MASTERING FREIGHT PAYMENTS

A Guide to Faster, Transparent Transactions
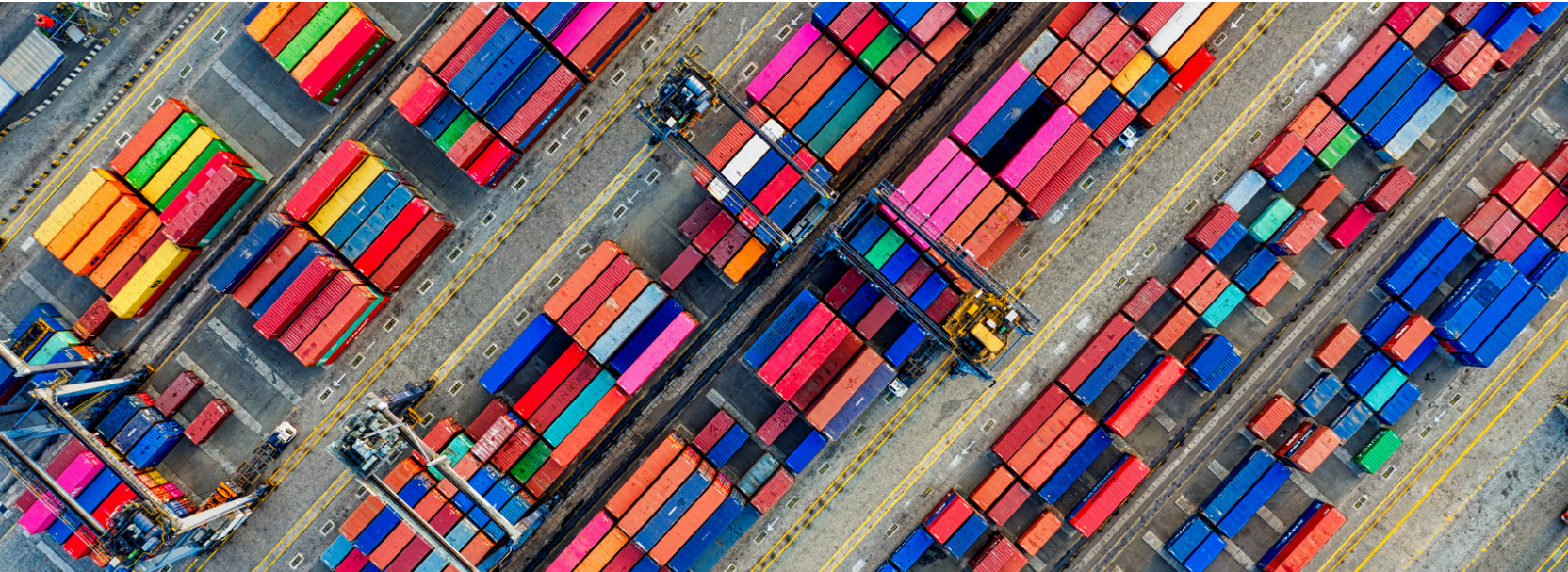
ODeX

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Introduction

A [market study](#) by **Drewry** estimates that the cost of process inefficiencies and lack of trust in the shipping industry represents $34 billion annually which is around 21% of the $166 billion transport revenues generated by the global shipping industry.

Payments are a critical activity in global shipping, a common factor connecting various stakeholders involved in the movement of goods. Whether public entities like ports or customs or private entities like shipping lines or truckers, everyone deals with payments – either sending or receiving them.

While it is crucial and widely used, payments and their management have become increasingly complex, with challenges such as payment security, issues with payment tracking, invoice fraud, etc.

Inefficient payment processes can cause significant disruptions, including shipment delays, financial disputes, and damaged supplier relationships, all of which can have cascading effects on business profitability and operational reliability.

As per **Drewry's** estimates, these financial inefficiencies impact businesses severely with over $30.7 billion lost annually to transaction costs for payments and reconciliation, $2.1 billion to bad debts and $1.6 billion to credit costs. This is in addition to average payment delays of between 25-50 days for shipping lines and forwarders/NVOCCs.

In this guide, we explore the critical importance of payments with a specific focus on freight payments to a carrier, the major payment challenges faced by the shipping and freight industry, best practices to streamline payments management, and how ODeX's innovative payment platform facilitates faster, transparent transactions that strengthen global logistics networks.

