

CASE STUDY

## Supply Chain Freight Damage Claims – A New Perspective

### Improving Operational Efficiency through Information Technology Solutions

Our client is one of the premier automotive manufacturers in the world. In North America, they have numerous assembly plants, over a dozen plants making vehicle components and one of the most complex supply chains comprising of parts and vehicle distribution centers. In 2009, they partnered with VASCOR to streamline their freight damage claims processing for inbound parts and finished vehicle delivery supply chain. VASCOR's operational excellence, IT expertise, and analytical ability resulted in significant improvement in claims resolution rate and time, and provided valuable data for supply chain improvement.

#### Getting Started

One of the inherent characteristics of a supply chain is damages to the freight while in transit. Typically, the carrier who handled the freight before the damage is noted for the first time bears the cost of repair or loss. The damage claims filed are adjudicated to identify the carrier responsible.

#### Needs Identification

This Fortune 500 company had been outsourcing its supply chain claims processing for decades and needed more than the document processing and adjudication from their existing vendor. They wanted improved visibility, quick turnaround times, and extensive reporting driven by up-to-date technology tools to initiate improvements in the supply chain. In short, the client needed a sophisticated information gathering and management system to help identify the root cause of the claims.

#### Discovery

At that point, company management approached VASCOR about this project. They knew VASCOR has been involved in the automotive logistics industry for more than two decades, is an active participant in industry meetings, and had prior business relationships with their company.

VASCOR, at that time, had done extensive research on developing a claims management service offering. On getting the proposal, VASCOR decided to dedicate resources to develop a state-of-the-art claims management system with support from this client.

#### First Steps

In the initial phase, a series of meetings were conducted to understand the customer's claims business processes. VASCOR then started developing the software program to support the service offering with their specifications in mind.

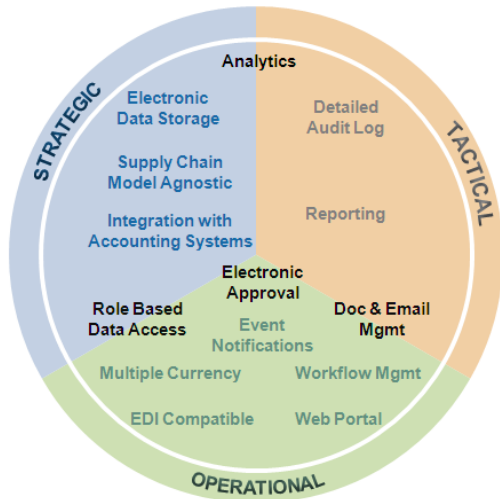
*"We had some apprehensions about changing a vendor who has served us for more than three decades, but VASCOR dispelled all our concerns by giving us full visibility to their development progress through frequent meetings and demos",* says a company representative.

#### Implementation

Prior to the go-live date, the claims system and the integration with our client and other carrier systems were fully tested. VASCOR employees, representatives from the client and their carriers were extensively trained and since the workflow is now completely paper-less, the parties agreed on a set of key performance measures (KPI) to track the progress.

Due to the impact on cash flow, one of the measures tracked was the claim payment time. *"The previous process required waiting for 15 to 30 days for the claims to be sent to the responsible party. After VASCOR took over, claims were being filed within one business day and we received the first payment from*

the responsible party within 10 days. This is a record breaking event and a very special day", says a company V.P.



VASCOR's service offering – includes features for operational, tactical, and strategic aspects of Claims Management

## Reporting

One of the main reasons VASCOR was approached was to leverage its skills in analyzing supply chain data for quality improvement measures. "I look forward to VASCOR's generated claims reports and analysis to correlate claims data that has never been so freely accessible. VASCOR expertise and familiarity with industry reports and involvement with Carrier Forums is refreshing", says another company employee.

The client and its carriers generate reports from the web portal or request ad-hoc reports from VASCOR analytics group leveraging the in-house inspection data manager. They use the carrier damage reports in the carrier scorecard, which helps them in carrier selection. The outstanding claims report and transaction journal report helps in financial planning. The carriers use the location reports to identify the routes, ramps, regions, drivers where damage frequency is high. The area/type report tells which areas of the vehicle is damage prone and the type of damage.

## Post – Implementation

Among the closely tracked KPIs, the number of claims aged above 120 days reduced to less than 2% of the total outstanding within the first year of operation. "With VASCOR's claim system, we can now move forward into the 21st century, and take advantage of the EDI and web-based capability. It will allow us to move toward a Global Strategic direction in the claims collection. The key element is our partnership with a company that can get us there and can see the same "vision", says this company representative. He continues, "It has been a fabulous first year".

## Key Benefits

- ✓ One stop shop for claims submission, investigation, resolution, and analysis.
- ✓ Quick turnaround time for filed claims leading to improved cash flow.
- ✓ Environmentally responsible – paperless operation.
- ✓ Reporting on claims data and correlation with inspection data for supply chain process improvement and damage prevention

VASCOR (Value Added Services Corporation) is a third party logistics (3PL) provider based in Georgetown, KY and has been focused on the automotive industry since 1987. VASCOR offers a wide range of supply chain services such as inbound parts logistics, finished vehicle logistics, claims management, and engineering services coupled with state-of-the-art IT solutions.

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