

co-authored by



REDUCING TRANSPORTATION COSTS IN CPG THROUGH INTELLIGENT FREIGHT AUDIT

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DO YOU KNOW

That on an average, organizations pay 7% to 10% more in freight expenses than they should due to invoice discrepancies

The freight ecosystem is vast and complex with many interconnected functions starting from sourcing, manufacturing to bringing products to the consumer. Any organization dealing with movement or purchase of freight (goods) needs a control mechanism to ensure accuracy of dealing with freight invoices received from carriers.

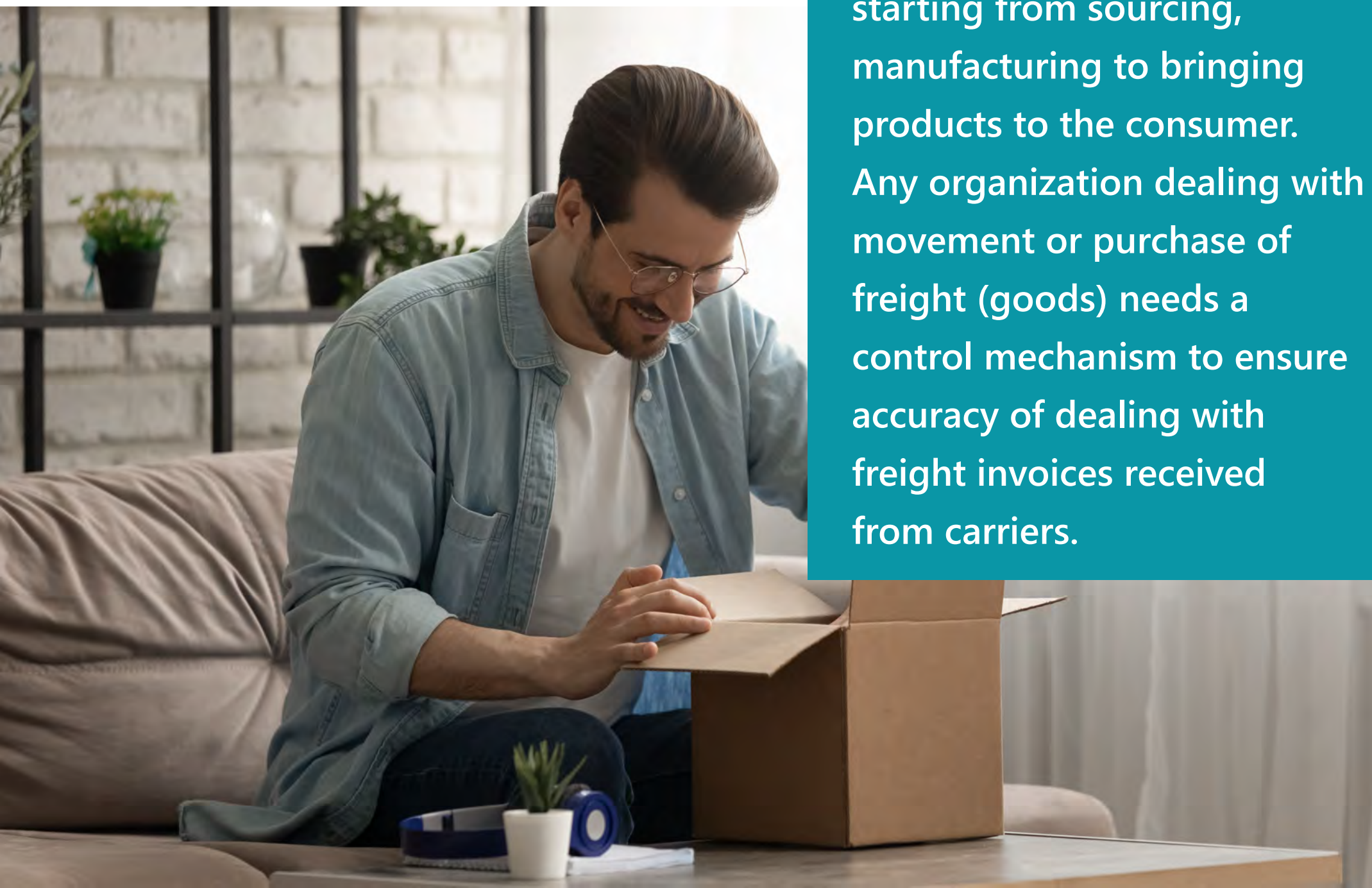
The CPG industry today is dealing with the concerning challenge of rising costs of transportation, driven by a shortage of trucks and truck drivers, availability of raw material and unprecedented demand spikes across categories. Companies like General Mills have recently warned investors about the impact of rising freight costs on earnings. As overall freight costs can constitute up to 10% of total expenditure, efficiency in freight invoice management is critical to managing transportation budgets.

