

How and Why 3PLs Should Automate Billing and Settlement



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01

Introduction: Why Freight Invoicing Is a Top Challenge for 3PLs

According to Inbound Logistics, the top challenge for 3PLs in 2020 was finding and retaining customers, with 67% of respondents selecting it as a major hurdle.

Which factors actually impact customer retention in the third party logistics space? According to the same survey, the most common reason for a failed 3PL partnership in 2020 was poor customer service, which accounted for more than 60% of dissolved relationships.

Though it might not seem intuitive, one of the most significant pain points that 3PLs face is also a potential area for improving customer service and relationship management: **freight invoicing, billing, and carrier settlements.**



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To be frank, the stakes here are high:

- Your ability to maintain a low enough days-to-cash to ensure decent cash flow depends on sending accurate invoices quickly and getting them approved.
- Manually processing invoices requires large quantities of (potentially expensive) manual labor—and those labor costs only increase when rework is required.
- Your relationship with your carriers depends on settling up with them in a timely manner.

Your customer relationships can start to deteriorate if they feel like every invoice has to be carefully picked through with a fine-toothed comb.

“In short: by automating billing and settlement, you can improve relationships and boost customer retention.”

Luckily, there are alternatives to costly manual effort when it comes to pushing out correct invoices, settling rapidly with drivers and carriers, and maintaining solid cash flow. In short: by automating billing and settlement, you can improve relationships and boost customer retention.

In this white paper, we'll explore why automation is necessary for increasing invoicing efficiency, how to automate your billing and settlement through smart technology integration, and the best practices for implementing automated functionality in this area.

“While shippers turn to 3PLs for assistance with challenges posed by COVID-19, they also rely on them to deal with issues that complicated their businesses long before the world went into quarantine.”

Merrill Douglas, Inbound Logistics

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Challenges in Billing and Settlement for 3PLs

When 3PLs process freight invoices and related documents by hand, there's a 5-6% error rate on average. That means that in **one out of twenty transactions** there's a mistake that will require rework on the part of your accounting team and will potentially irritate both clients and carriers. If you're routing 10,000 shipments per month, that's 500-600 invoices that will have to be redone.

Even if human efforts could magically be made error-free, there's still time to consider: If we assume that a human can process about 75 invoices per day on average, you're looking at more than 130 person-days to get through a single month's worth of invoices.



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Neither of the figures above should be too surprising. Again, there’s a lot of complexity involved in ingesting client orders, matching them with the right carriers, confirming successful deliveries, and getting the financial side of the equation squared away:

- You need to bill at the correct rate based on the existing settlement.
- You need to match up proof of delivery and other documentation from the carrier with the actual invoice.
- Accessorial charges—as well as credits, e.g. in cases where there was damage during an installation—need to be documented, calculated, and approved.
- All of this data has to be entered into multiple overlapping systems, in order to maintain visibility across touch points.

It’s easy to see how the difficulties of performing these processes by hand can add up—and why some businesses have reported an error rate as high as 20%.

In an era where AI-powered technology can be used to optimally route thousands of shipments at a time, automate customer and dispatcher notifications, and analyze historical routes to improve future performance, billing and settlement seems like a logical next step towards optimization for 3PLs and freight brokers. After all, this isn’t just about saving time and effort—it’s about improving customer service and retaining customers more easily.



03

How to Optimize Your Invoicing to Save Money and Time

If it were possible to remove tedious manual document gathering, calculations, and data entry from the billing and settlement process, what might the impact of that change look like?

At a very high level, you might expect two effects:

- Freight invoices and carrier payments would be sent out more quickly as a result of the reduced manual effort required to generate those documents and process those payments.
- Invoices and payments would be more accurate, reducing the need for rework and the lengthy back-and-forth cycles that result from disputed invoices.