Importance of Freight Payments

Freight payments are a key component within the payment ecosystem. Freight payments are paid to a carrier for the freight carriage.

Freight payments are crucial in global trade because they are one of the key payment terms that form part of the sales contract between a buyer and seller.

Freight payments are time-sensitive and require timeous exchange between the concerned parties, i.e., shipping line, exporter, importer, and/or their agent or freight forwarder.

The ocean carriers, whether NVOCC or shipping line, do not release goods on the import side or bills of lading on the export side unless the freight payment has been made to them, and in some cases, some ocean carriers insist that the funds are reflected in their account.

Delays in freight payments can lead to substantial operational setbacks, such as shipment delays, operational penalties like storage, demurrage, detention, and possible cash flow instability.

These delays also directly impact a business's ability to fulfill customer orders, affecting supplier relationships, operational inefficiencies, and cash flow.
Timely payments ensure a steady flow of goods, allowing businesses to meet market demand, strengthen supplier trust, and sustain competitive advantage.

Businesses that adopt automated freight payment systems experienced substantial efficiency. ODeX's payment system has reduced payment turnaround time (TAT) from 8-24 hours to 3-5 hours. This significant reduction minimizes operational bottlenecks, improves supplier relationships, and ensures financial stability in competitive markets.

Challenges in Freight Payments

Freight payments come with their own set of challenges, often marred by inefficiencies stemming from outdated practices, fragmented systems, and manual interventions. These inefficiencies include payment delays, invoice disputes, limited payment visibility, compliance risks, and fraud.

Understanding these challenges is the first step toward implementing effective solutions. Investing in advanced digital solutions that provide visibility, auto reconciliation of payments, and ensure regulatory compliance can significantly streamline complexities.

Payment Delays

Payment delays are one of the key reasons for operational inefficiencies. As per customer insights gathered by ODeX, delays in payments are mostly caused by manual data entry, often resulting in incomplete shipping documentation and slow approval processes.

These delays, in turn, disrupt shipments by delaying cargo releases, generating demurrage or detention, and resulting in missed delivery deadlines, which negatively impact business relationships.
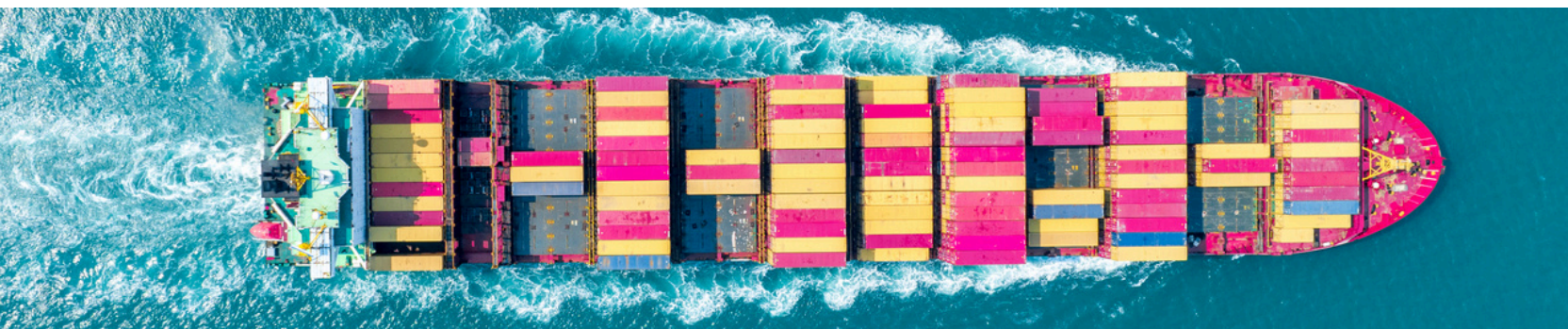
Payment Visibility

Even when payments are made on time by the concerned parties, there are issues with visibility or proof of such payments. Limited to zero payment visibility creates operational uncertainty, making it difficult for businesses to track the payment statuses.

This lack of visibility results in miscommunication and delayed payments, leading to strained supplier relationships and other business issues.

Invoice Errors

Not all freight invoices are created equal. Due to manual data capture and interactions, several freight invoices are prone to errors including incorrect or inaccurate freight charges, mismatched payment terms, incorrect shipping details, missed charges, overcharges, etc.

These discrepancies also can create shipping delays and increased administrative costs. Automated invoice generation can help in reducing these errors significantly.