The current practices of auditing freight invoices in the consumer goods sector are mostly manual and inefficient. With multiple hand offs throughout the multi-modal supply chain, the manual effort that goes into auditing voluminous invoices on an ongoing basis consumes both time and money. Discrepancies and error in the invoicing process cause a direct impact on transportation costs for consumer goods companies due to the high dependency on 3PL services, thereby impacting overall profitability.

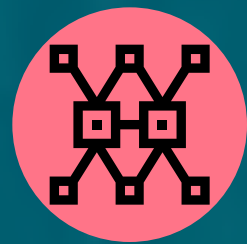
Without an automated system in place to audit the complete spend coverage of an organization, the overall accuracy of manually approving and certifying the correctness of spend remains an educated guess. The industry is moving towards exploring applications of RPA, AI and ML in verification of spend coverage, bringing huge benefits in completeness of coverage, contract terms validation, proactive audit, duplication, fraud detection, verification of taxes, discounts, and other areas. This Whitepaper aims to showcase how intelligent automation using RPA in Freight Audit can help increase the accuracy of invoice certification and prevent losses due to excessive and incorrect spend.

The world of automation has changed in the past year. Just six months ago, tech and business leaders would lightly suggest automation ideas, jockey for budget, and get nods and smiles for their efforts but little commitment. Now, automation has moved to heated board-level discussions that often end with statements such as “If we don’t automate everything we can, we may not survive.”

- Craig Le Clair, Forrester



CURRENT CHALLENGES IN FREIGHT AUDIT



COMPLEX PRICING OF MULTI-MODAL TRANSPORTATION

Freight invoices span multiple modes of transportation including air, ocean, road and rail, each of which have their own hand-offs and interdependencies. Dealing with multiple pricing types and rates add to the complexity of manual approvals. An invoice could have multiple discount levels, varying price based on Shipment types – inbound, outbound, varying pricing basis eg: flat, distance based, commodity based etc. or accessorial charges by customer and carrier.



DEALING WITH MULTI-VENDOR AND MULTIPLE FORMATS

In the overall supply chain, an organization can be associated with multiple vendors with various invoice formats and contract obligations. Dealing with such complex audit process for every invoice can get overwhelming, leading to inefficient and untimely reporting of audit results. Also, each vendor will have their own process for dealing with disputes, creating delays in payments.



HUMAN DEPENDENCIES AND ERRORS

Traditional auditing methods continue to invest in manpower with little technology aid thus leaving room for incorrect judgements and continuous errors. With thousands of invoices being processed every month, if variances are not captured and addressed systematically and in real time, these errors add up and lead to never ending cycles of auditing and overhead.



LACK OF INSIGHTS AND FORECASTING

Traditional methods do not effectively capture insights from systems and sources across the enterprise and beyond. Sources of data include both centralized and structured data and extends to unstructured data available outside of the traditional environment which business is unable to tap effectively to get actionable insights. for example:

How many times has the carrier delivered on time?

How many carriers are meeting their contractual obligations and guidelines?

Are there any carriers who are consistently sending incorrect invoices that had to be rejected?

How do the current contracts measure against prevailing market rates and conditions?

WHY AUTOMATION

DATA-DRIVEN DECISION MAKING IN FREIGHT AUDIT

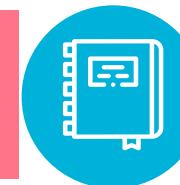
Errors and overcharges
account for...

