

Improving cash cycle management for the long haul



As a carrier, you are an essential part of the nation's supply chain, keeping the economy moving forward even in the most challenging times. Your ability to be competitive depends on how well you can manage your cash-to-cash cycle—your financial supply chain.

This white paper explores the benefits of having detailed insight into your freight receivables and how to use that insight to improve liquidity, gain operational efficiencies and reduce your days sales outstanding (DSO). It also provides the shipper's perspective to help amplify your ability to collaborate with them and elevate your status as a preferred carrier.

Starting with a clear view


It's a simple fact: cash is king. What isn't simple is trying to make strategic decisions without all the facts.

According to treasurytoday.com, "Corporates should have full visibility into where nearly all of the company's cash is at any moment."¹ While this is certainly true for all businesses, big and small, many carriers lack the tools they need to quickly gauge their cash position or know when to expect payment for their outstanding invoices.

The better you can see where your invoices are in the payment lifecycle and eliminate any gray areas, the better you can manage your cash flow. The most effective carriers today recognize the value of online cash management tools that feature interactive dashboards to monitor and manage each invoice in the cash-to-cash cycle.

By design, dashboards provide a quick visualization of data. The Cash Manager dashboard within U.S. Bank Freight Payment helps carriers navigate both their day-to-day and long-term business outlooks. It enables carriers to see the total number of invoices and dollars at each stage in the payment lifecycle so they can forecast incoming cash. Carriers who regularly use this dashboard have another way to inform their short-term and long-term decisions and overall business strategy.





Case in point: Carriers tell us that having a receivables dashboard is valuable to many stakeholders in their organizations. Before the dashboard was in place, they had to use different reports and did not have an easy way to see invoice statuses. Insight gathering was time consuming and had to be redone several times a week—or, in some cases, multiple times a day.

With the dashboard, decision makers from collections to finance to executives have the actionable, real-time data they need – right when they need it. With flexible views, each area gets individualized insights, enabling all to better manage cash flow for improved liquidity.

Flexible payment options support cash flow

Cash flow management is even more important for carriers in this unprecedented economic environment: “As Sir Richard Branson says, ‘Never take your eyes off the cash flow, because it’s the lifeblood of business.’ That lifeblood has become all the more vital now as we all cope with the economic effects of COVID-19 and its aftermath. Strengthen your cash management tools and strategy now and you will increase the chances that your business will thrive in the uncertain future to come.”²

With increased pressure to keep supply chains moving, there is an increased need to be paid on time. Carriers are looking for accelerated payment options that enable them to improve their cash flow without burdening their balance sheet with loans or factoring.

Our customers have always had choices and we’ve recently expanded them to offer even more flexibility. Previously, carriers could choose to be paid upon invoice approval or according to term. Now, instead of waiting for invoice terms, carriers can select the approved invoices they’d like to have paid for a fee.

The added flexibility helps carriers quickly pivot from not having enough cash on hand to being able to keep their businesses moving. Shippers also prefer carriers that use these programs because the strategies not only preserve capacity, they can also reduce the shipper’s days payable outstanding (DPO).

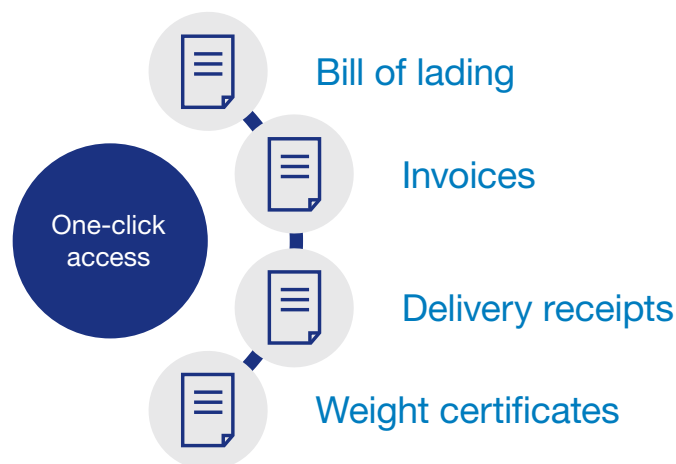
Efficient receivables processes add up

It only takes a few unpaid invoices to negatively impact cash flow. Friction. Lack of communication. Time-consuming delays in an already turbulent environment. Your personnel responsible for resolving these issues can only work as effectively as their tools to diagnose and treat the problems.

