

Case Study

An internal look at how Epay Manager can impact your company's bottom line.

Metro Express Inc.

You'd be smiling too if your company saved 75% on every payable processed.



Challenge

Metro Express, a Midwestern based transportation third party provider that manages approximately 200 truckload transactions per week, faced the immediate challenge of implementing a more efficient system to reduce or eliminate the high cost of processing transportation payables. This objective included the need to reduce the time it's A/P clerk spent receiving mail, creating files, auditing data and processing and mailing checks.

In meeting this challenge, Metro desired a low-cost solution that did not require the replacement or overhaul of its existing software systems.

Like most transportation companies, the staff at Metro Express Transportation Services spent much of their time processing paperwork. These activities were not only repetitive, but very costly. Because the transportation industry is characterized by high costs and low profit margins, every company in the industry must seek out and implement practical cost savings opportunities when they become available.

The transportation industry is currently plagued by slow payment policies, mainly due to slow payment from shippers. These policies have a direct effect on a carrier or third party's ability to pay drivers and sub-contractors. Because most of these companies have large current expenses, they rely on accelerated cash flow for survival. Despite this fact, many shippers are extending payment terms beyond 30 days, to as many as 90 days, before settlement is made. Although some shippers withhold a carrier's money to earn an interest return on the delayed payment, many shippers explain their reasons for extended payment as a lack of efficiency in processing freight payables and their related documentation.

Metro's Solution

In April of 2002, Metro Express selected Epay Manager as its transportation payables processing solution. Since the implementation of this system, Metro has significantly reduced the processing time of an invoice and greatly reduced the number of errors in the payables process.

The implementation period of this software was approximately 90 days. During this time, the staff at Metro Express worked diligently, communicating the new A/P procedures to their carriers. They also assisted the carriers with registration and instructed them on the method of accepting invoices and attaching proof of delivery documents. At the end of the period, Metro's management decided that the company would no longer accept invoices by mail or prepare and send paper checks. From that date forward, Metro's office was no longer cluttered with paper invoices and proof of delivery documents. It soon became apparent that the volume of mail being sent to and from the office was greatly reduced.

In fact, within a few weeks after the implementation of Epay, the mail associated with freight payables was nearly eliminated. The only documents that continued to arrive were those pertaining to exceptions in the system. The reduction in mail alone eliminated at least 10 hours of the A/P clerk's time each week. This time was normally spent opening mail, sorting, copying and filing documents and keying in relevant information into the accounting system.



Metro also discovered that collecting invoices and proof of delivery documents, from its carriers, was much easier with Epay. Instead of the carrier's A/R staff tracking down their drivers to retrieve paperwork to invoice Metro, the drivers were encouraged to fax the delivery documents to a toll free number provided by Epay. The receipt of these documents reduced the billing cycle to Metro's customers by 3 to 5 days; the time these document would normally spent in the US mail. This reduction in the billing cycle accelerated payment to the carrier and allowed Metro to invoice their customer at an earlier date.

In addition, Metro discovered other savings, namely the time it took to file and retrieve documents. With Epay, all documents are stored electronically and are automatically time and date stamped. With the new Epay imaging and storage system, Metro gained quick access to its delivery documents. This was especially important when customers request these documents and expect an immediate response. The net savings for Metro's A/P clerk, by eliminating these duties, was approximately 5 hours per week.

The installation of the Epay system also eliminated the time the A/P clerk spent checking each invoice for accuracy and comparing it to the company's record of the transaction. Because Metro integrated its management system with Epay, the data required to create an invoice is automatically exported to Epay. As a result, Metro no longer experiences incorrect billings or conflicts with the carrier's records and is not required to perform additional audits. The elimination of these duties saved Metro's A/P clerk approximately 15 hours per week.

The printing, signing and mailing of checks is a time-consuming aspect of processing transportation payables. At Metro Express, this entire process is now automated, because payments are made electronically through the ACH network. Epay schedules and pays all of Metro's carriers, based on the terms of the invoice, including those carriers who have selected early payment dates in exchange for discounts. The net savings for Metro's A/P clerk was approximately 8 hours per week, when these activities were eliminated.

Figure 1

Metro Express Discount Grid	
Days to Pay	Carrier Discounts
45	0.00%
40	0.75%
35	1.25%
30	1.90%
25	2.50%
20	3.25%
15	3.75%
10	4.40%
5	5.00%
1	5.65%

As Metro's electronic processing became more efficient, management recognized that the majority of the work performed by the A/P clerk was now automated. The remaining work was limited to verifying proof of delivery documents and reconciling the invoice. Soon thereafter, it was decided that members of the dispatch team could perform these duties.

As a result of this final shift in responsibilities, the A/P position was eliminated and the employee was reassigned to a customer service position that became available. This reduction in A/P overhead saved Metro Express in excess of \$35,000 per year.

In addition to the processing savings described above, Metro Express has saved additional money, by taking advantage of Epay's payment term grid. The creation of this grid allowed Metro to establish the following payment options for its carriers.

Conclusion

During the first 90-days of the implementation of this new payment program, Metro experienced a significant number of its carriers selecting faster payment terms. In fact, during this period, Metro experienced more than 40% of its carriers accepting discounts in exchange for faster payment. On average, these carriers offered discounts of approximately 2.5% for an average payment period of 25 days. The net benefit to Metro during this initial 3-month period was approximately \$39,000.00 in direct cost savings.

Based on the actual savings of Metro Express, using Epay Manager over a 3-month period, the projected savings for the company, over a 1-year period, will be in excess of \$156,000.00.

