

# Sterling Transportation Management System steers Sargento towards increased savings and improved productivity



## Sargento Foods Inc.

### Location

Plymouth, Wisconsin

### Industry

Manufacturing

### Business challenge

Sargento Foods Inc. needed a Transportation Management System (TMS) that would meet their operational needs today and in the future

### Solution

Sterling Transportation Management System

### Benefits

- 60% administrative cost savings by automating freight payment
- Improved allocation of costs
- Reduced LTL shipments by 60%

*"Sterling Transportation Management System has allowed us to see a 15% reduction in our cost per pound, excluding the cost of fuel."*

Keith Hartlaub  
General Manager,  
Sargento Foods Inc.

### Customer background

Sargento Foods Inc. is a family-owned business, employing approximately 1,300 people at four Wisconsin facilities, one in Washington and one in South Dakota. They are one of the largest converters of cheese in the United States, offering a variety of cheese products marketed through four business divisions: Consumer Products Division, Food Service Division, Food Ingredients Division and Culinary Solutions.

### Business challenge

Sargento was managing their distribution and logistics with a TMS solution which was not able to meet their operational requirements. When Sargento planned orders into shipments, their previous solution did so without considering cost, service or contractual commitments to carriers. An increasing problem for Sargento was their inability to accurately allocate transportation costs at the order level. For example, accessorial costs were not being allocated. Recognizing the limitations of their current system, Sargento determined the need for a solution that would meet their current

operational needs, as well as any changes they may face in the future.

### Solution

Sargento began looking for a new solution in January, 2006, and identified Sterling Commerce to be their provider by mid-March. In June, 2006, after only three months, Sargento went live with Sterling Transportation Management System (Sterling TMS), integrating with 30 carriers, shipping approximately 3,000 orders per month, and transporting 24 million pounds of Sargento products on average per month. Sargento chose Sterling TMS because it was an on demand solution with connectivity to a large logistics network as well as having a strong TMS functionality, including comprehensive freight payment capabilities. Sterling TMS works with Sargento's existing supply chain applications as well as Sterling Information Broker®, allowing them to improve logistics efficiency and customer satisfaction. Customers are placing orders via EDI, which are then fed into Sargento's SAP ERP system. SAP feeds inbound purchase orders to Sterling TMS as well as Sargento's Warehouse Management System.

Sargento is using Sterling TMS for shipment planning, execution and freight payment. They are now able to track the performance of their carriers, allowing them to identify areas where they can eliminate costs. They are also utilizing the system for visibility purposes and can now accurately allocate transportation costs to their customers. With Sterling TMS they can clearly identify where their shipments are throughout the process and ensure the right rates for the right shipments. They are also using freight payment on the back end after the shipment is completed.

### Key benefits

Sargento measures their success through three key metrics:

- On time delivery
- Customer service level
- Cost of product shipped per pound

Due to Sargento's commitment to their customers, on time delivery has always been at 99%. They continue to meet that delivery rate and exceed their customers' expectations, but with the implementation of Sterling TMS, Sargento has been able to lower their third metric as well.

Sargento measures their cost per pound by taking their transportation expenses divided by the number of pounds shipped. Since the implementation of

Sterling TMS, they have seen a drop in the cost per pound by 15%. This has been accomplished through more efficient planning, clean identification of carrier costs and formalized contracts within Sterling TMS.

### 60% administrative cost savings by automating freight payment

Sargento improved operational efficiencies by eliminating manual processes and non-value added services. In the past, if a carrier charged Sargento an incorrect transportation cost, Sargento did not have the visibility to correct these charges prior to being invoiced for them. Sargento would calculate the rates but were often invoiced using a different rate. As a result, Sargento had a difficult time reconciling payments. Since the implementation of Sterling TMS, each carrier has a contract in the Contract Management Module of the system where their rates are locked and paid accordingly with no discrepancies. Not only has the system helped Sargento manage costs, the automation has reduced the manpower required to reconcile payments from 15 hours per week to six hours per week resulting in a 60% reduction in administrative costs for freight payment.

### Improved allocation of costs

Accruals are done as soon as the product is loaded at the distribution center. The billing information is fed to the finance department and the accrual of transportation costs is done in real-time. Accessorials that occur during delivery are captured as part of the invoicing process and are also allocated down to the order level. This helps to ensure the real cost of freight is captured for each customer. With Sterling TMS they are now able to evaluate charges during the year to better determine what the customer charges should be the following year, taking in to account the back end fees that each customer was accumulating. This allows Sargento to accurately allocate costs back to their customers and ensures Sargento remains profitable.

### Reduced LTL shipments by 60%

Prior to the implementation of Sterling TMS, Sargento was doing 10% of their shipments via Less than TruckLoad (LTL). With the visibility provided by Sterling TMS, they are able to convert more of their shipments into Full TruckLoads (FTL), with only 4% now being shipped as LTL. With enhanced planning capabilities, Sargento can now plan multi-stop and multi-pickup routes consolidating on average four different customer orders per shipment, for optimal execution and further cost savings.

### About Sterling Commerce

Sterling Commerce, an AT&T Inc. (NYSE:T) company, helps companies optimize and transform their Business Collaboration Network quickly, easily and securely so they can accelerate revenues, reduce costs and protect their enterprise. Sterling Commerce provides more than 30,000 customers worldwide with applications and integration solutions to connect, communicate and collaborate with their customers, partners and suppliers. Learn more at [www.sterlingcommerce.com](http://www.sterlingcommerce.com).

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