

White Paper

ATLAS System

Hidden CASS Profits: Air Cargo's
Struggle with Invoice Accuracy

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Abstract

Invoicing inaccuracies have plagued the air freight industry for many years. Inherent factors, including complex and volatile pricing, and the need for carriers to cut costs, continue to perpetuate this problem. Invoices are often overcharged or under-billed. Customers identify overcharged invoices and either adjust the CASS billing or file an overcharge claim, but under-billed invoices are often neglected and the result is hundreds of millions of dollars in lost profits to carriers. Recouping these hidden profits is the foundation of ARG's Cargo Revenue Recovery service---and the benefits are impressive. Some major air carriers have experienced a 5% gain in gross profits without incurring any incremental cost.



The Challenge

It is well known that invoice accuracy has been a major challenge for air cargo carriers. CASS adjustment rates have been above 5% for years, and exceed 10% for many carriers. IATA's e-AWB has simplified and streamlined the air freight supply chain process, but it has done little to reduce the number of billing discrepancies. According to the most recent CASS statistics, almost every air cargo carrier has an adjustment rate over 1%.



It's an Industry Problem

With so much technology and automation available, why hasn't the situation improved? The answer lies in the complexities of the air cargo industry, and the need for carriers to cut costs. Air freight pricing is extremely complex, and continuously changing. Auto-rating systems are only as good as the data inputs. One data capture error during booking may result in a shipment being under-billed or overcharged by thousands of dollars. Adding to the problem is the need for carriers to cut costs, often outsourcing key functions, including booking, documentation and accounting. More experienced personnel are being replaced with cheaper employees or contractors and invoicing quality controls are placed on the backburner.

Customers complain when they are overcharged, but do they say anything when they are under-billed? Most are glad to pocket the extra profit, and don't speak up. If a customer doesn't complain, then suppliers are left with few metrics to determine the accuracy of their invoicing. In an industry with volatile revenue yields, and tight operating margins, it seems implausible that carriers have neglected a key process area that directly impacts their bottom line. The end result is that carriers are losing hundreds of millions of dollars a year in under-billed revenue.

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The Solution: Hidden Profits Found

Most customers have audit programs in place, typically handled by 3rd party firms, to verify the accuracy of their CASS invoices. When an invoice exceeds their liability, the balance is short-paid or an overcharge claim is presented to the carrier. With so many 3rd party options for customers, why haven't air cargo carriers followed a similar path?

The reason lies with the complexity of the service. Carriers require a revenue recovery service, which is much more in depth and complex than an AP audit---that is why there are hundreds of providers in the AP space, and very few that provide cargo revenue recovery services. AP audits typically search for duplicate payments, and / or compare liability to the CASS invoice amount. A revenue recovery service requires a deep understanding of the industry, its nuances, and a technological infrastructure to process transactions in real-time. A revenue recovery service can also be a major source of hidden profits for carriers by recouping otherwise lost revenue. It levels the playing field between customers, who file millions of dollars in overcharge claims on an annual basis, and carriers by recouping the correct amount of revenue based on services rendered.

The screenshot shows the ARG Client Invoices web application. The left sidebar contains the ARG logo, a user profile for 'Administrator' (quazym@hotmail.com), and a navigation menu with options: DASHBOARD, ACCOUNTS & SECURITY, ATLAS AUDITING, MANAGE CLIENTS (with a sub-option 'Manage Client Invoices'), SETTINGS, and USER AUDIT TRAIL. The main content area is titled 'Client Invoices' and includes a 'Logout' link. It features several dropdown menus for 'Select Client' (Pasha Hawaii), 'Select Region' (-- Select Region --), 'Select Status' (Select Some Options), and 'Invoice#' (-- Select Invoice# --). There is a '+ Add Invoice' button. Below these are input fields for 'Date between' and 'and', a 'Search by BOL' section with a 'Select BOL' dropdown, and checkboxes for 'Add Balance Dues to Invoice' and 'Display Details'. At the bottom are 'Get Results' and 'Generate PDF' buttons.



ARG's Cargo Revenue Recovery Services

ARG provides highly specialized revenue recovery services to air cargo carriers. This service identifies hidden profits by recapturing under-billed revenue either through a pre-audit and / or a post-audit, and the benefits are often significant---some carriers have experienced a 5% gain in gross profits.

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Current Controls are Inadequate

Most companies have sophisticated auto-rating systems, and often an internal audit team reviewing CASS exceptions. For ARG, every client has advanced invoicing systems and controls, yet every client has benefited significantly from ARG's Cargo Revenue Recovery Service. Why? Because ARG has learned from its many years of experience exactly where to focus its resources and efforts. Experienced analysts utilize ARG's ATLAS system, which is a robust platform that employs predictive analytics and other functions to analyze millions of transactions in milliseconds. The end result is that ARG can perform this service better than its clients can internally. Proof of this can be found in ARG's references and the fact that every ARG client has continuously renewed their agreement since inception.



