WHITE PAPER

Credit management in the transport and logistics sector

Stay in control of your cash flow

Read on and discover

The transport and logistics sector in figures

Inland freight transport in the individual EU Member States (2020)

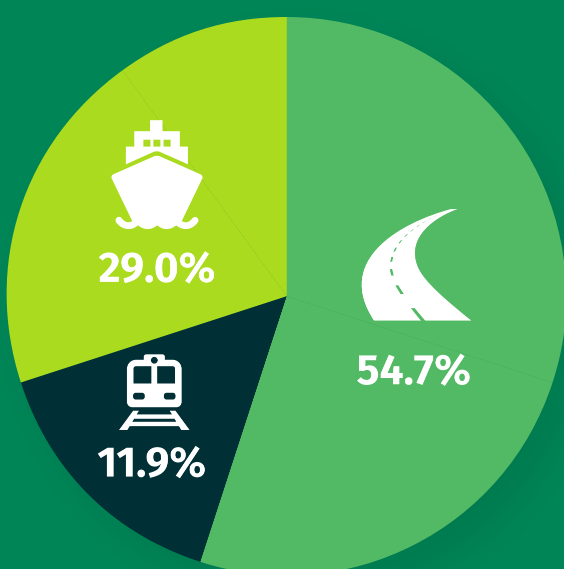
- 77% road (highest figure in the last 10 years)
- 17% rail (lowest figure in the last 10 years)
- 6% inland waterways

Frankfurt am Main: Europe's leading airport for cargo and mail with 1.9 million tons of cargo passing through it (2020)

More than 10.8 million people employed in transport and logistics occupations by 2020 (5% of the EU working population)

5.4 billion euros

The European Commission will invest this much money in 135 transport infrastructure projects by 2022



2.255 billion ton kilometres

Total inland transport performance within the EU (2020)

1.25 million

This is how many companies were active in transport and logistics in 2019

1.3 trillion euros

This is the expected annual turnover of the transport and logistics sector for 2020

Average household budget spending (2021):

- **13.2% goods and services transport**
- **86.8% other**

Container transport accounted for 10% of total inland waterways transport in the EU in 2020

Challenges of a sector in motion

Sound credit management and a good cash flow are crucial in all sectors. Although the task is the same everywhere, the challenges faced by credit controllers in the various sectors are very different. And so are the solutions.

Don't let it stop you

Price wars and administrative complexity typify the transport and logistics sector.
And these are just two obstacles that classic credit management cannot cope with.

Fortunately, there are some quick wins - either manually or with the help of software - that make it easy to overcome these obstacles.

The five stumbling blocks of the transport and logistics sector are:

- Mountains of paperwork
- Low margins and rates
- The groupage system
- Dual ownership between customer and supplier
- International transport with local communication

The road to success

01

Reduce your administrative burden and get paid faster

Up to your ears in paperwork

In many companies in the transport and logistics sector, the paperwork flies around the entire organization and there is no end in sight to the administrative grind.

Companies are gradually taking the first steps toward digital planning systems, but there are still massive amounts of physical paper doing the rounds. Documents get lost, forgotten and don't reach the right people.

Can you provide me a copy?

In the accounts receivable department, you have the administrative hassle of an additional challenge. Besides the standard question, 'Can you send me a copy of the invoice?', you're also asked every day for a duplicate proof of delivery or consignment note. And that fills up your mailbox.

Fortunately, this problem can be easily remedied. You can make copies available digitally (or send a copy of the invoice as standard). Your customer can then consult these at any time and avoid having to deal with the same question over and over again.

Time is money

Want to avoid wasting lots of needless work (and time)? Link your debtor monitoring not only to your financial software but also to your Transport Management System (TMS) or Warehouse Management System (WMS). This may sound complex, but with the right software, it is actually a piece of cake.

It ensures you receive all information in one central place and have an overview of the complete file. The outcome? A much more manageable mailbox and one less reason for customers to delay payment.

02

Make the most of your margins

Traditional

The transport and logistics sector is one with low margins and rates that are under pressure. The current energy crisis caused by the conflict in Ukraine only makes it worse. It has led to skyrocketing fuel prices, which is a substantial cost for the majority of branches in the transport and logistics sector.

And, on top of that, if your customer does not pay the agreed amount at the agreed time, chasing the debt eats away at (part of) your tight margins. So, that is a break-even or even a loss-making assignment.

