Accenture Freight and Logistics Software

Running a tight ship

Boosting business growth and profitability in the cargo industry by closing revenue leaks across the shipment lifecycle
Revenue leakage presents a common challenge to cargo carriers around the world. However, the potential to use technology to claw back these lost revenues is also one of the industry’s single greatest growth opportunities.

In a marketplace where increased competition and slowing growth are the norm, fuel costs have placed an immense strain on profitability for air and ocean cargo carriers. Now that the decline in oil prices has alleviated that pressure, carriers are focused on securing every possible dollar of revenue by taking other costs out of their business.

Preventing revenue leakage can provide the key to boosting business growth. Revenue leaks afflict every stage of the shipment lifecycle – from quoting and contract management, to reservations, capacity management, operations and billing – and can severely impact the bottom line. Accenture’s experience with cargo carriers worldwide shows that losses exceeding 3% of total revenues are far from unusual.

The good news is that, with the right tools, these leaks can be effectively controlled. Specialized software solutions are now available to support enhanced revenue management and cargo execution by aligning processes around pricing, booking, capacity management and operations. With integrated cargo execution software platforms now ready to address the end-to-end shipping lifecycle, leading cargo carriers are embracing these solutions to enable enhanced capacity utilization and achieve higher profitability.

Understanding the causes
Process inefficiencies in most freight and logistics companies create fertile ground for revenue leakage. There are a number of reasons for this. While cargo carriers have long struggled to introduce stronger and more agile IT capabilities, they have been hampered by legacy systems. The difficulties these create mean development is often delayed or foregone altogether.

Additional challenges have been created by industry consolidation through mergers and acquisitions. The complexities introduced by the integration of multiple software and business systems have engendered inaccuracy, inconsistency, inefficiency and lack of visibility into relevant real-time information across the shipment lifecycle. This has created ideal conditions for revenue leakage to thrive.

Combating revenue leakage across the shipment lifecycle with advanced software
Revenue leakage can and does occur across all stages of the shipment cycle. Now, however, modern cargo management software platforms with advanced pricing/rating capabilities can help to prevent leakage and optimize profitability. Carriers can use these platforms to reduce inefficiencies and errors across the shipment lifecycle:

1. Quoting and contract management

An estimated 80% of carriers still use spreadsheets to manage rates and charges. This often results in rate discrepancies with forwarders and direct shippers (our experience shows discrepancies can occur on up to 21% of shipments). And in the interests of maintaining supplier-customer relationships, the carrier usually backs down when disputes occur.

Additional challenges arise from the lack of visibility into market rates and decentralized control of sales operations. These can lead to quotes being offered with lengthy validity periods that prevent carriers from accepting shipments at more competitive rates.

Limited visibility can also cause problems elsewhere in the shipment lifecycle. These include undercutting bids through lack of insight into previous “won or lost” business, stations from the same carrier bidding against each other, or customer service staff failing to quote optimized rates because they lack insight into booking profiles on specific routes.

But the right cargo management software can prevent revenue leakage in quoting and contract management. Pricing software solutions are available that simplify and accelerate the offer process, while driving centralized accountability, traceability and the consistent application of rates across the value chain:

- Online auditable rate and contract negotiation removes ambiguity by enabling both parties to sign off electronically on rates and charges. This eliminates the majority of rate discrepancies.
- Approval tiers prevent regional sales teams from undercutting minimum selling rates, as well as highlighting sales people and GSA's who are selling just above hurdle rates.
- On demand accessibility of historical data highlights losses and consistent wins, enabling negotiators to adjust rates up or down to secure profitable business.
- An advanced rate management system drives consistent pricing by highlighting where similar shipments are being offered for carriage to different stations.

2. Reservations

Disparate systems prevent customer service agents from gaining an integrated view of applicable rates, available routes and capacities. Dependency on multiple systems causes high turnaround times, and slows down conversion of bookings into real business. For many cargo carriers, a lack of visibility into route performance can result in revenue leakage through a number of causes. These range from unnecessarily shipping low-yielding freight on in demand routes to underutilized allocations driving load factors below par. Lack of visibility and centralized accountability also often prevents carriers from being able to respond to shipment disruption. The results are lost capacity and expensive and unnecessary claims from customers.
Innovative reservations software solutions can transform booking and inventory management capabilities. By providing real-time visibility into rates, routes and capacity, these solutions prevent booking of low-yielding freight into valuable space. Other benefits include:

- Efficient reservation systems will automatically adjust selling rates, offer promotional rates on low-selling flights and remove offers when thresholds are reached. In our experience, this has increased load factors up to 4%, which drastically increases total revenues.

