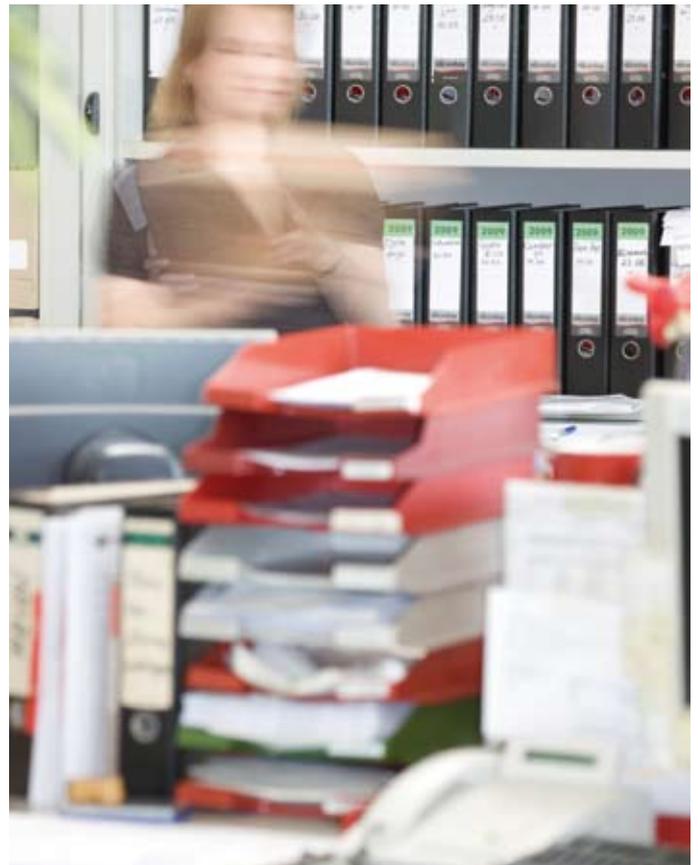
Logistics controlling: Software ensures accuracy and efficiency

Titled "Putting Freight Costs in Their Place", AEB's white paper demonstrates the advantages of accurate freight cost reallocation and how it can be carried out efficiently. Focusing on real-life examples, it shows how successful businesses manage the freight cost reallocation process, illustrated by case studies from three industry sectors:

- Beverage industry: Reallocation by delivery note type
- Textile industry: Reallocation by category of goods
- Electronics industry: Reallocation including cost type

Many companies still work with large and complicated spreadsheets, which are passed back and forth between

controllers and the relevant departments. In many instances, this results in an imprecise allocation of freight costs. For example, when businesses use production and logistics costs to set their product sales prices, imprecise freight cost allocation can lead to distortions – if prices are set too high, demand can dwindle; if prices are set too low, it can squeeze the margin.



Accurate freight cost reallocation is also essential for determining a product's "landed costs". Businesses wanting to identify the most cost-effective supplier have to compare more than just the purchase price. They need to look at the entire landed costs – the overall procurement costs of each product, including taxes, customs duties, and to a large extent transport costs – which must first be allocated precisely to the appropriate product.

Iqbal Pannu, Senior Solutions Consultant of AEB (International) said: "Freight cost reallocation is an important step on the way to a comprehensive logistics controlling concept. Our latest white paper assists businesses to understand the impact of standardised and automated reallocation of freight costs to the relevant cost centres and cost drivers, and how IT-supported freight cost management optimises logistics controlling and maximises efficiency."

Download the white paper from
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