3.5%

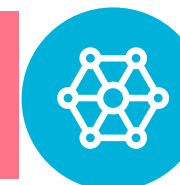
...of total Freight costs

Traditional Freight Audit Process

Manual Processing



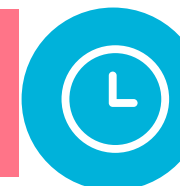
Multiple Data Sources



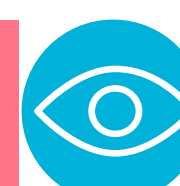
High Risk for Errors



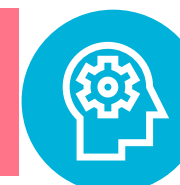
Slow Turnaround



Lack of visibility between billing and the supplychain



Fixes mistakes based on past information



The Solution: Automation



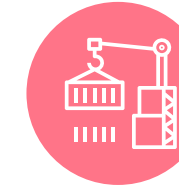
Improves Visibility



Single Source of Clean Data



Allows predictive insights for better decision making



Includes data across TMS/carriers, shipment tenders, and track-and-trace



Standardizes and monitors data streams and removes exceptions

According to research, 15% of all carrier invoices are incorrect and almost 80% of shippers overpay for freight services. This provides an ideal platform for applying automation concepts .

Automation has been instrumental in enhancing business processes, saving costs, and optimising workflows across the world. It ensures that all possible chances of human errors are eliminated and the process is completed as soon as possible with utmost precision. The workforce involved in this entire process could be redirected to other , more valueadding activities, improving operations in other parts of the organization

TRENDS IN FREIGHT AUDIT

Some of the trends in freight invoice audit reported by Cerasis (a GlobalTranz Company), have been mentioned below:



Robotic Process Automation will drive trends In Freight Invoice Audit

Leveraging automation, AI and ML to continuously improve supply chain systems have huge potential. This so-called robot worker or RPA (Robotic Process Automation) bots, within the machine has the potential to replace repetitive processes transforming freight invoice audit. Since auditing is a complicated process that involves matching data between invoices and appropriate documentation, it is a logical choice to use RPA.



Technology Providers Will Continue to Enhance Services for Freight Invoice Audit

In all aspects of both RPA and auditing throughout the supply chain, technology will become the primary factor. Moreover, consider the compliance effects of freight invoice audit. Shippers may reduce risk without actually raising a finger. There are capabilities of analytics; reduction in cases of over-billing, under-billing, inaccurate classification of freight, under-standard reporting by carriers of freight status, and numerous other data points.



Third-Party Invoice Auditing Will Be The New Normal for Small Shippers

Third-party auditing firms can manage requirements throughout the supply chain, including requests for replenishment, requests for freight quoting, data aggregation, and information dissemination across the enterprise. As a result, invoice accuracy, timeliness, and disbursement of payments are done more efficiently, enhancing coordination across the supply chain. Therefore, for small to mid-size shippers, third-party invoice auditing tools and capabilities will become the new normal.

TRENDS IN FREIGHT AUDIT



Shippers that realise lower labour costs can reinvest in logistics management through automated audit

Savings made from the synchronisation of trends within the enterprise through freight invoice audit can be reinvested within the company to take advantage of additional types of automation, including robotic picking , packing, marking, and even shipping. In a way, the road to freight invoice audit would automatically be an integral prerequisite for the supply chain to be completely automated.



While completing payments, automated systems can perform real-time audits, minimizing costs along the way.

Ability to audit a freight quote in real-time, ensure that the freight is correctly billed as soon as the carrier site changes, full verification payment, and even run a second check to ensure accuracy later. It is a performance model that is highly required by the supply chain to survive and keep costs under control.



Freight Invoice Audit Trends will continue to search for opportunities across technology for improvement

While the advancements in technology primarily revolve around the automation of freight invoice audit, the possible use cases for audit to benefit the supply chain continue to grow. Invoice audit is no longer just a market differentiator; it must become the standard to maintain cost control of freight expenditure.

MANUAL vs AUTOMATED

SHIPMENT AUDIT

ROI

Resource onboarding, orientation and knowledge transition yeilds diminishing returns



Ease of deployment and immediate shipping cost optimization

Precision in Error Detection

Prone to lapses in finding errors and service failures



Identifies upto 50+ shipping invoice errors and service failures by capturing upto 130 data points

Shipping Cost Optimization

Draw conclusions for the shipments only within their purview



Comparision and benchmarking performances acrosses businesses for better carrier rate negotiation

