LEVERAGING 3PL BILLING TOOLS TO BOOST TIME SAVINGS, ACCURACY & REVENUE STREAMS

by LOGIWA

CONTENT

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According to Armstrong & Associates, Inc. (A&A's)(1) recent report, e-commerce continues to be the fastest growing third-party logistics (3PL) segment. Many US retailers rely on Amazon and third-party logistics providers to help manage their omni-channel and e-commerce operations. It is estimated that U.S. 3PL e-commerce revenues reached $43.4 billion in 2019, and a 28% CAGR growth is expected through 2020. This trend is due to a strong e-commerce purchase demand following the pandemic as companies continue to outsource their fulfillment operations.

While the increased growth is good for business, it has also created new challenges for 3PL billing methodology. With so many more transactions occurring online, billing becomes a major resource drain and a potential place for errors that consumes additional resources to correct mistakes. Since a modern 3PL might serve hundreds, if not thousands, of customers, billing efficiency and accuracy has become more important than ever.

REFERENCE: *(1)3PL E-COMMERCE BUSINESS FLOURISHES IN THE FACE OF CORONAVIRUS VOLATILITY AND ECONOMIC HEADWINDS*

How do you handle the diverse types of billing metrics that might occur? What's the best strategy for billing cycles? How can you improve customer contract accuracy and decrease contract generation time? How can billing software be used to boost your revenue streams? Let's discover the answers.

WHAT DOES 3PL BILLING COVER?

Like any other service provider, 3PLs bill their clients for services rendered. While the exact service profile may vary from customer to customer, 3PL mostly focuses on inventory management, warehousing, and fulfillment.

In broad terms, 3PLs can bill for the following categories:

- Receiving inventory
- Inventory storage
- Order processing, picking & packing
- LabellingInventory management
- Shipping orders
- Handling returned orders

WHAT ARE THE COMMON 3PL BILLING SERVICES?

To have a more concrete idea about 3PL billing, the following list provides some of the most common billing metrics:

- **Pallet Receiving:** Calculates each pallet received within the contract period and creates a different Billing Line for each pallet license plate (LP).

- **Total Received Items:** Calculates total Received Pack Quantity. Creates 1 billing line for each receipt order.

- **Total Nof Orders Shipped:** Calculates Total Number of Orders Shipped within the time period. Partially Shipped orders are included. Creates one billing line per order.

- **Pallets Shipped:** Calculates each pallet shipped within the contract period and creates a different Billing Line for each shipment order.

- **LP Storage:** Calculates the days an LP is available within the warehouse. Creates a billing line for each pallet.

- **Volume Storage:** Calculates the total volume stored of an item.

- **Location Storage:** Calculates the number of locations used for storage within the contract period.

- **Value Added Services:** Per item label printed, truck unloaded, pallet shrinked, container type, pallet wrapped, LP label printed, kit item, order sorting, etc...

This list, however, doesn't even scratch the surface in the number of services that the modern 3PL can bill for.

DEEPER DIVE INTO HUNDREDS OF POTENTIAL 3PL METRIC UNITS

A more complete list (e.g. included with Logiwa 3PL WMS) consists of more than 200 preconfigured metric units ready to use for billing. The advantage of this amount of detail is that you don't let any billable service go to waste.

With an exhaustive metric unit list, you capture all the appropriate revenue you are entitled to receive. To ensure no line item gets missed, automation tools can track and bill for every metric unit (we'll look at this in more detail later).

Metric Unit	Explanation
Total Orders Received	Calculates the total number of receipt orders received within that time period. If there is at least one item received within a receipt order, it will be included in the calculation. Creates 1 billing line for all the receipt orders.
Pallet Receiving	Calculates each pallet received within the contract period and creates a different billing line for each LP
Total Received Items (Not Received on LP	Calculates total received pack quantity that isnot received on LP. Creates 1 billing line for each receipt order
Total Received Items	Calculates total received pack quantity regardless of checking if it is received with LP or not. Creates 1 billing line for each receipt order
Total PO Received	Calculates the total number of purchase orders received within that time period. If there is at least one item received within a purchase order, it will be included in the calculation. Creates 1 billing line for all the PO
Total Mixed Pallet Received	Calculates each mixed pallet (pallet with more than 1 SKU) received within the contract period and creates a different billing line for each LP
Total Single SKU Pallet Received	Calculates each Single SKU pallet (pallets with only 1 SKU) received within the contract period and creates a different billing line for each LP

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Total Nof Orders Shipped	Calculates total number of orders shipped within the time period. Partially shipped orders will be included. Creates billing lines per order.
Pallet Shipped	Calculates each pallet shipped within the contract period and creates a different billing line for each shipment order
Total Shipped Order Lines	Calculates the number of order lines shipped / SKU shipped and creates a different billing line for each shipment order
Each Piece Shipped After First Item	Calculates each shipped quantity after first piece and creates a different billing line for each shipment order
LP Shipment With Diff. Cost for Each LP Type	Calculates the shipment cost based on the LP types shipped. A different costfor each LP type is defined on LP type screen
Nth Additional Item Quantity Shipped	Calculates each shipped quantity after nth piece and creates a different billing line for each shipment order. N value should be entered on contract line attribute 1 field.
Total Carrier Label Price Per Order Based on MarkUp Price	Calculates total price for labels printed with markup additional on carrier setup for a shipment order within the contract period. Creates a billing line per shipment order.
Total Single SKU Pallet Received	Calculates each Single SKU pallet (pallets with only 1 SKU) received within the contract period and creates a different billing line for each LP

