

Optimizing the Cash Conversion Cycle to Help Improve Your Business



NAVIX

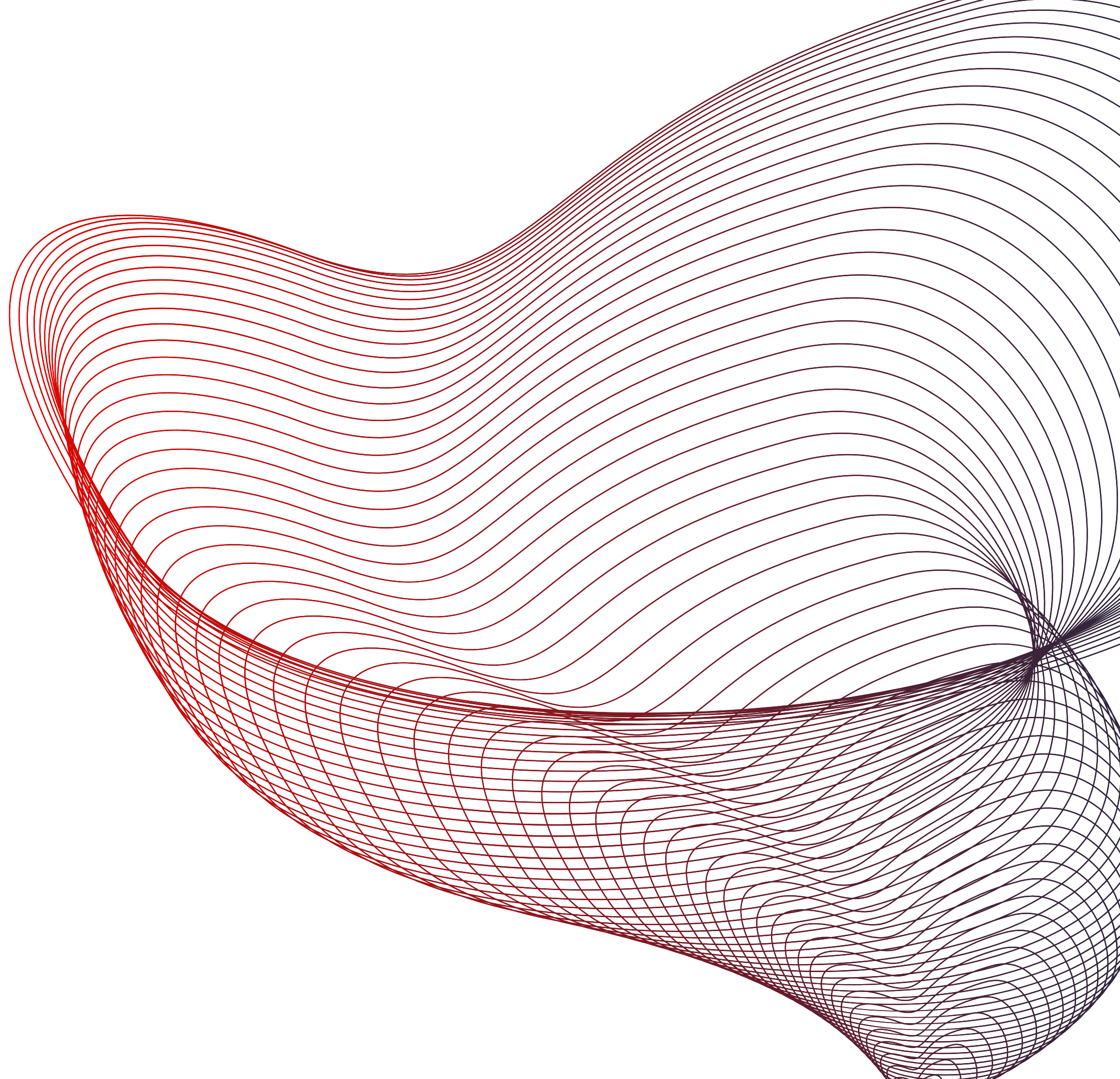




Table of Contents



- **Understanding the Cash Conversion Process**
- **Common Challenges in the Cash Conversion Cycle**
- **Optimizing the Cash Conversion Cycle**
- **The Navix Difference**

