Self-Billing To Gain Carrier Support

by Niko Michas, President & CEO, BridgeNet Solutions

Instead of auditing the invoices you receive from your carrier, why not ask your carrier to review and analyze invoices that you create and send to them? If your carriers are billing you according to their public rates and/or the rates outlined in your carrier agreements, why can't you self-bill your carriers using the same information, and leave the time and effort it takes to go over the charges for each shipment to them?

The truth is that you can. While carriers in the U.S. have been less enthusiastic than some of their European counterparts when it comes to self-billing, U.S.-based companies need not wait for the process to gain more acceptance before approaching their carriers about beginning a self-billing initiative. Self-billing models that have been successfully implemented in Europe (such as those made popular by SAP) can even be used to prove to carriers here in The States that the process works.

Of course, you will need to be able to cite more than examples of other companies' successful self-billing programs when you actually approach your carriers about implementing a self-billing initiative. They will want to know what it will take to manage the process from their end, and whether they will be able to reap any benefits. Carriers resist companies' requests to self-bill mainly because they know that it will result in an increase in labor and accounting costs on their end. If you're going to make a push for self-billing, you will need to show your carriers that they will be privy to certain gains during the course of the self-billing process.

The easiest way to assuage some of your carriers' concerns about self-billing is to find ways to try and lessen some of the labor and accounting costs your carriers will inevitably incur. If this sounds like a lot of trouble, consider the huge reduction in your own labor and accounting costs that will occur as a result of self-billing, and the relatively low costs of finding and implementing some compensatory operational solutions for your preferred carriers. It will be worth it to take the time to try and see things your carrier's perspective now if doing so helps your company achieve ongoing savings in the future.

Below are two examples of positive changes that can result from self-billing, and explanations of the ways in which both shippers and carriers may be able to benefit from them.

1. An Automated Billing Process

Benefit for Shipper: By automating your ability to outline the exact charges for all shipments for all modes, you take the guesswork out of shipping charges. An electronic system that can accept and hold the information for every shipment that goes through your distribution center or warehouse can determine accurate charges for each shipment based on your carrier's public rates and/or the rates outlined in your carrier agreement. (Note: You do not need to go through SAP to implement an automated billing process; a supply chain technology provider that specializes in invoicing solutions may be able to provide you with more cost-effective and/or custom technology solutions.)

Benefit for Carrier: If you're using an automated self-billing system, your carrier can expect to know beforehand when they will be paid, and now much they will be paid. In a normal billing cycle, payments are made to carriers on a 60, 90, or 120-day basis. However, payment delays are a regular occurrence due to invoicing errors. Furthermore, the payments the carrier is receiving normally don't reflect their actual profits due to claims that are made in an effort to correct billing errors, and refunds or credits that are issued to the client as a result. Though no one can eliminate billing errors entirely, even with self-billing, more accurate invoices should lessen them significantly. In fact, self-billing can shorten the entire payment process down to as few as seven days.

2. The Elimination of Auditing

Benefit for shipper: When you self-bill, you eliminate the need for performing audits of your regular carrier invoices. Though you will need to have the appropriate in-house logistics or accounting department (or third party supply chain solutions provider) perform a monthly review of supplemental charges that your carriers may send, the headaches and costs associated with auditing your regular carrier invoices will disappear.

Benefit for carrier: If you're no longer auditing, your carrier should experience a profound reduction in the customer service that was required of them when your company (or more likely, your third party auditing service) was auditing your carrier invoices on a regular basis. While it will be your carrier's responsibility to make sure that they were correctly self-billed, which will take a certain investment on their part, a less burdened customer service department is, at least, a silver lining. Another bonus: Carriers can be more confident in their ability to keep you as a client when they know that the frustration you felt over overcharges and charges that were too many and too difficult to understand have been eliminated by self-billing.

Automating the billing process and eliminating auditing are just two examples of things you might be able to do to help ease your carriers' concerns about the strain your company's self-invoicing initiative may put on them. When you discuss the option of self-billing with your carriers, you will want to be able to point out a number of other benefits that are more specific to your particular shipper/carrier relationship. Do so convincingly, and you will succeed in encouraging your carrier to take your self-invoicing initiative seriously.

Niko Michas is President and Founder of BridgeNet Solutions, Inc., a Chicago-based firm specializing in helping companies to achieve supply chain cost reductions through data analytics software. For more information, visit http://www.bridgenetsolutions.com

This article is archived online at: http://www.inddist.com/Content.aspx?id=365.