

GETTING TO THE ROOT OF THE PROBLEM



Invoicing can be a major issue for shippers, but there are solutions | By Tim Sailor

In Part One of our series, we discussed the major frustrations that shippers had with respect to their carriers. In Part Two, we'll discuss how incorrect invoicing creates significant problems for shippers. Not only does it increase direct costs, but most shippers have to devote considerable accounting resources to audit carrier invoicing. It is also a real challenge when the invoicing doesn't match internal chargebacks or cost centers. In their survey response, shippers' main complaints were hidden charges (59.93%), billing accuracy (59.57%) and lack of detail (45.85%).

According to most freight payment and audit firms, the potential billing overcharge is between four and eight percent of shippers' total net expenditure. With most major carriers averaging 98% on-time delivery, only two percent of refunds are for service guarantees. The remaining two to six percent is made up of all kinds of billing errors, including manifested but not shipped, duplicate air bills, reweighs, address corrections, residential add-ons and misapplications of funds. For a one million dollar shipper, this could mean overpaying your carrier by \$20,000 to \$60,000 per year.

Today, the majority of add-on charges are applied by the carriers after the shipment has been processed. These "hidden charges"

can account for up to 40% of the total shipment's cost. The most common of these 80 plus add-on charges are residential add-ons, delivery area surcharges, reweighs, dimensional charges and address corrections.

Shippers should take note that some carriers are now charging late payment fees on their invoicing. This can cost shippers up to one to two percent of their weekly expenditures. One way to avoid triggering these fees is by negotiating 30-day billing terms.

Utilizing Technology

The most effective way for shippers to audit carrier invoices is through electronic invoicing. Unlike standard paper invoicing, electronic invoicing breaks out most accessorial charges and provides shipment-level detail. While this may not give you all of the specific detail you might need, it does allow you to sort and audit a variety of add-on charges.

Why is this important? The key to minimizing these fees is to quantify the impact each has on your bottom line. Once you have established the total cost, then you can go to your carrier and request some relief. You will be most successful if you do this during renegotiations or through a competitive bid process. Also, negotiate add-on concessions *after* you have negotiated your base rates and incentives. Otherwise, you may end up trading add-on concessions for higher upfront rates. And while all of the carriers will tell you that these surcharges are fixed, we have seen countless examples of these charges being reduced or waived.

Ensuring Accuracy

Another major headache for shippers and their accounting depart-

ments is billing accuracy. Although most shipments should be auto rated, it is surprising how many carrier charges don't agree with the rate sheets or the manifest. Matching up invoicing with shipping records is a time-consuming process, but it is critical to minimizing carrier overcharges.

While each of the major carriers handles billing disputes differently, all would agree that any disputes or short pays need to be carefully documented and referenced. In order to avoid a lengthy back and forth with the carrier's billing and collection departments, you should provide them with detailed information regarding your dispute. You should always include the invoice number, shipment number, date, check number and the amount of your remittance. We have also found it very effective to use email when communicating with the carriers as it automatically creates a paper trail.

The ultimate nightmare for shippers is when they end up in collections, especially when the disputes and short pays are legitimate. One way to avoid this is to regularly review your aging report with your sales representative. This report will show any invoices that the carriers consider still open (even though you may show it as paid and closed). This technique will also get your sales representative to take a more active role in resolving any disputes and should prevent you from ending up in collections.

Where to Turn?

Another common complaint shippers have is that they don't know where to turn to resolve carrier billing issues. Although they are sometimes difficult to navigate, carrier websites will show you outstanding amounts as well as any open invoices. In some cases, you may also be able to dispute invoices online. Involve your sales representatives, and don't be afraid to escalate open billing issues to carrier senior management.

Here are some resources for UPS, FedEx and DHL:

>> UPS

Billing, Account Balance, Activity, Adjustment Explanation, Duplicate Invoice

800-811-1648,

Technical Support, Fuel Surcharges, Voids

800-553-1118

www.UPS.com

>> FedEx

Billing, Claims, Fuel Surcharge Tables

800-GO-FEDEX

877-FDX-ASSIST

www.FedEx.com

>> DHL

Billing, Technical Support, Fuel Surcharge Tables

800-CALL-DHL

800-527-7298 (Technical Support)

www.DHL.com

www.parcelindustry.com

>> POLL QUESTION

How do you plan to respond to the 2007 carrier rate increase?

Just eat them

>> 10 %

Increase customer charges

>> 39 %

Cut packaging costs

>> 2 %

Other cost cutting

>> 7 %

Shop lower rates

>> 31 %

Other

>> 11 %

>> Go to www.parcelindustry.com for more info.

Until the carriers improve their billing accuracy, the only way for shippers to protect their bottom line is to commit either internal or external resources for weekly auditing. If you can't do this on your own, consider hiring a third-party freight audit and payment company. These providers are experts at recapturing errant charges, recovering service failure guarantees and auditing at the line item level. While some will charge you a transaction fee for each shipment, others are willing to work on a contingency basis and share in the funds recovered from the carrier. At the end of the day, auditing should more than pay for your time and effort by reducing your total shipping cost an average of four to eight percent.

In the next issue, we are going to discuss some of the common complaints shippers have about carrier representation and ways you can improve this relationship to receive a higher level of service and responsiveness.

Tim Sailor has been representing shippers in their carrier negotiations for over 11 years. Navigo Consulting Group has helped shippers lower costs by more than 30% and improve the service they receive. If you have any specific questions, frustrations or additional comments, please email Tim at TSailor@NavigoInc.com or call 562-432-2299. ■