Warehousing

The risk is even greater when warehousing goods outside the European Community. You often pay excise and customs fees in advance to reduce the administrative burden on customers. So, you would like to see this expense repaid as soon as possible.

Such out-of-pocket invoices squeeze margins – already tight – and so must be repaid quickly. To keep this under control, the best solution is to use two different invoicing flows for warehousing customers. One invoice flow for the regular invoices - with a normal due date and a more relaxed follow-up - and one invoice flow for the out-of-pocket invoices with a stricter follow-up and short payment terms.

First aid for complaints

Dispute management often requires repetitive back-and-forth emails: discovering the problem with the customer, contacting the account manager, consulting the billing department to check the invoicing status, etc. You repeatedly outline the situation and quickly waste lots of time.

The solution? Gather all feedback and interactions centrally with direct access for your customers and colleagues. This provides short feedback lines and you can resolve disputes quickly and efficiently.

Right of retention or...?

Want 100% certainty with payments? Then it is best to use the right of retention.

However, this is not always a viable option. So, working with a credit insurance company that provides you with the necessary credit information is a great alternative. It helps you block new orders in time and take well-considered risks.

03

Group your products and your invoices

Filling your outgoing and returning transport: no doubt, a challenge familiar to you. For the outgoing trip, you can often count on a lorry full of goods for one and the same customer. But the return haul is more likely a hodgepodge of smaller packages from different customers.

That equates to lots of small invoices addressed to customers with whom you often do not have a close relationship – especially when an agent is involved.

Does that sound like a nightmare for your credit controllers? Then it is time to optimise your credit management process!

Step 1: Make payment simple

Perhaps it states the obvious, but adding a payment link works wonders.
Ask yourself, which invoice do you pay the quickest?

- Is it the invoice where you must start up your banking application and manually enter the recipient's bank account, amount, and explanation?
- Or the invoice you can pay with a few clicks through a direct link?

Obviously, you quickly opt for the latter option.

Step 2: Centralize all information

You have all the documents and information you need at your fingertips when you link your accounts receivable software to your TMS, WMS and financial software.

- Copies
- Insurance policies
- Business information

Nothing is more difficult than switching between three different software packages to find the information you need.

Linking your software also reduces the risk of human error. You can prevent yourself from missing an email update from your credit insurer that would result in a wrong risk assessment.

Step 3: Grouping follow-up on your invoices

It's easy to manually chase 10 invoices, but 100 or 1,000 is something else entirely. Implement software to automate the sending of reminders. This allows you to group together all emails and text messages and automatically send these in bulk.

You can still use a personalized approach by utilising templates.

