



## No Such Thing as a 'Free' Lunch: Controlling Freight Costs to Save Your District Significant Budget Dollars

By Bill Munch

"Watch the freight, watch for the freight, they're going to get you on the freight" was a familiar mantra back in the time I attended ASU seeking my procurement degree. In every purchasing and logistics class, I was reminded how costly freight can be if you don't control it.

The ironic thing is that when I secured my first position in the world of public procurement, the first thing I was told is, "Forget the freight. We don't have time nor the expertise to deal with it and the vendors handle the shipping anyway."

For many years, the irony of this concept has remained a part of my feeble brain and I wondered why we wouldn't do more to control these "hidden" costs. No matter what you have ever been told, freight is NOT "free."

A little over two years ago, I was reminded of this mantra when I was approached by Transportation Logistics Management, a state contract vendor. It seems that this company had been developing a program for the procurement industry that highlights what I was taught in school. I am usually hesitant promoting a vendor, but this is a current state contract vendor and this process works without any budget dollars from your district.

This consultant only gets paid if the district sees actual savings. Their payment comes from the savings we otherwise would not have enjoyed.

This program was not developed in a back office but developed with input from procurement professionals throughout the United States. Truly, it is a program developed with input from procurement

professionals for procurement professionals. As I listened to his presentation and began to see the comparison of savings that this company was generating on behalf of school districts and other public procurement groups across the country, all my previous teachings began to surface.

As we know, we are in a difficult economic time. We are faced with providing a high level of service to a growing number of people, all with smaller budgets and in most cases, a smaller staff. The ability to generate significant savings on the items that we already purchase seemed to be an intriguing proposition, and one that we began to explore for Mesa Public Schools. That being said, I am very cautious and careful when I move forward into uncharted waters, especially when it impacts my district and profession.

Over the course of the last two years, our talented purchasing staff at Mesa Public Schools met with TLM to clearly understand how their process works and evaluate the pros and cons from each buying team's perspective. As mentioned earlier, the state of Arizona has awarded the contract for Freight Management Services to TLM. It seems as though other procurement professionals in the state also recognize an opportunity to generate savings through the program that TLM had developed.

After evaluating their program from a variety of perspectives, we felt it was time to move forward in our district. We invited Mike Hutchins and Michael Fen, VP of Operations, to come to our district and train our purchasing staff on their savings program

the “5 Easy Steps.” TLM has a very holistic approach in that they look at the overall process and then begin to recognize the most efficient method for integrating their program into your organization's process.

It began with TLM identifying the items that we purchase and where they felt the opportunities for savings existed. Once determined, we began to address specific commodities and began to integrate the program into our process. The results have been significant and easy to implement. Though initially rolled out in a very controlled fashion, it is quite apparent that saving significant monies on the freight portion of items initially rolled out in a very controlled fashion, it is quite apparent that saving significant monies on the freight portion of items that we already purchase is a rare proverbial “low hanging fruit” that is still available to us.

There is another aspect that needs to be considered and has significant impact on our costs. I do not claim to be a tax expert, however, my understanding is that currently, when we allow our vendors to incorporate the cost of freight into the items that we purchase, without unbundling the freight cost or showing it as a separate line item, in most cases we are paying sales tax on the freight portion of our purchase. Freight is clearly a nontaxable item unless you bundle it into the overall cost of the item. “Unbundling the freight” has the potential to save your district significant dollars.

To date, we have utilized TLM's freight management program on approximately 15 shipments. Recently, on three shipments of textbook and curriculum materials, we saved on average over 45 percent, or a real dollar savings of over \$13,000. Indeed, this process is not for every purchase or situation, but the potential savings is still substantial for those purchases where it makes sense.

The Mesa Public Schools Purchasing Department is looking forward to integrating the “5 Easy Steps” program into more and more of what we do. From my perspective it's a “no brainer.” Here is an opportunity to use the state contract and save money on items you already purchase. The initial training process is designed to minimize additional work while incorporating their program into your existing process.

Here are the steps as given to us by Mesa Public Schools:

### **Step 1: UNBUNDLE THE FREIGHT CHARGES**

They provide suggested language to incorporate in all future bid requests (RFP) and with existing vendors and contracts. By requiring your vendors to clearly show the freight cost they intend to pass on to you it will allow you to make comparisons and begin to evaluate potential savings.

### **Step 2: REQUEST YOUR FREIGHT QUOTE FROM TLM**

Simply request a quote by e-mail, phone or fax from TLM or simply send a copy of the original request that was sent to the vendor.

### **Step 3: RECEIVE A FREIGHT QUOTE AND COMPARE TLM COST VS. THE VENDOR COST**

You will receive a detailed copy of your quote promptly from TLM and just compare the TLM quote with your vendor quote and determine if there are savings to be realized.

### **Step 4: INITIATING YOUR SHIPMENT**

If after comparing the quotes you decide to utilize TLM, simply contact TLM and indicate that you would like to move forward...or when the final request for purchase or the PO is issued to the vendor, simply send a copy to TLM.

### **Step 5: THE REST IS EASY, LET TLM GO TO WORK FOR YOU.**

TLM will:

- Contact the supplier.
- Coordinate shipping specifics.
- Verify weight, class and count.
- Input information into TLM Online.
- Produce and forward necessary paperwork.
- Verify pick-up.

The state contract # for this contract is EPS090098 and their web site is [www.tlmlogistics.com](http://www.tlmlogistics.com).

My dad always used to tell me, “If it ain't broke, don't fix it.” In today's economic environment it is obvious that it is “broken” and that we need to look at things differently, view processes differently and embrace those opportunities that can help us “fix it.” The Mesa Public Schools Purchasing Department believes this is one of those significant opportunities. ■