

SOLVERMINDS
SOLUTIONS AND TECHNOLOGIES

Invoice Accuracy

Results
Increase Revenue
Integrated Customer
Satisfaction
Solution
Better
Invoice
Accuracy

1. Introduction



About Invoice Accuracy

It is a universal truth that timely and accurate invoice is the corner stone to the success of all shipping organizations. It ranks as high as ensuring that the cargo is safely transported from its origin to destination on time. The sooner you bill accurately, the sooner your revenue can become working capital. However, this is not always the case and surprisingly very few administrators have identified invoice accuracy as a key focus point within their organizations.

“Time and effort needs to be invested into developing or finding suitable systems and personnel in order to create accurate invoices. This would not only improve cash-flow, but also deliver to customer’s expectations and satisfaction”.

“However, times are changing; a senior executive of one global shipping lines makes shippers aware of the issue when he divulged that approximately 12% of container shipping lines’ invoices are issued incorrectly.” Inaccurate invoices are not only costing the carriers but also the shippers. Carriers' lost are due to under charging for transport services rendered. Shipper's lost are due to overpaying of freight charges and administration cost to check and dispute invoice. These factors played a major part in the customers' dissatisfaction. Unhappy customers usually result in lost of further business and in worse case scenario speak negatively to friends and family members causing damage to shipping line's brand reputation.

2. How does this impact your Organization?



Inaccurate invoice is a simple fix and can easily be addressed and corrected. It has been proven that not many companies manage to address this properly as evident from industry survey result. A customer feedback survey conducted by Transplace is indicated that the estimation made by the senior executive of the global shipping line of 12% seems excellent in the comparison to the feedback, which is received from the market; with some customers indicating that in fact the rate should be as high as 25%. Nonetheless, incorrect invoice is a devil that has a much wider reach and impact than just cash flow issues and dissatisfied customers. It directly influences bill of lading releases, custom and trade documentation processing that causes delays to timely loading and release of cargoes.

(Continued...)



“With inaccurate invoices, an organization has to incur additional costs, as these incorrect invoices need to be disputed, validated and corrected, costing the organization a massive amount of time and resources. This wasted time and resources could rather be employed elsewhere in order to improve customer satisfaction”

An incorrect invoice potentially generates a substantial amount of additional cost. This may include direct and indirect cost such as incurring demurrage and detention charges at the port due to delay in releasing shipment because of invoices in dispute.

An incorrect invoice carries burden to the shipment process, mostly shippers’ experience speaks about receiving an inaccurate invoice and to retroactively manage and drive the disputes in order to release of their cargo. Some customers are indicating that they would rather pay the incorrect invoices than suffer the consequence of late delivery and losing market share within their own relevant industry.

3. Why do you need to take action?

We already agree that poor invoice accuracy results in your customers rejecting your invoices for various reasons and are not paying your invoices as expected. Poor invoice quality will lead to the following 3 key areas of impact:

- **Decreased Customer Satisfaction:**
One of the risks of incorrect invoicing is that a customer you serve can see its own business at risk due to shipments being delayed or halted.
- **Increased Aging in Accounts Receivables:**
Customers are granted for payment term, if for whatever reason a customer does not pay it means your business is short of cash whilst its obligations and liabilities have not changed.
- **Increased Cost-of-Rework:**
Invoice corrections cost money to fix and the Cost-of-Rework means inefficiency



4. Transformation is necessary

With rate volatility only intensifying and competition becoming ever greater, the challenge to ensure accuracy in billing is only getting tougher. The basic law of supply and demand contributes to rate volatility. Voyages costs are fixed for carriers because vessels sail based on published schedules, whether they are full or not. As a result, “carriers have become highly competitive, with rates sometimes fluctuating on a weekly basis”, said Rick Brunett, vice president of client solutions for Transportation Insights, a logistics and freight payment company.

It is common knowledge that not all General Rate Increases (GRIs) end up being applied. Typically, Carriers have imposed GRIs on various trade routes, but only a few take hold because carriers drop their rates/prices before and soon after implementation. A simple example of how volatile the shipping industry can be seen through the fluctuation of rates measured by the trade benchmark body, Shanghai Containerized Freight Index.



Shanghai Containerized Freight Index

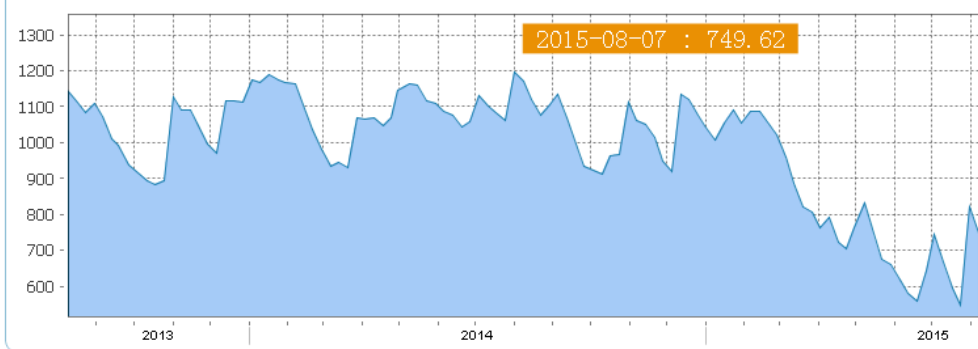


Figure 1: Fluctuation of rates

It can be noted that a large percentage of invoice errors occur during this period, due to each GRI requiring to be amended and applied to the current contracts and quoted rate line. The problem is that trying to do this manually is virtually impossible so one needs to find a solution whereby the system has a means to actually pre-calculate the expected contract amendments and verify the accuracy based on proper integration of systems or by virtue of the fact that it has the capability of checking against pre agreed GRI contracts.