Potential sources of revenue loss (partial listing):

- **Air freight base charges**
 - Spot rate validation
 - Service contract / tariff validation
 - Weight issues (actual vs dimensional)
 - Service issues (i.e. Temp controlled, Express, etc.)
 - Container validation
 - Container count
 - Container type (i.e. RKNs, PMCs, PAGs, AKEs, etc.)
 - Pivot charges \ over-pivot charges
- **Surcharges**
 - Fuel surcharges (when applicable)
 - Hazmat fees
 - Screening \ security fees
 - Other assessorial fees

ARG's Cargo Revenue Recovery Service analyzes client CASS invoices with the objective of identifying under-billed revenue, & collecting it on their behalf. Engagements are ongoing, require no staffing resources from the client, & are facilitated at ARG's corporate office. Compensation is based on a percentage of revenue identified & recovered by our analysts. Since the costs associated with the shipment have already been incurred, any incremental revenue identified by ARG goes straight to profits.

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On a periodic basis, management reports are provided to clients detailing the revenue leakages identified and recovered during the previous period. Real time results can be obtained from ARG's client web portal.



Pre-audit vs Post-audit

This service may be performed as a pre-audit, before invoices are actually sent to the customer and / or as a post-audit. During the pre-audit, ARG monitors and analyzes transactions in real-time, and provides adjustments as needed. For the post-audit, ARG reviews transactions on a monthly or quarterly basis, and will generate and recover supplemental invoices. To achieve transactional assurance, ARG recommends doing both a pre-audit and post audit---both are seamless and easy to setup.

REGION	CUST#	BOOKING	BOL	BOL DATE	BD AMOUNT	BD AMOUNT PAID	BD INVOICE #	INV DATE	STATUS	COLLECTION STATUS	CLIENTS
US	AIL634 A & I LOGISTICS	2202420176	522452120058	4/1/2016	4,153.90	4,153.90	99000011	2/1/2017	ARGINV	CLOSED	C
US	AIL634 A & I LOGISTICS	2552520771	522552620010	6/16/2016	3,883.98	3,883.98	99000011	2/1/2017	ARGINV	CLOSED	C
US	ABF380 ABF FREIGHT - A	3554210029	543554210026	1/21/2017	561.40	0.00		1/1/0001	CLOSED	CLOSED	C
US	ABF380 ABF FREIGHT - A	3553910078	523553910003	12/10/2016	500.00	0.00		1/1/0001	CLOSED	CLOSED	C
US	ABF380 ABF FREIGHT - A	3551613368	513551610174	1/23/2016	250.00	0.00	99000012	2/1/2017	CLOSED	CLOSED	C
US	ABF380 ABF FREIGHT - A	3451612668	513451610160	1/16/2016	250.00	0.00	99000012	2/1/2017	CLOSED	CLOSED	C
US	ABF380 ABF FREIGHT - A	3551712157	573551710310	2/6/2016	250.00	0.00	99000012	2/1/2017	CLOSED	CLOSED	C
US	ABF380 ABF FREIGHT - A	3451612675	513451610162	1/16/2016	250.00	0.00	99000012	2/1/2017	CLOSED	CLOSED	C
US	ABF380 ABF FREIGHT - A	3551711324	513551710173	2/6/2016	250.00	0.00	99000012	2/1/2017	CLOSED	CLOSED	C
US	ABF380 ABF FREIGHT - A	3451713109	513451710153	1/30/2016	250.00	0.00	99000012	2/1/2017	CLOSED	CLOSED	C
US	ABF380 ABF FREIGHT - A	3551613354	513551610170	1/23/2016	250.00	0.00	99000012	2/1/2017	CLOSED	CLOSED	C



Requirements to setup and maintain ARG's Cargo Revenue Recovery Service

- Upfront: 10-15 hours to generate data reports, and setup system access plus 1-2 hours of training on rating and cargo operations system & pricing guidelines
- Ongoing: 5-7 hours a month to review ARG's findings

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Benefits of ARG's Cargo Revenue Recovery Service

- Requires few resources to implement
- Requires few resources to maintain
- Improves revenue yields and overall profitability by recapturing under-billed revenue
- Ensures revenue accurately reflects services rendered
- Provides insight for management into systemic process / system issues

To learn more about this service, please contact Mark Palladino of ARG at 609-288-2160 or through email at mcpalladino@argglobal.net.



About ARG

ARG, consisting of ARG LLC and ARG Ocean LLC, was founded by a highly skilled and knowledgeable group of principals. After years of running the largest freight payable recovery firm in the United States, representing freight forwarders and integrators, the primary equity holders formed ARG to service ocean carriers (VOCCs, NVOCCs), air carriers, and forwarders.



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