Regulatory Risks

Freight payments, especially those involving foreign or multiple currencies, are subject to various international payment and trade regulations, customs requirements, and financial compliance laws.

Businesses that fail to comply with these regulations may be susceptible to penalties, fines, shipment holds, and reputational damage. Digital platforms with built-in compliance checks can help to avoid these risks.

Cybersecurity

Cybersecurity threats including payment fraud and data breaches pose serious risks to customers. Businesses must set up robust cybersecurity protocols to avoid becoming vulnerable to financial losses and reputational damage.

Businesses can mitigate these risks by implementing digital platforms that provide advanced encryption, fraud detection and secure data management practices.

Best Practices in Freight Payments

By adopting best practices, businesses can overcome the challenges in freight payments and enhance payment efficiency.

Best practices include:

1) Setting clear payment terms is important to create and maintain a mutual understanding among the stakeholders involved in the shipment. The involved parties should work through critical issues such as due dates, currencies payable, and acceptable payment methods. They must also discuss and agree on penalties where late payments or non-payments are involved.

Clarifying payment terms ensures minimal disputes and also leads to better financial predictability.

2) Standardizing payment workflows should follow naturally once the payment terms have been set. By standardizing payment workflows you can:
- ensure consistency in payment processes
- reduce complexities in payment administration
- accelerate payment cycles
- set clear approval hierarchies
- automate payment triggers
- streamline payment environment

3) Automating invoice reconciliations eliminates manual processing errors, speeds up payment approvals, and ensures payment accuracy. Automated reconciliation systems allow businesses to match invoices against freight contracts, quotations, delivery orders, services provided, and payment terms without human intervention.

4) Strengthening the security and data protection of your payment system is essential. A strong and secure payment system should have sufficient data encryption, fraud detection mechanisms, and multi-factor authentication.
By ensuring strong security and data protection, businesses can mitigate cyber security threats, ensure transaction integrity, and protect sensitive business data like customer and shipment details.

5) Set up real-time tracking for your payments to make payment visibility available for all transactions and reduce disputes, creating trust among the shipment stakeholders. Real-time tracking using payment dashboards and automated notifications ensures that all stakeholders stay informed of the payment and its progress.

6) Integrate automated compliance checks into your payment systems to reduce non-compliance risks and any associated legal penalties. Compliance modules that monitor and keep track of trade regulations, tax codes/setup, and customs requirements ensure that businesses remain within the regulatory boundaries.

Selecting the right freight payment platform is critical for streamlining operations and ensuring long-term success.

[Here is a sample checklist format](#) that you can use to evaluate potential digital freight payment platforms based on your organisation's needs.This checklist ensures a comprehensive evaluation of any freight payment platform, helping you select a solution that aligns with your operational needs and strategic goals.

How ODeX Powers Freight Payment Efficiency

ODeX Global is a leading digital platform that streamlines shipping documentation and payment processes by connecting various stakeholders in the import and export sectors.

ODeX's innovative digital document and payment platform has emerged as a favored platform for addressing the above payment challenges.

The platform streamlines payment processing time, reduces delays, and ensures transparency across supply chains by integrating cutting-edge technology.

Here's how ODeX delivers unparalleled payment efficiency by leveraging its practical features and industry-specific solutions.

Unified Solution
ODeX's platform consolidates various payment processes into a single and user-friendly interface. This centralization reduces the complexity of managing multiple forms of payment and service providers, enabling logistics service providers and ocean carriers to handle freight transactions more efficiently and effectively.

The key features of the ODeX digital payment platform include:

- Comprehensive dashboard providing a 360º view of all the freight transactions, including payment statuses, invoices pending payment, and settlement histories

- The platform supports multiple payment methods, including PayPal, QuickPay (for credit card payments) and PayPal Pay Later options.
- Automated payment matching allows invoices to be matched with payment records, eliminating discrepancies and administrative burdens

Real-time Visibility
The ODeX platform provides real-time visibility into payment statuses, ensuring that everyone in the chain is up-to-date on the progress of the transaction. This option provides transparency to businesses, helping them track payments, monitor their cash flow, and address potential issues proactively.