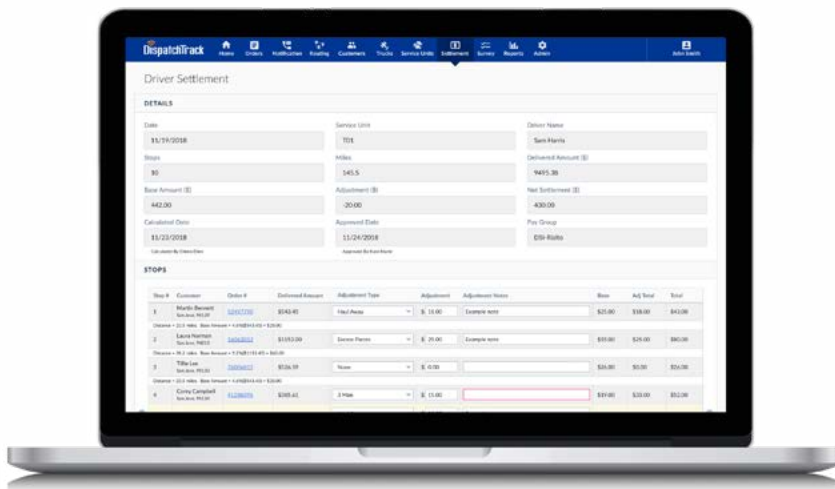


This reduction in manual effort should put your business in a position to recoup time that can then be leveraged towards more proactive customer service efforts elsewhere. When you have customer support and other staff freed up to work on identifying potential customer or carrier issues (including those that might still arise in the invoicing department), you can identify potential issues before they arise. From there, you can take steps to resolve the situation in a way that will delight your customers. They'll be inclined to send more of their business your way, and your bottom line will look a lot more satisfying.

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The question is: how do you make that happen?

Since every delivery will ultimately require the kind of accounting we're talking about, you first need to make sure that you're digitally collecting and storing the information that you'll need for generating invoices and payments. This includes digital proof of delivery and the ability to capture notes for things like accessorial charges or discounts based on damage at the time of installation. And, for each driver or carrier, you'll need a digital record of each day's route *as it actually played out*—this means having the ability to compare planned vs. actual stops at a glance.



Automatically, immediately, and accurately calculate invoices and settlements.

By centralizing the information above—including the contents of each bill of lading—you can lay the building blocks to automate some of the tedious and error-prone data entry that would otherwise have to be done manually. From there, you'll need to define all of the customized rules and rates you use for each client and each carrier. You might offer different deals to particular clients based on any number of factors, you might be paying different drivers or technicians from the same carrier differently, and you might have seasonal adjustments in pricing that reflect different demand or capacity levels throughout the year.



Between data collected in the field on the day of delivery, bill of lading and other order data, and varying rates and prices across different relationships and times, you have the information you need in order to generate invoices automatically. From there, it's just a matter of actually automating the process on an order-by-order level. For this, the most crucial part of the task will be finding the right solution that can integrate with your other technology in order to effectively streamline and automate.

“Traditional freight billing leaves a lot of room for human error. Some common challenges involved in freight billing include an improper recording of fuel costs and failure to remove refund charges. While small errors in judgment can add up, more serious errors occur when there is a lack of auditing.”

Ultimately, the automated billing and settlement workflow might look something like this:

- Orders are created in your PoS, assigned to carriers and drivers, routed, and delivered.
- On delivery, orders are marked as delivered and paired with digital proof of delivery—including customer signatures, notes from the field (e.g. about damages or accessorial charges), and photos/videos. (All this can and should be collected by the driver in the field via a mobile application that connects seamlessly with your primary routing or delivery software.)

“Because of all the automation baked into this process, the risk of human error plummets virtually to zero.”

- Once orders have been completed, your system automatically pulls in delivery distance, driver notes, consignee name and address, carrier documents, settlement information, and more.
- The system automatically calculates rates for invoices and settlements based on your specified rules, and then generates the relevant documents for each.
- After being checked for any necessary adjustments, the system automatically sends out an invoice and settles up with the driver or carrier.

Because of all the automation baked into this process, the risk of human error plummets virtually to zero.

At the same time, by automating these processes you also potentially speed them up. This means that your carriers get paid more quickly—which can go a long way towards improving relationships even when you’re working with thousands of different carriers. Assuming that your clients don’t dispute the invoices they receive (which is a reasonable assumption, since you’re offering photographic proof of delivery and other documentation), you’re also likely to get paid more quickly.

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Best Practices for Billing and Settlement Automation

Not only will the workflow above cut out manual effort, it will also increase speed and thus improve cash flow.

Now the question is, what are some of the best practices for implementing this kind of workflow? After all, you don't want to discover six months down the line that the processes you're relying on aren't helping you retain customers.