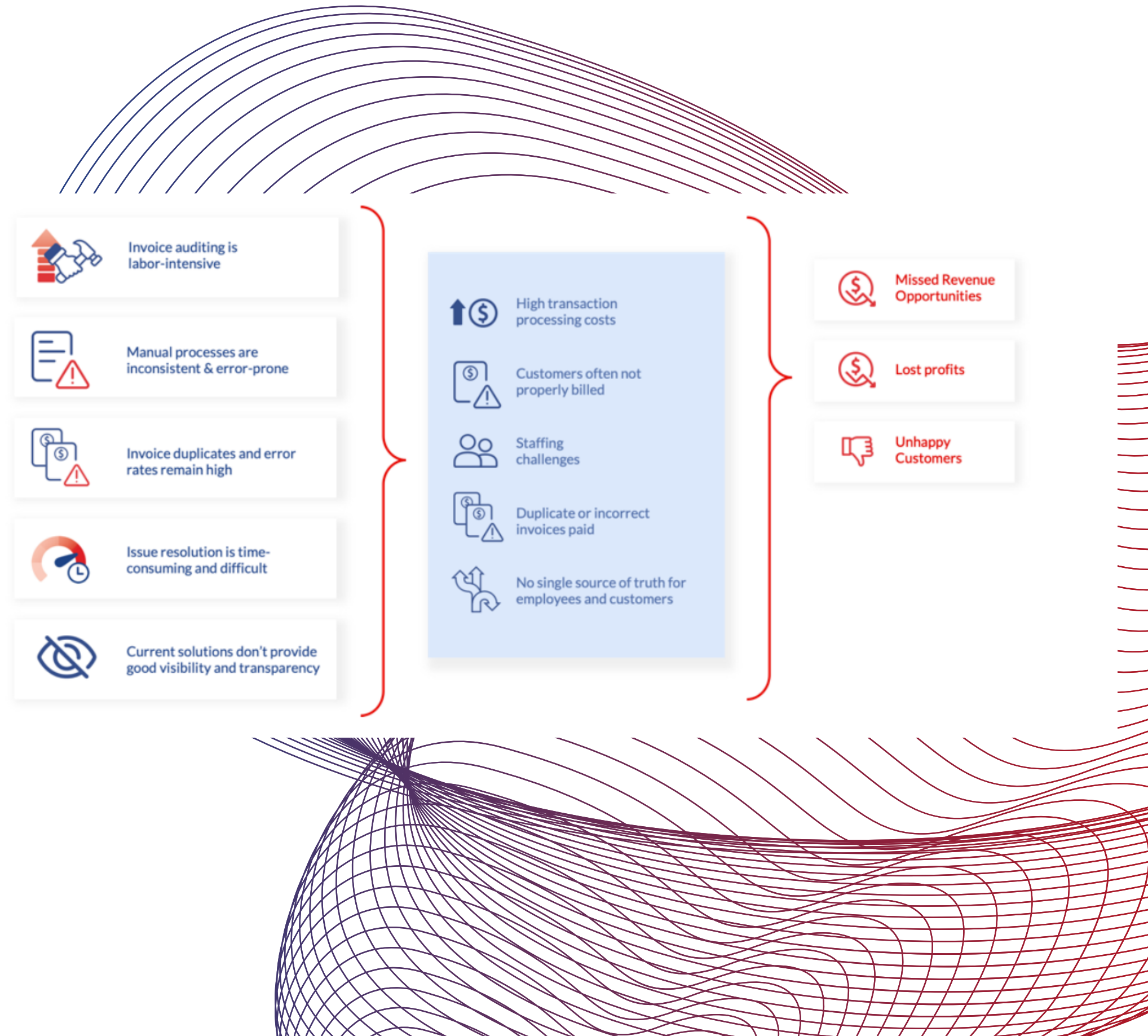
Introduction


Virtually all third-party logistics providers (3PL) and freight brokers are looking for ways to optimize their operations and maximize profits. One of the best areas to look at as means of accelerating this process is the cash-to-conversion cycle.

The invoicing process of 3PLs and freight brokers alike are common and often lead to poor outcomes. For years these issues have been known in our industry and the answer has been hiring more staff or trying to cobble together technology that still does not provide the full capabilities needed.

It is why we have developed this eBook. It was created with the intention of providing an in-depth understanding of the cash conversion cycle, identifying the challenges faced by 3PLs and freight brokers, and to provide insight into how you can improve this process by using machine learning and automation.