Internationalization

Dedicated resource for every carrier and different geographies



Manage and analyze shipments from 16+ carriers on a centralized platform

Supply Chain Visibility

Data silos resulting in inefficient management



Visibility into shipment delivery information across organization

Business Scalability

Additional resources acquisition as the business scales



Enables scalability with ability to handle complex data monitoring

Delivery Exception Notification

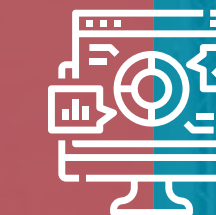
umbersome process of data combing to identify exceptions



Aids management by exception by flagging the shipments that need attention

Last Mile Intelligence

Time intensive activity of report creation for every business requirement



Intuitive and predictive shipment delivery reports to make smarter logistic decision

Shipping Rate Updation

Need to be manually updated for every rate fluctuation



Automatic carrier rate change updates to the in-built rating systems

Ease of Compliance

Track and manage compliance manually



Automatic compliance check based on contractual agreement

INTRODUCING ENATE ROBOTIC PROCESS ORCHESTRATION (RPO)

**Furthering Intelligent
Automation in Freight Audit by
connecting humans with bots**



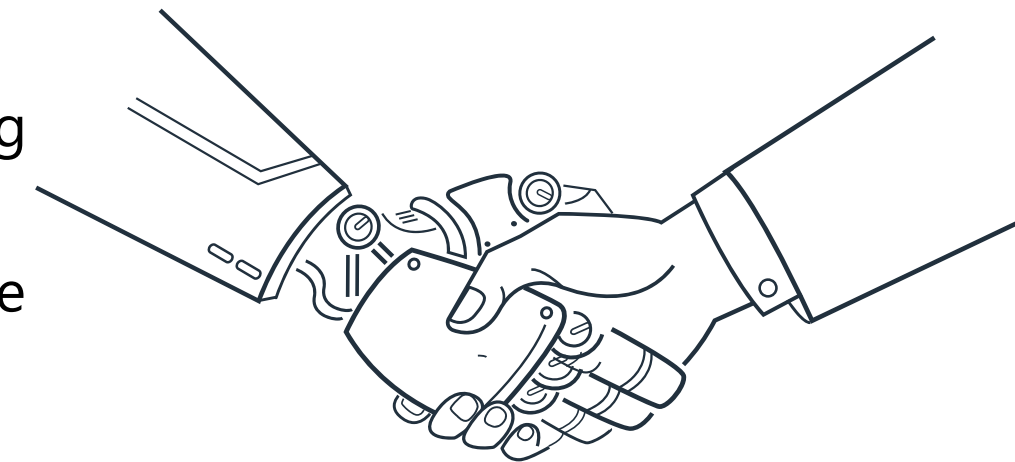
The Freight Audit process involves information flow between multiple stakeholders

1

RPA bots which are automating tasks such as processing invoices, checking for duplicate entries, and volume discounts

2

Human employees involved in monitoring and error validation (exception handling) during the process.



It becomes crucial to have smooth work handoffs between humans and bot stakeholders involved in this process to run it efficiently and accurately. It is also necessary to ensure that the audit trail of the workflow is maintained, and SLAs are adhered to by these stakeholders.

This is where technologies such as Enate's Robotic Process Orchestration (RPO) puts forward process efficiencies.

RPO is a Lite Workflow, BPM, and Work Management platform that acts as a common thread to bind together all human team members &/or automation technologies into one framework. It features cutting edge case management, ticket management, email management, and workforce management capabilities in a single stack, that is light & fast to deploy, and brings in instant governance & control.

If you have implemented automation technologies (RPA, OCR, AI/ML, etc.) into your operations, Enate will help your automation program by ensuring better human-bot collaboration, governance, and integration and ensure the end-to-end customer journey is automated.