- These systems enable more effective space-bidding strategies, with multi-purpose dashboards allowing revenue and capacity users to manage and control capacity, revenue and allocations in real time.

- They also automatically release allocations to freesale at preset intervals before departure, highlight poor utilization by customers and enable easy decision-making and swift processes for rebooking entire disrupted flights and/or individual bookings.

- Today’s reservation systems are capable of generating customer-specific and tailored offers including value added products and services to capture additional revenues.

3. Operations
Accurate insights into weights and volumes at every stage of the shipping process are key to preventing revenue leakage. Where these insights are unavailable, a number of familiar problems arise. Available space on equipment can be blocked when booked weight and volume exceeds actual air waybill (AWB) weight and volume. And expensive offloads are caused when booked weight and volume is less than actual AWB weight and volume.

In the airline cargo industry, additional revenue leakage flows from under-charging when AWB weight and volume is less than actual weight and volume (e.g. one leading airline discovered a 7% under-declaration on all loose shipments when it started 100% check weighing). Inaccurately logging and charging for value-added services throughout the shipping process can be another cause of lost revenue. Failure to capture details on freight damage at origin can result in claims at destination, creating additional costs.

Detention and demurrage is another area where tremendous revenue leakage is occurring, especially for ocean carriers. A strong detention and demurrage maintenance system with a container event based calculation engine can, to a large extent, prevent revenue leakage.

Similarly, air carriers are struggling to improve inefficiencies in ULD management and flight planning with their legacy systems.

As a single stop for capacity and revenue management, specialized software solutions include an advanced capacity management desktop that provides integrated, real-time insights into capacity and allocation. Benefits include:

- Control over freight acceptance (AWB volumes vs actual volumes, with checks on weights and volumes enforced when required)

- Web-based documentation management, including documents processing (booked volumes vs AWB volumes) to provide real-time control of freight acceptance

- Export and import handling, with effective capture of value-added services (e.g. for special handling)

- Damage-handling capabilities to prevent claims

- Visibility of on-board containers and available capacity at each port of call.

- Real time updates on allocation bookings and freesale bookings

- Capturing detailed shipment information upfront with digitization capabilities (especially for special cargo) enables proper capacity planning and transparent rating.

4. Billing
For many carriers, lack of visibility and centralized control can mean that incorrect details, such as weights and volumes, are sent to the billing system. Additional revenue leakage arises when there is no means of easily and accurately capturing value-added services for billing purposes, as well as when the correct rates for special products are not charged.

Advanced software solutions can drive billing effectiveness and accuracy by enabling carriers to make changes in real time and vastly improving overall responsiveness. Benefits include:

- Auto rating after every change that exceeds configured tolerance

- Full audit trail history of billing information

- Clear and visible externalized billing information

- Damage-handling capabilities to prevent claims

- Prevent invoice errors by capturing shipment information and re-rating at multiple stages of the shipment life cycle.

The right solution at the right time
Preventing revenue leakage offers cargo carriers an exciting opportunity to boost growth in a challenging marketplace. By taking full advantage of the advanced software platforms that are now readily available, carriers can achieve all the benefits we highlight above and drive their businesses towards higher profitability.
About Accenture

Accenture is a global management consulting, technology services and outsourcing company, with approximately 323,000 people serving clients in more than 120 countries. Combining unparalleled experience, comprehensive capabilities across all industries and business functions, and extensive research on the world’s most successful companies, Accenture collaborates with clients to help them become high-performance businesses and governments. The company generated net revenues of US$30.0 billion for the fiscal year ended Aug. 31, 2014. Its home page is www.accenture.com.

About Accenture Freight and Logistics Software

Already used by three of the top-10 cargo carriers, Accenture Freight and Logistics Software has been built to provide cargo carriers with transparency and real-time visibility to information at every point of the shipment lifecycle. Our solution helps carriers drive efficiency into the heart of their operations through better insight into contribution and capacity, advanced pricing strategies and more effective use of assets. To find out more, please visit www.accenture.com/AFLS.