With this eBook, you'll learn about the key drivers that impact the cash conversion cycle, the strategies to accelerate the process, and the role of machine learning and AI in optimizing the process. So, get ready to accelerate your cash flow, master the cash-to-conversion process and improve the health of your business.





The cash conversion cycle is a critical part of 3PLs and freight brokers' business operations. It involves all of the steps that need to be taken from the generation of the invoice, reconciliation, validation, and finally the receipt of payment. The success or failure of this process has a direct impact on the profitability and sustainability of any business, making it essential for businesses to make this process as efficient as possible.

At its core, the cash conversion cycle is about ensuring that all payments are collected in a timely manner while avoiding potential bottlenecks or delays in the payment cycle. According to FlexTecs, 25% of all freight invoices have some type of error, so this is easier said than done.

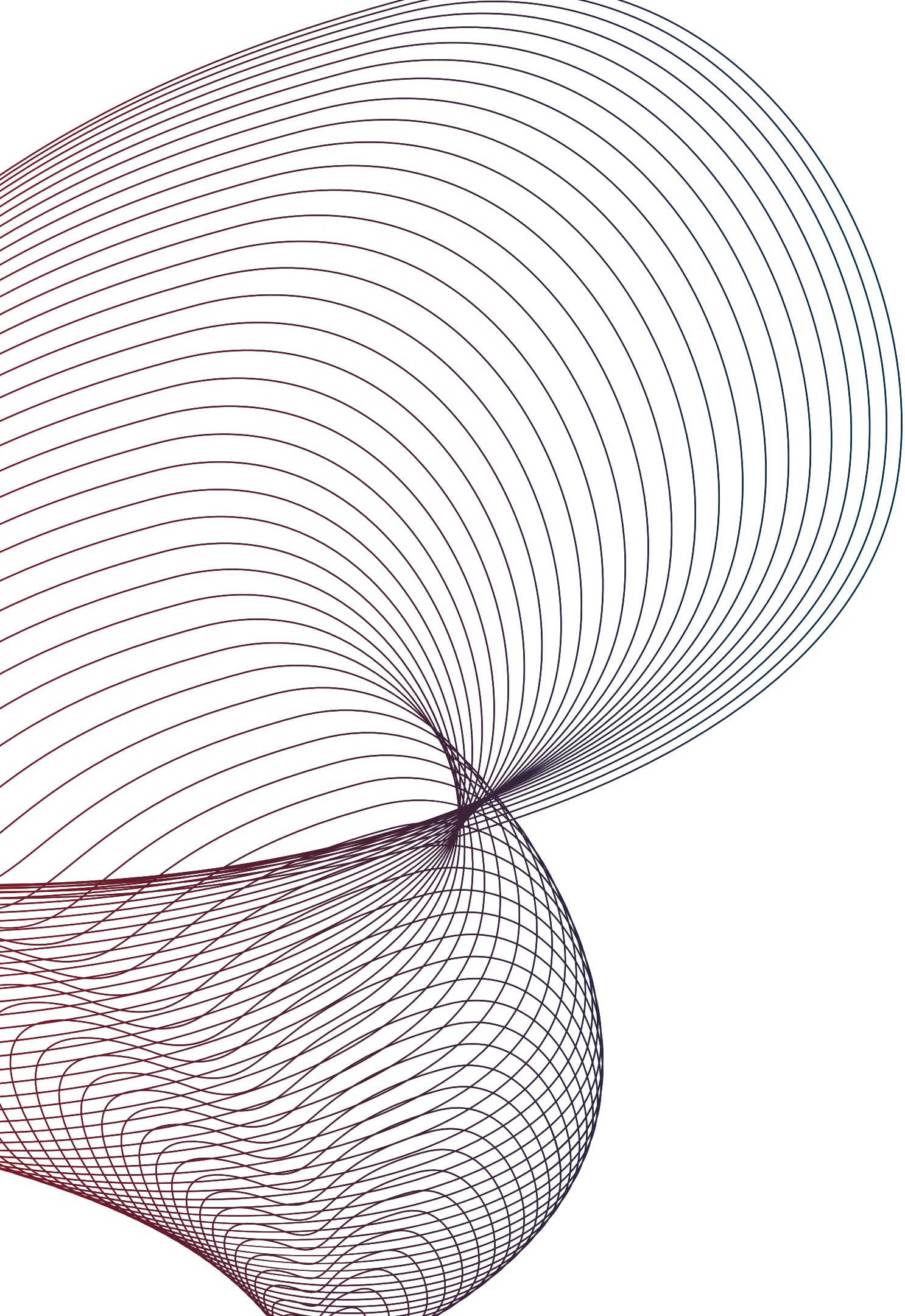
Understanding the Cash Conversion Process: The Process and Key Drivers.