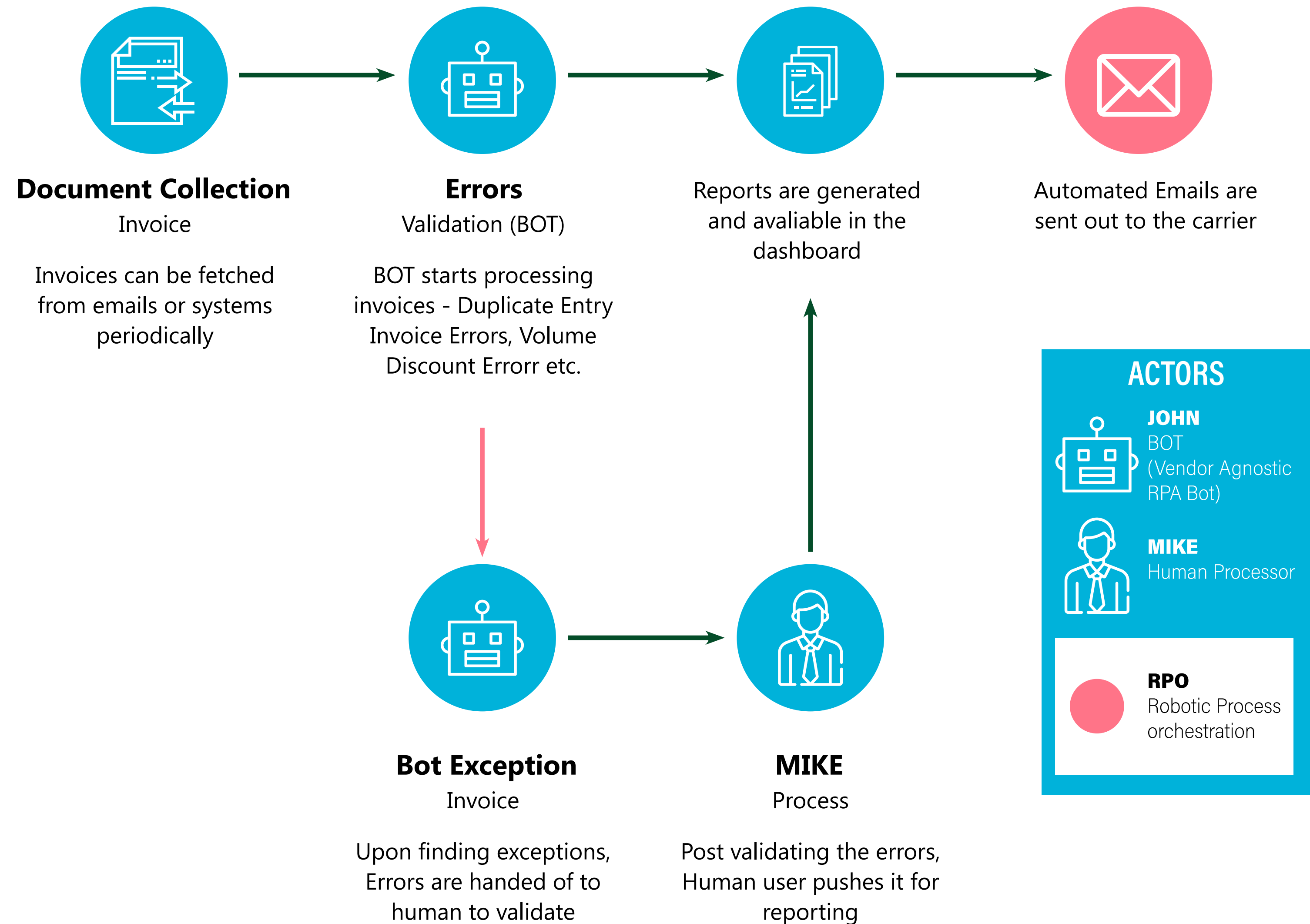
FREIGHT AUDIT PROCESS FLOW USING INTELLIGENT AUTOMATION

Duplicate Invoice and invoice error/ mismatch

Dealing with Duplicate invoices remain a common problem, sometimes sent by vendors by mistake or in certain cases with an intent to defraud. These invoices if not identified will result in huge loses. Automation can detect duplicate invoices at the early stage and raise an alert and also do a risk assessment for vendors based on how often these kinds of issues are happening either intentionally or otherwise.

Below is an orchestrated process overview of intelligent automation in the invoice audit process depicting multiple bots and human actors and how these handoffs can be managed automatically through Robotic Process Orchestration with minimum interventions.

John is a one of the bots who performs a particular task of collecting invoices to identify any duplicate invoices and generating reports to measure the risk profile of a particular vendor.