According to CFO.com, “...companies must always be cognizant of the time and effort spent to process collections and mindful of valued customer relationships. Smart companies take a strategic approach to the collections process...”³

To show how costly collections can be, CFO.com continues, citing benchmarking data from the American Productivity and Quality Center (APQC), “Top performers spend about 20 cents on managing and processing collections for every \$1,000 of revenue, while bottom performers spend close to five times that amount. APQC states, “This measure calculates the total cost per \$1,000 revenue to perform the process “manage and process collections,” which consists of posting entries to respective accounts, preparing accounts for receivables, managing the cash collected by the business from its debtors, and recording it in the books of accounts to provide clear information about the availability of the cash.”³

One way to improve accounts receivable operations is to reduce the time spent going back and forth with shippers to answer invoice-related questions. Tools like application programming interfaces (APIs), deliver immediate online access to shippers to the documentation they need to resolve exceptions, eliminating the need for your team to manually collect documents in response to shippers’ requests. With the click of a button, shippers can view their transaction-related documents: everything from bills of lading and invoices to delivery receipts and weight certificates.



For shippers, this means no more waiting hours—or even days—for someone to respond to invoice detail inquiries. For carriers, it shortens the time to invoice approval and payment.

Case in point: One large carrier was having difficulties resolving invoice questions with shippers. Shippers required multiple attachments to validate and clarify exceptions. The carrier was caught between sharing too much information and too little—a crossroads that was proving costly in terms of time and damage to shipper relationships.

The carrier moved to the APIs offered by U.S. Bank Freight Payment and was immediately reaping the benefits of transparent, touch-free collaboration.



The audit advantage

Receivables are easy to take for granted until there is a problem – causing both you and the shipper to grow increasingly agitated with how long it takes to determine a solution. Auditing individual invoices can quickly consume resources for both parties.

At U.S. Bank we audit 100 percent of all invoices. This helps catch and address issues before they get to the shipper. It also gives the shipper added confirmation that they can pay invoices quickly with confidence. Plus, carriers are reassured they are not under-billing and leaving money on the table.

Visibility reference points

Shippers require a range of documentation, so unanswered questions can delay payment. By equipping your operational team with the ability to quickly identify and resolve issues, you generate valuable insights that inform your business decisions.

Evaluate how well your current accounts receivable system performs by asking your operational team:

Do you have real-time insight into the aging for each invoice?

Are you alerted to issues before they become costly problems?

Can you add notes online to mitigate conflict?

Can global changes be made automatically, instantly?

Visibility tools save time and save manual steps. They also foster better relationships with carriers at a time when all relationships are more essential than ever.

The shipper's perspective in a challenging market

Shippers want to work with carriers that are willing to collaborate with them and enable a frictionless process. How do you compare in terms of being easy to work with?

You adhere to the shipper's billing requirements

You have an online means of resolving issues quickly.

You help shippers hold money longer through cash management tools.

You work with a freight payment provider to make it easier for shippers to pay you.

By following these tenets, you can make it easier for shippers to work with you, setting you apart as a preferred carrier.

The power of collaborative visibility

Relationships are more important than ever. Your ability to collaborate effectively with suppliers, strengthened by a stable financial partner like U.S. Bank, helps you better compete and succeed even in the most challenging times.

As noted by Forbes.com, “You can’t improve what you can’t see.... Visualizing the supply chain requires linking decisions to every facet of the organization and the supplier ecosystem, then managing decisions to drive new levels of performance and improved customer satisfaction.”⁴

Moving forward, the carriers in the best position to thrive are those that understand the importance of collaborative visibility. The deep insights that come from cash management strategies and online tools like those offered by U.S. Bank Freight Payment give you the power to streamline your operations, reduce your DSO and increase liquidity.

For more information, please visit pages.usbank.com/carriers or reach out to CPSTransportation@usbank.com.

References

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