There are a number of key business factors that need to be considered when looking to optimize the cash conversion process. These include:

- **Improvement of cash flow:** Far too many brokers and 3PLs are limited in their growth due to cash flow constraints. It makes sense that if the cash conversion process is reduced by even 25%, a business will have improved cash flow and allow it to make more strategic growth investments
- **Customer service and experience:** We live in an experience economy, and it does not take much in terms of a bad experience for customers or carriers to look elsewhere. Improper invoices and discrepancies can quickly lead to dissatisfaction. The ability to reduce error rates to near zero and expedite the invoice process is a way to provide a great experience.
- **Staffing and Resourcing:** It is not uncommon for organizations to hire staff that are dedicated to the invoicing and auditing process. As invoice volume grows, so does the staff needed to keep up with the oversight. This increase in hiring puts financial pressure on the organization and also detracts from having personnel work on more strategic initiatives.

Even with technology, optimizing the cash conversion process requires careful coordination between departments such as sales, finance, operations, customer service, and IT and even with this coordination, many 3PLs and brokers face challenges. However, in most organizations the technology, even a Transportation Management System (TMS) is not enough as they do not address the full end-to-end process, do not seamlessly integrate with current systems and are not powered by machine learning (ML) and artificial intelligence (AI).




Common Challenges in the Cash Conversion Cycle



Issues with the cash conversion cycle can potentially be a large distraction for any freight broker or 3PL. While there are numerous challenges that can occur, the ones that are most common are as follows:

- **Inaccurate billing:** Caused by a number of factors, inaccurate billing is one of the most common errors that disrupt the cash conversion cycle and delay payments. This can occur due to data entry errors, miscommunication, and a lack of visibility into shipment details.
- **Inefficient manual invoicing processes:** Manual invoicing processes will slow down payment processing and increase the time it takes to get paid. This can be exacerbated by the high volume of transactions that 3PLs and freight brokers handle. If an organization does not have the right staff to keep up with the volume, payment delays will occur.
- **Disputes and chargebacks:** Disputes and chargebacks are often a result of incorrect billing and a manual process. These issues can also occur due to issues such as damaged or lost goods, incorrect billing, or missed deadlines.
- **Disconnected data and systems:** Technology can help alleviate some of the issues that are most common, but unless the systems are fully integrated and can easily share data, they may not do much to optimize the cash conversion cycle. Having an end-to-end view of the process is paramount if you want a conversion cycle that runs at peak efficiency.
- **Varying Customer Agreements:** Customer agreements are not uniform by nature as each one is specific to each company. This adds a layer of complexity to the cash conversion cycle which only becomes more complex if there is a manual approach.

All of these challenges, either as stand-alone issues or collectively will have a negative impact on the growth of any business. There is often a misguided belief that the current processes that are in place are enough to ensure a streamlined and efficient process, but as one 3PL executive stated “We thought we were doing a good job of auditing our LTL invoices, then found \$200k in payments that didn’t get billed to customers or disputed. That was on \$20M of freight.”



Modern freight brokers and 3PLs understand the value and competitive edge they stand to gain when they automate and streamline their cash conversion process. The use of machine learning (ML) and artificial intelligence (AI) technologies offers considerable potential to optimize this process and see positive business outcomes and improved customer service by being able to reduce the invoice error rate to virtually zero.