High Level Orchestration Process view

HOW INTELLIGENT AUTOMATION CAN DRIVE VALUE IN FREIGHT AUDIT

Managing your organization's transportation costs in today's competitive environment is critical to controlling the impact on profitability. Adopting Intelligent Automation across the Freight Audit value chain can bring about consistency and accuracy across the following areas:

COMPLETE SPEND COVERAGE



Automatic Audit of 100% of spend, not fraction, flag high risk items for manual review

DUPLICATE INVOICES



Duplicate invoices Double billing due to counting one shipment as two or using different options for invoice receipt and payment; discrepancy between carrier and Freight bill numbers

CORRECTNESS OF CHARGES AND CLASSIFICATION



Accessorial

Ensure that any accessorial services (Services rendered by carriers in addition to transportation like crating, packing, and handling; storage, etc.) were actually received and any discounts applied.

Base Rate

The base rate ensure that the bill begins with the accurate rate, whether it's a negotiated or spot market rate.

Classification

Ensure that freight is assigned to its appropriate National Motor Freight Classification and charged appropriately. Misclassification can lead to millions in overcharges.

Taxes/Fees

Ensure all state and local taxes, and the customs fees, tariffs, and international taxes are applied as suitable.

Volume Discounts

RPA can validate invoices against contract terms for discounts, keep track of purchase volumes, flag an invoice for review when it does not comply with the price for the current volume

CONTRACT TERMS



Validate invoices against contract terms, use semantic analysis to understand business context; trained ML models to look for discrepancies and noncompliant invoices

ELIMINATION



Eliminate fake invoices, vendor impersonation and shell companies, unscrupulous practices

“The cost of manual freight invoice processing is estimated to be in the range of \$15 - \$50 per invoice. Document handling constitutes the bulk of that cost, and when an error is detected, that cost can increase dramatically.”

“Statistically, 15 percent of all carrier invoices are incorrect, and roughly 80 percent of logistics companies overpay for freight services.”

FREIGHT AUDIT AUTOMATION IMPROVES COMMUNICATION, BOTH INTERNALLY AND EXTERNALLY

An automated system driven by concepts of AI, ML and cognitive intelligence provides centralized information that can be accessed by all departments, improving internal communication, and facilitating collaboration across the enterprise through a single source of truth. This eliminates internal informational silos and guarantees that all departments are looking at a single source of truth in terms of synchronized and seamless data.

Externally, communication is improved because stakeholders can access accurate data in realtime, affording them the ability to deal with problems as they arise, rather than waiting weeks or more for them to surface.

“

Companies overpay for shipping not because carriers are dishonest but because high-volume, global shipping operations generate too much data for manual processes to absorb. The number of carrier invoices, the level of detail on each invoice, and the variance in charges, rates, services and billing practices create an impossible task to manage without automation.

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Automation can reduce the human dependency, reduce errors, and lets the team focus more on other core business. Decision on whether this is done inhouse or outsourced to vendors who are experts in this area is also key.

While it may not be possible to achieve 100% automation owing to key human judgements to be taken, a balanced approach of automation and manual audit would be one of the right approaches.



ABOUT ENATE

Enate is a UK headquartered Robotic Process Orchestration (RPO) platform with an APAC office in India. Enate was named a Hot Vendor 2019 by HFS Research. The platform's customers include the likes of Mizuho, a global banking major, Utmost (Generali Link) – an insurance major, and consulting and professional services organizations like Capgemini and a Big 4.



ABOUT HAPPIEST MINDS

Happiest Minds Technologies Limited (NSE: HAPPSTMNDS), a Mindful IT Company, enables digital transformation for enterprises and technology providers by delivering seamless customer experiences, business efficiency and actionable insights. We do this by leveraging a spectrum of disruptive technologies such as: artificial intelligence, blockchain, cloud, digital process automation, internet of things, robotics/drones, security, virtual/augmented reality, etc. Positioned as 'Born Digital . Born Agile', our capabilities span digital solutions, infrastructure, product engineering and security. We deliver these services across industry sectors such as automotive, BFSI, consumer packaged goods, e-commerce, edutech, engineering R&D, hi-tech, manufacturing, retail and travel/transportation/hospitality.

A Great Place to Work-Certified™ company, Happiest Minds is headquartered in Bangalore, India with operations in the U.S., UK, Canada, Australia and Middle East.

CONCLUSION

Looking at the above opportunities that exist in optimizing manpower and reducing costs, robotic process automation and orchestration is key to bringing in the transformation that organizations are looking forward.