“When the challenges (in reconciling freight invoices) are not addressed properly, they lead to errors, which further lead to overcharging, eventually adding to the overall Invoice Processing complexity.”

Gia Glad, Global Trade



Here are a few best practices to make sure that you're successfully leveraging automated billing and settlement to improve retention and achieve a positive ROI:

- **Prioritize visibility:** When you're able to reduce manual effort for back-office tasks, you can devote more attention to issues that really require a human touch—as long as you can identify those issues at a glance. That's why it's critical to have billing and settlement reporting that flags any potential issues before they reach the customer.
- **Empower drivers:** This might seem tricky when you're working with carriers or owner-operators, but many of the important details that will go into generating accurate invoices are going to come up on the day of delivery. There's no sense in automatically generating invoices if you then have to physically call drivers on the phone to confirm accessorial charges. The best solution here is to work within a technology paradigm that incorporates a driver mobile app that can capture digital proof of delivery, pictures, notes, etc., which can then be automatically incorporated into invoices and settlements.
- **Track KPIs:** What's the best way to be sure that you're getting your money's worth out of automation? Actually track its impacts—e.g. by documenting the change in days-to-cash, rejected invoices, and more over time. When you're considering a particular process or technology deployment centered on billing and settlement, your ability to track this data is also a good litmus test for how effectively you'll be able to improve visibility.

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CONCLUSION:

Billing and Settlement in Context

Over the course of the past several pages, we've painted a picture of billing and settlement automation as a powerful tool for building customer relationships and ultimately boosting customer retention.

“When it comes to freight invoicing, your invoices need to be more than just fast and accurate: they need to reflect great delivery experiences that make shippers, carriers, and end customers happy.”

But no processes—no matter how sophisticated—exist in a vacuum. When it comes to freight invoicing, your invoices need to be more than just fast and accurate: they need to reflect great delivery experiences that make shippers, carriers, and end customers happy.

At DispatchTrack, we offer robust billing and settlement automation capabilities that are designed to reduce manual effort and speed up cash flow. When you route deliveries through our system, you can set rules and rates for different carriers and clients, then automatically generate invoices and settlements for completed deliveries. From there, users can check invoices for adjustments and track their billing and settlement through live reporting.

We're able to offer this because it slots easily within our comprehensive last mile capabilities. We offer:

- An order management system that easily ingest orders for routing, tracks them across the last mile, and associates them with the correct truck, driver, carrier, client, and end-customer automatically—including any relevant notes or documentation;
- A driver mobile app that prompts drivers to document deliveries as they unfold, e.g. by adding pictures and notes in the app, collecting digital proof of delivery, etc. Because the app is supremely intuitive and runs on most mobile devices, getting your carriers' drivers to adopt it doesn't have to be a hurdle;
- Last mile visibility functionality and robust reporting features that ensure that you know how every shipment is unfolding in real time;
- Powerful routing functionality that can generate thousands of truck routes in seconds with precision and accuracy.



DispatchTrack offers comprehensive last mile capabilities that includes a driver mobile app.

The result of this end-to-end functionality is that more of your deliveries are on-time and go according to plan, and you're able to more easily manage the ones that don't. This forms the backbone of more effective last mile operations—even in the face of the complexities that usually come with third party logistics.

In this way, we empower you to delight your customers with the delivery experience you provide—and then to invoice them effortlessly and accurately. The result? Better cash flow, reduced effort, and improved customer retention.



DispatchTrack is a leading provider of SaaS solutions for food distributors, furniture retailers, and anyone else who struggles to optimize the last mile. Our streamlined and intuitive user dashboard provides the real-time visibility that dispatchers need to keep track of their deliveries and proactively manage them.

Among the platform's many features, we offer modular tools for self-scheduling, route optimization, customer communication, real-time tracking and ETA, proof of delivery, and delivery network intelligence and analytics.

With customers across North America, Europe, South America, and Asia, DispatchTrack is used by thousands of businesses of all sizes and many multi-billion-dollar enterprises across a wide range of industries. More than 180 million scheduled delivery experiences are powered by DispatchTrack each year. **For more information, [contact us now](#) at 1-866-437-3573 or sales@dispatchtrack.com.**