Ave Units Stored	Calculates the Units Stored within the contract period and takes the average. Creates 1 billing line
Location Storage	Calculates the number of locations used for storage within the contract period. Creates 1 billing line
Average Volume Stored	Calculates the total item Volume Stored and gets an average. Uses the volume field on item screen or dimensions on item pack type. Creates 1 billing line
VAS Types	Per nof item label printed, truck unloaded, pallet shrinked, container type, pallet wrapped, LP label printed, kit item, order sorting, etc…

HOW FREQUENTLY SHOULD I BILL MY CUSTOMERS?

Depending on your customer contract, billing can occur at any time. Daily, weekly, every 15 days, or once a month are the most common billing time periods. You can even offer customers a choice of billing cycles to improve customer satisfaction.

With 3PL billing software, you don't have to worry about getting confused due to multiple billing cycles since invoices can be generated and sent out automatically.

If needed, billing can be triggered manually or automatically calculated. The key to billing optimization doesn't depend on the frequency of billing, but more on the continued process accuracy and invoice completeness.

DETERMINE THE PERFECT 3PL SOFTWARE FOR YOUR BUSINESS

3PL SOFTWARE FUNCTIONAL REQUIREMENTS TEMPLATE

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UNLOCKING HIDDEN REVENUE WITH 3PL BILLING TOOLS

Another benefit to automated 3PL billing includes the ability to calculate the profit for each service and client. By making comparisons, you can detect where you might be undercharging and make the proper adjustments to increase your revenue. Automated billing also alerts you to any late payment issues that could affect your cash flow.

A modern billing system also helps your company set up faster payment gateways, and this improves customer management. With automated invoicing and payment collection processes, there is less chance of unpaid bills or late payments. Customers that haven't paid can be identified faster, and you can send out past due notices to maximize your paid invoice to invoices sent ratio.

THE HIGH COST OF HUMAN ERROR

A common business concept is the 1-10-100 rule. (2) This model demonstrates the expense an organization suffers while chasing down and correcting mistakes. The failure to take note of and correct errors increases your costs as times goes on.

The rule says: it costs $1 to verify the accuracy of data at the point of entry, $10 to correct or clean up data in batch form, and $100 (or more) per record if nothing is done – including the costs associated with low customer retention, and inefficiencies. Remember, there's nothing quite as annoying to a customer as receiving an incorrect bill.

REFERENCE: *(2)WHEN GOOD INFO GOES BAD: THE REAL COST OF HUMAN DATA ERRORS* - HTTPS://UNGERBOECK.COM/RESOURCES/WHEN-GOOD-INFO-GOES-BAD-THE-REAL-COST-OF-HUMAN-DATA-ERRORS

> **With manual billing, the error rate is 10-15%. With automated solutions, the error rate approaches zero.**

If you add the human error costs in addition to lost revenue potential, the positive ROI of a 3PL billing solution becomes clearly evident.

HOW BILLING GETS TRANSFERRED INTO AN ACCOUNTING SYSTEM

Another major resource drain appears when billing data gets manually transferred into the accounting system. Manual spreadsheet methods take a lot of time and are more likely to generate mistakes.

With an automated system, billing data can be calculated in a detailed or summary format. With the detailed version, you get information about every operation, order number, LP, item number, etc. Detailed billing reports are useful to double check your records or if your customer wants to see a line by line breakdown. Meanwhile, billing summary versions show the total cost for every service within the calculation period.

When you have many clients involved, automatic transfer of billing data to your accounting system is a huge time and resource savings. It eliminates the hours of time needed to transfer the data manually and removes possible mistakes.
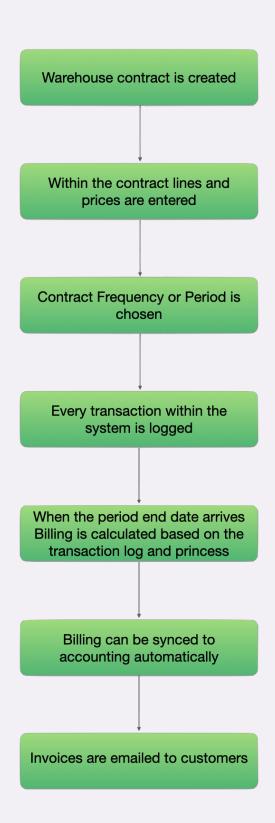
> **Logiwa automatically transfers billing data to QB Online or QB Desktop. You can also gather billing information via Open API.**

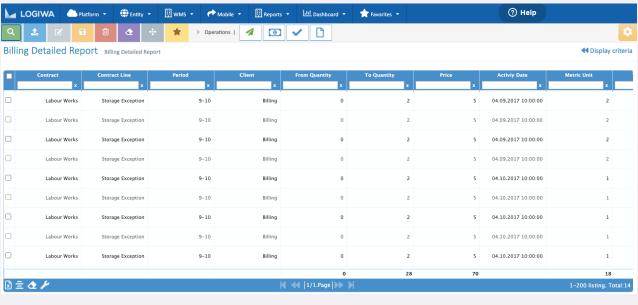# HOW DOES THE AUTOMATED 3PL BILLING PROCESS WORK?