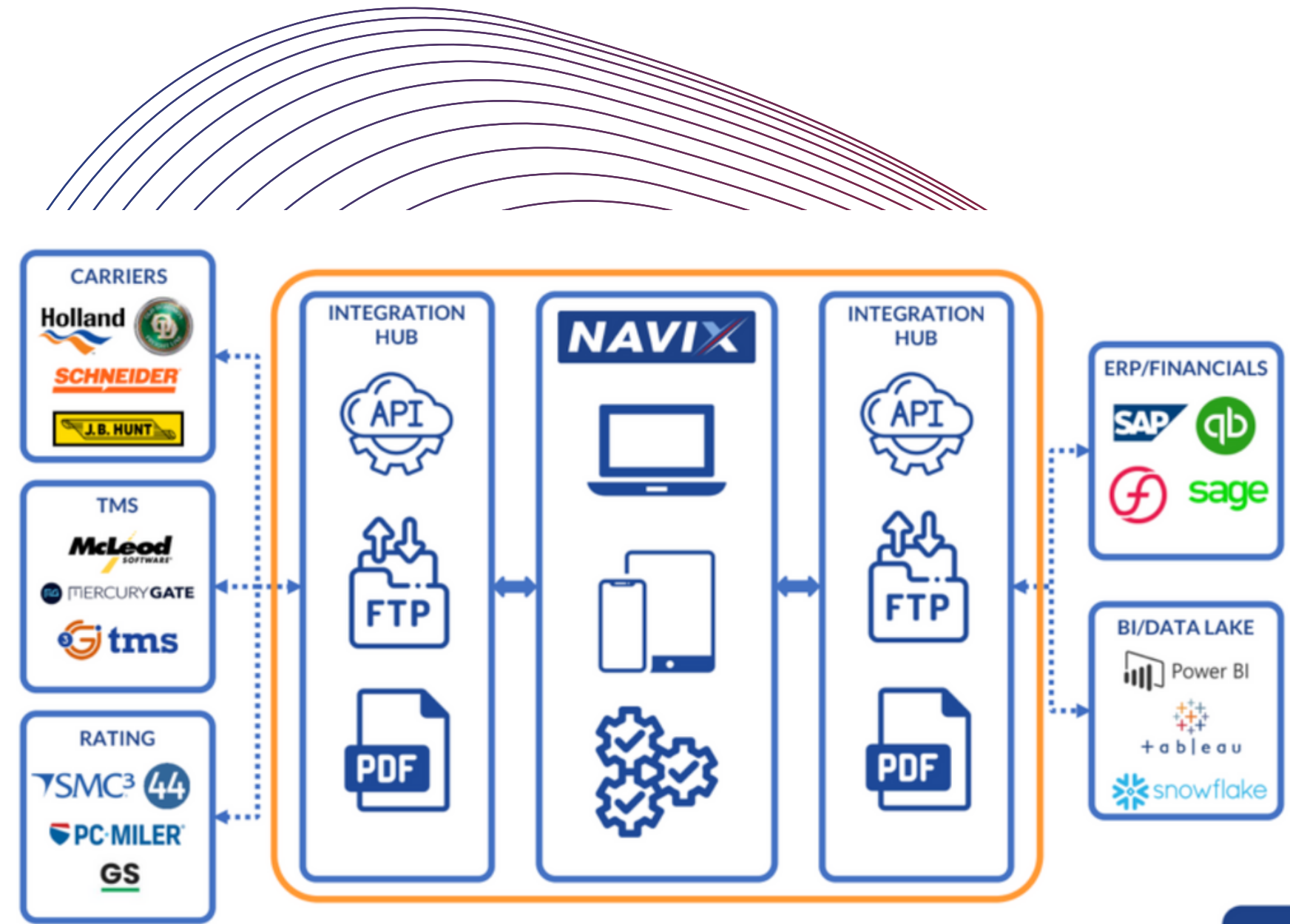
ML and AI afford brokers and 3PLs insight to identify inefficiencies that lead to delays or costs, provide the data-driven insights needed to quickly identify and address errors and provide reporting into the most reliable carriers. Additionally, ML and AI can help facilitate quick dispute resolution by providing real-time access to payment details such as invoices and other documents associated with a transaction; even if there are differences in formatting.

Optimizing the Cash Conversion Cycle



The Navix Difference

While there are a host of technologies available to 3PLs and freight brokers, none are like Navix. Navix is the only solution that sits in the “intermediary space” of your cash conversion cycle, this is the space between carriers, TMSs and fleet management solutions, and ERP systems and data.



About Navix



Navix delivers the only platform that reduces the cash conversion cycles by greater than 50%. The Navix mission is to empower our customers to accelerate their cash conversion cycle by leveraging our AI and machine learning platform across the full spectrum of shippers, intermediaries, and carriers. We have developed an advanced and agnostic platform that integrates seamlessly with multiple solutions including payment providers and Transportation Management Systems (TMS). It is our mission to consistently deliver an innovative platform and exceptional customer experience, while consistently reducing friction in the invoice and payment processing across the transportation industry. To learn more, visit us at navix.io.