Technology is critical to uncovering invoice errors and auditing freight bills. It’s a differentiator for freight payers and a huge value proposition for shippers, especially when coupled with industry knowledge, said Allan Miner, president of CT Logistics, a Cleveland-based freight payer.

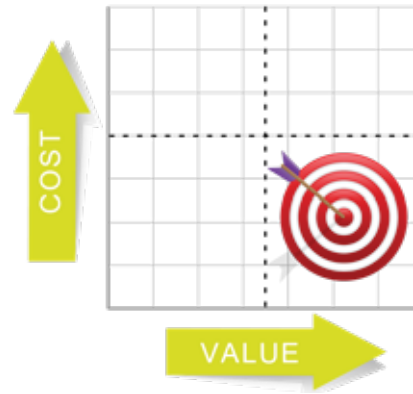
A good integrated Solution needs to be found if one hopes to really address invoice accuracy.

5. How better results can be achieved?

Invoice Accuracy is an excellent driver for change management with tangible benefits and an increased customer satisfaction. But in order to achieve the desired results, shipping lines should first identify the areas of concern and systematically target the crucial and most pressing issues at hand by approaching the issue with following steps



- Understand your data
- Map your end-to-end process
- Engage your workforce
- Identify the root causes
- Implement improvements
- Control improvement efficiency



In order to address the issue of invoice inaccuracy, an organization needs to identify effective billing solution, which incorporates tariff and surcharges with smart billing logics that take into consideration GRI adjustments automatically to reflect contract commitment with the shippers. The chosen solution needs to ensure that accurate billing rate on tariff; quotations and customer agreements are always kept up to date and applied during invoice processing. Correct invoices will help improve carriers' Cash Flow management and provide a more effective working capital portfolio.

By effectively streamlining the payment processes, shipping lines' are able to save a significant amount of time and resources. Through using a fully integrated solution, one should be able to significantly reduce the invoice errors.

A contemporary solution should allow the stakeholder to define the business rules from time to time to meet changing business environments while maintaining control over risk compliance. In effect, with a proper integrated system, one should also be able to readily configure the Taxation aspects such as TDS, GST and VAT and auto calculate these numbers to facilitate statutory reports of the same.

6. Conclusion



In a digital age where a delay of seconds or one human error can be the cause of lost revenue, wasted resources or unhappy customers, good technology becomes critical. Technology also becomes the backbone to run a business efficiently, effectively and economic ally.

CI conducted “Shipper Sentiment Survey” and questions were asked to European Shippers in various categories. According to CI, UASC is a surprise new entrant, and had top score in ‘Accuracy of Invoices’, ‘Overall Performance’ and among the top five scores in all other categories.

Figure 1: Panelist scorecard: hits and misses

Please rate your carriers on:	Best			Worst		
	Carrier	Score	Previous	Carrier	Score	Previous
Accuracy of invoices ✓	UASC	8.2	▲ 6.5	Maersk Line	5.5	▼ 5.7
Timely bills of lading	HMM	8.6	▲ 7.0	CMA CGM	6.4	▼ 6.3
Consultation on schedule changes	Yang Ming	7.5	▲ 6.9	MSC	5.3	▼ 5.6
On-time shipments	Yang Ming	7.8	▲ 6.7	WSC	6.0	▲ 5.6
Container availability	APL	7.3	▲ 6.8	OOCL	4.9	▼ 5.8
Space availability on chosen vessel	HMM	8.0	▲ 5.9	OOCL	6.2	▲ 5.8
Overall performance ✓	UASC	8.0	▲ 6.4	Maersk Line	6.1	▲ 5.8

UASC operates a fully integrated shipping ERP system encompassing processes from pricing to quote, quote to book, book to documentation & cash, vessel scheduling to routes, vendor contract to disbursement, capacity monitoring to space allocation, container tracking to container lease management and operation cost reporting and control.

UASC's ERP system is powered by Solverminds LRP/ARP (Liner/Agency Resources Planning System), an integrated Enterprise Resources Planning (ERP) system designed for liner shipping enterprises.

Solverminds ERP system has powered many liner-shipping companies and helped them in achieving operational efficiencies, maintain invoice accuracy, improves revenue and cost control processes.

However, at the end of the day and the most important factor in the current economic environment is that your customer's get their shipment shipped and delivered on time as per schedule, shipping charges are invoiced accurately and error free allowing them to make prompt payment to carriers. Customer's improved experiences mean increase their further shipment support that leads to increase carrier's vessel load factor and bottom line.

This will also give your customer the confidence to not only suggest your organization to a colleague, family or friend, BUT to promote it.

It's time to act now!

Figure 3: Who won in the 'Container availability' and 'Accuracy of Invoices' categories?



Source: DAT HUB, Containerisation International April 2013