Automated billing offers huge advantages to the 3PL business. There are a few things worth highlighting about the automated process. Automated billing offers huge advantages to the 3PL business. There are a few things worth highlighting about the automated process.
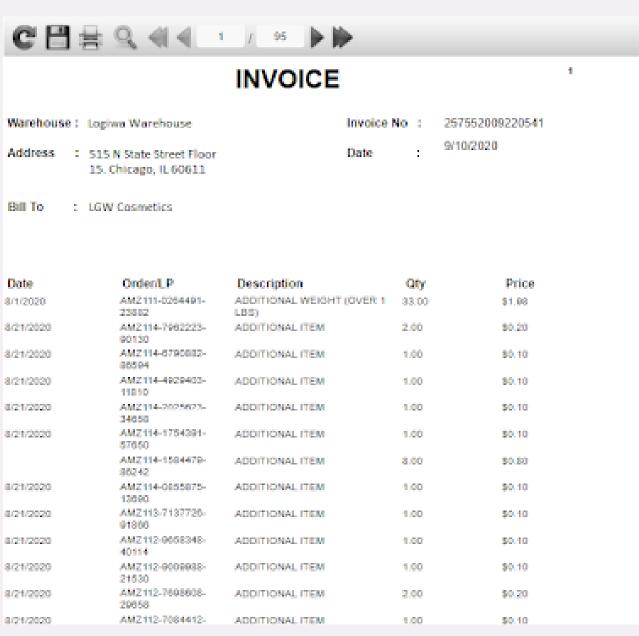
As we mentioned, since billing period versatility is built in, automation doesn't generate any increased complexity or potential for error. Also, with automated transactions, every billable event gets recorded. This eliminates revenue leakage. Finally, the process of billing, accounting data transfer, invoice generation, and invoice mailing can all be automated.

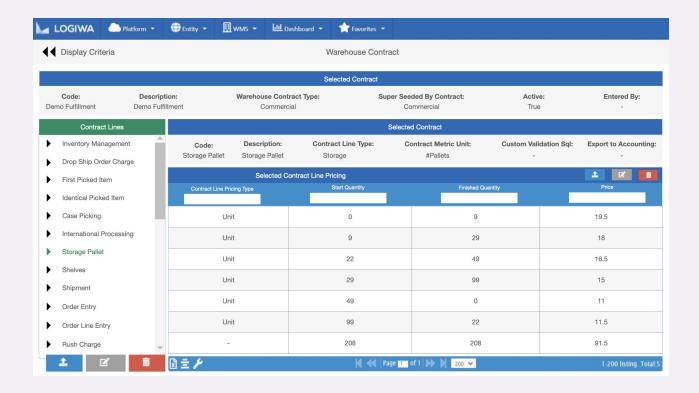The result is improved revenue capture and huge time savings. Here's how the automated 3PL billing process works:

Warehouse contract is created

↓

Within the contract lines and prices are entered

↓

Contract Frequency or Period is chosen

↓

Every transaction within the system is logged

↓

When the period end date arrives Billing is calculated based on the transaction log and princess

↓

Billing can be synced to accounting automatically

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Invoices are emailed to customers

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Here are some examples of the reporting and invoicing that are created automatically with 3PL billing software:

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ACCELERATED 3PL CUSTOMER CONTRACT GENERATION

Another benefit to advanced 3PL billing solutions is that customer contracts can be generated in minutes. Once you choose the types of billing metrics you want, you then plug in the rates you desire into the proper fields and the software does the rest.

YOUR WMS 3PL BILLING CHECKLIST

When choosing the best 3PL billing software, keep these priorities in mind:

- Make sure your WMS logs all client based transactions.
- Verify that every operation, such as receiving, picking, labeling, storage, etc... will be logged into the system. Pre-loaded metrics help make sure you don't miss anything.
- Be able to create different contract terms for different clients.
- Have the flexibility to choose different billing cycles for different clients.
- Include auto-calculation of billing.

- Have the ability to sync to accounting systems, with detailed and summary bill viewing options.
- Be able to generate different reports and different invoices for different clients.
- Have rapid contract generation capability.

CONCLUSION

Choose 3PL industry specific billing solutions.

While there are plenty of billing software solutions out there, only a 3PL specific platform can provide your company with the maximum benefit. For example, Logiwa has over 200 pre-established billing metrics that offer deeper billing insight compared to a generic solution. This also streamlines contract preparation as you can quickly add in the metrics you desire without having to generate them from scratch.

When the automation protocol is tailored to warehouse businesses, this will increase accuracy and revenue capture as well. When choosing a solution, it's important to go with a provider with 3PL industry insight to get the maximum benefit out of the billing software.

THANKS FOR READING

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