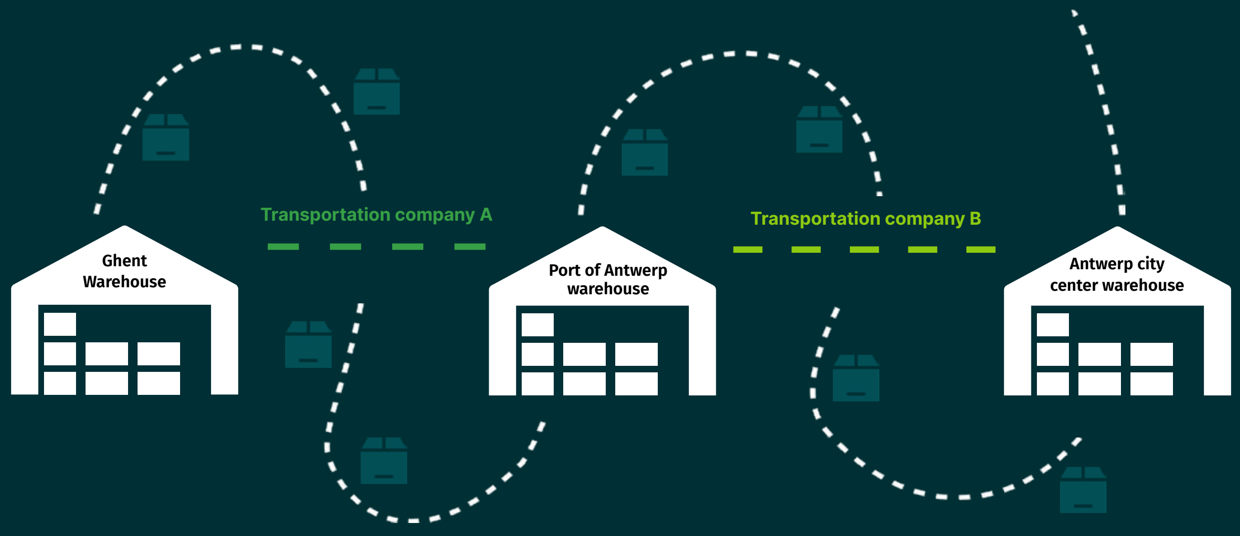
04

Maintain an overview between customer and supplier

The varying roles of companies in relation to each other are typical for the transport and logistics sector. Collaboration between transport companies is an everyday occurrence, so the customer and supplier are often the same company.

That may be convenient and cost saving in terms of transport, but it is a real challenge for invoicing and credit management. Clearly, you don't want to send a stern reminder when you must pay more than you receive. In this case, customized. communication is crucial when dealing with dual-ownership customers-suppliers.

So, maintaining an overview is a priority for customers with dual ownership.



If you don’t, then as a credit controller you can miss that there is a credit amount open favoring your company. The solution is to always keep your customer data up-to-date, either manually or automatically by integrating your financial software package.

Automated software

With automated software, it always works using the actual outstanding balance. So, it does not send reminders or chase customers when their balance is in their favor.

This prevents mistakes and maintains a good relationship with the customer/supplier.

Manual

Do you work manually? Then, clearly, it’s important to always check the outstanding balance. It may take a bit more time, but it certainly benefits the relationship with the company.

> When it is time to pay dual-ownership customers-suppliers, we check that outstanding invoices do not exceed their balance. We can then stop payments when needed.

Tirza Put
Credit & Revenue Assurance Manager at H.Essers.

05

Transport internationally, communicate locally

Transport does not stop at national borders. More and more companies are part of international groups or consolidations, which creates quite a challenge for credit management.

Some customers want to receive a single invoice for all branches, while others want separate invoicing for each branch.

It is then even more complex when the customer wants separate invoicing but an overview for reporting purposes. Or when one branch pays on time but another does not. Not to mention the different languages.

As noted above, this is quite some work for a credit controller.

Manually, there is no getting away from it. To ensure you meticulously follow all preferences, you find yourself with a complete manual for each customer.

Automation is clearly not a luxury. You can define specific preferences for each customer ranging from invoicing and reporting to dunning processes and personalization.

Tone of voice

Addressing a Belgian customer is often more informal than, for instance, a French or German customer. And each step in the dunning process also requires a different undertone, ranging from friendly at the first contact to a stricter tone when payment is still outstanding after several contacts.

Communication channel

The communication channel also influences payment behavior. Some customers pay faster with a reminder via text message, while others prefer a more traditional email.

Fortunately, you don't have to repeatedly reinvent the wheel. Depending on your software, a short, one-off preset is sufficient to correctly set all settings and prepare the templates for the different languages.

You can then focus on what really matters: transport.

Benefits of personalization

When your company accommodates preferences, it plays a huge role in facilitating a customer's willingness to pay and do so quickly.

For example, not accommodating preferences can make it difficult for customer software packages to process the invoice. This necessitates time for manual adjustments before payment. Or an invoice in the wrong language must be translated first, which causes delays.

> When, for operational reasons, we divide the customer into different entities or accounts, we still want to send them just a single reminder. And preferably with all invoices for all their accounts bundled together. After all, they consider us as just one supplier.

Tirza Put
Credit & Revenue Assurance Manager at H.Essers.

Can you use a helping hand?

Credit controllers from the transport and logistics sector face unique challenges. Challenges that seem very complex at first glance, but that are easily simplified and solved with the right resources.

Want to optimize your credit management and use innovative software that helps you with this? Then be sure to contact us and we will work with you to provide you with the perfect tailor-made solution.

Work more efficiently with automation

Centralize all customer information

Get paid faster by removing payment barriers

Personalize your customer communication

Reduce your risks

Easily integrate your TMS/WMS and your financial software

Easily create different invoice flows

Optimize your dispute management

Billtrust Collections return on investment

Outstanding balance: -30%

Time saving: 50%

Return on investment: 3-6 months

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