WHEN FREIGHT SAVINGS COST MORE THAN THEY SAVE

A different way to evaluate transportation economics

A lower freight rate can be the right decision. But a freight budget alone cannot show whether transportation choices actually reduced the total economic burden on the business.

Recovery transportation, missed appointments, additional handling, administrative work, inventory disruption and customer penalties may appear in different functions. When those consequences are missing from the evaluation, a reported saving can conceal a higher overall cost.

A simple illustration

REPORTED ANNUAL FREIGHT SAVINGS	ADDITIONAL ATTRIBUTABLE OPERATING COSTS
$150,000	**$170,000**

NET ENTERPRISE IMPACT **$20,000 unfavorable**

In this hypothetical example, the company reduced freight spending but increased its overall transportation-related economic burden. The problem is not necessarily the rate decision. It is the incomplete measure of its consequences.

Illustrative scenario only. All figures are hypothetical, not a customer case, industry benchmark, or JTR result. The comparison assumes the added costs are incremental, transportation-attributable, comparable in period and not double-counted.

THE QUESTION FOR LEADERSHIP

Are we managing freight spend—or what transportation actually costs the business?

One shipment. Multiple financial consequences.

A transportation exception rarely stays confined to the transportation department. The event may be visible in a freight system, while its effects are absorbed through separate budgets and operating activities.

WHERE THE COST APPEARS	EXAMPLES OF POTENTIAL BURDEN
Transportation	Replacement freight, detention, storage, redelivery
Operations	Extra handling, downtime, scheduling changes, overtime
Procurement	Replacement sourcing, supplier coordination
Customer service	Escalations, order adjustments, customer communication
Finance	Chargebacks, claims, margin impacts, reconciliation

Why the complete cost stays difficult to see

Functional budgets and performance measures are useful, but they may encourage local optimization. Procurement can demonstrate rate reductions while operations absorbs recovery work and finance records a penalty. Each departmental report may be accurate without telling the full enterprise story.

Some of the largest recurring burdens are no longer treated as exceptions. Appointment rescheduling, routine tracking, recurring rework and additional safety stock can become accepted operating practices. Their cost may be embedded in overhead rather than traced to a transportation decision.

Measure causes, not just correlations

A late truck does not automatically cause lost production; a threatened order is not necessarily lost revenue. Credible attribution asks what would have happened without the disruption, what costs were actually incremental, whether an alternative was feasible, and which costs would have occurred anyway.

BETTER MEASUREMENT SHOULD IMPROVE DECISIONS, NOT ASSIGN BLAME.

Three questions. Three distinct economic views.

TOTAL LANDED RISK / TLR

Before consequences emerge: Where does a transportation decision create exposure? What may become unstable?

COST OF FAILURE / CoF

As a consequence becomes materially probable or active: What operational and economic burden may develop, and where may it spread?

TOTAL LANDED COST / TLC

As the burden is incurred or absorbed: What transportation-related cost has actually been realized, embedded, accumulated or materially incurred?

Gross burden is not the same as avoidable cost

Even a well-supported estimate of annual transportation-related burden does not mean the entire amount can be eliminated. Some disruption is unavoidable; some prevention costs more than the risk it addresses; and some burden would remain under any provider.

A useful economic evaluation distinguishes four numbers: (1) freight and service price, (2) incremental realized or developing burden, (3) the portion that feasible interventions could reduce, and (4) the cost of those interventions.

The test for a better transportation option

POTENTIAL AVOIDED BURDEN – INCREMENTAL SOLUTION COST

= POTENTIAL NET CUSTOMER BENEFIT

That benefit remains hypothetical until the underlying costs, causality, alternatives and achievable reduction are validated. A more expensive transportation service is justified only when its additional cost is outweighed by credible economic value to the customer.

How to build a more complete transportation view

01 Define the decision

Choose a shipment type, lane, facility or recurring exception. Identify the service requirement and alternatives.

02 Trace the economic effects

Gather freight invoices, recovery records, operational effort and customer-related impacts across departments.

03 Qualify the evidence

Separate paid or incurred costs from modeled consequences, unsupported assumptions and nonfinancial exposure.

04 Test the counterfactual

Ask which burdens would remain under the alternatives and which are economically preventable.

05 Decide and measure

Select the justified service or operating change, name responsibilities and review the actual result over time.

Questions worth asking at the executive table

- Which transportation costs appear outside the freight budget?
- Who makes the original decision—and who absorbs the consequences?
- What costs are measured, estimated, normalized or simply unknown?
- Which avoidable burdens exceed the cost of improving the service?

THE JTR PERSPECTIVE

JTR Logistics helps companies evaluate transportation requirements, service options and relevant operating consequences. Some needs call for a straightforward freight move; others justify a deeper examination of responsibility, recovery and enterprise cost. The appropriate solution begins with the business requirement.

Discuss a transportation requirement: www.jtrlogistics.com

Educational perspective. Illustrations do not constitute financial advice, verified savings, or a service guarantee.