Available features include
- Instant notifications on completed, pending, or failed payment transactions
- Identification of payment patterns by clients based on an analytics-driven dashboard
- Optimized payment schedules
- Reduced disputes based on clear and transparent records, which ensures all parties have access to the same payment and transaction data

Flexibility with PayPal Integration
Leveraging its integration with PayPal, ODeX's digital platform allows quick and secure freight payments, providing increased convenience, security, and flexibility for freight forwarders, agents, and truckers.

Automated Invoice Reconciliation

ODeX's digital platform reconciles invoices with the corresponding payments, ensuring accurate and timely payment settlement.

Apart from avoiding time waste and errors due to manual invoice reconciliation, the platform also assists in maintaining an audit trail for compliance and reporting purposes.

The system maintains detailed transaction logs for regulatory inspections and legal compliance.

Security

ODeX's payment platform comes with advanced cyber security measures that protect against fraud and data breaches using enterprise-grade encryption protocols and multi-factor authentication to safeguard sensitive payment data.

Role-based access ensures that only authorized personnel can access specified financial information and records.

Getting Started with ODeX: A Step-by-Step Onboarding Guide

Step 1

Get in touch with ODeX support or directly create an ODeX account.

Step 2

Start using all the features of ODeX - Invoice Payments, Instructions, Delegations

Step 3

Payment gateways (PayPal, credit cards, PayCargo) are accessible

User Training

ODeX provides sufficient training to Users, especially on how to use the payments module effectively. A dedicated support team is there to assist.

Success Metrics

Key metrics include reduced payment processing time, fewer disputes, and increased payment accuracy.

Key Achievements of the Platform in the US Market

ODeX, in partnership with Hapag-Lloyd, offers a range of benefits tailored for U.S. customers to enhance efficiency and streamline shipping operations. Key advantages include:

- **Simplified and Secure Payments:** The integration with PayPal enables customers to make payments directly through the ODeX platform, utilizing various methods such as PayPal, Venmo, credit/debit cards and PayPal Pay Later options. This flexibility ensures a seamless and secure payment experience.

- **Real-Time Payment Tracking:** Payments are processed in near real-time, providing immediate confirmations and reducing the need for manual reconciliation. This feature enhances transparency and allows for more efficient cash flow management.

- **User-Friendly Interface:** ODeX's platform is designed for easy use, allowing customers to navigate and track invoices and arrival notices effortlessly. Features like 'QuickPay' enable payments without logging in, further simplifying the process.

- **Enhanced Operational Efficiency:** By digitizing shipping documentation and automating processes such as invoice release and payment confirmation, ODeX reduces delays and minimizes manual interventions, improving operational workflows

Comprehensive Document Handling: The platform facilitates the electronic release of delivery orders and supports the management of various shipping documents, ensuring compliance and reducing the reliance on physical paperwork.

Thousands of invoice payments processed seamlessly, ensuring reliability and trust.

A vast network of engaged payors driving consistent transactions.

Numerous transactions completed with precision and efficiency.

Payments through multiple modes:

PayPal **PayCargo.** Credit/Debit cards powered by PayPal

Current Services Provided by ODeX

E-Invoicing

ODeX enables seamless electronic invoicing, reducing manual errors and streamlining workflows.

E-Payments

ODeX ensures secure, real-time payments for faster and more efficient transactions.

Delegation

Blanket Delegation

Offers a long-term solution for recurring shipments by allowing consignees or shippers to set predefined rules for automatic BL delegation.

Logistics Partner Delegation

Enables consignees or shippers to delegate a BL directly to an agent or haulier without the need for a Letter of Authorization (LOA).

Reverse Delegation

Allows agents or hauliers to request Bill of Lading (BL) access, which is routed to the consignee, shipper, or carrier for approval.

Businesses Supported by ODeX Platform

Ocean Carriers

Can use ODeX to automate payment receipt and reconciliation, improving cash flow and reducing administrative work.

Logistics Providers

Can manage and track payments more efficiently, reducing the complexity of cross-border transactions and minimizing disputes with shippers and freight forwarders.

Real-world Impact – How ODeX is Transforming Freight Payments with Technology

As per ODeX data, below are the Cost-Benefit Estimates in terms of savings in Time, Labor, Dispute Resolution and Cost

Time Savings: Save up to 80% in time by automating invoicing, instant payment confirmation, and instructions. (Delivery Order Entry, Demurrage Invoice Request)

Labor Savings: Reduce labor costs by up to 30% with automation.

Dispute Resolution Savings: Lower disputes by 25-30% through improved transparency and fewer errors.

Cost Savings: Lower charges on payments through credit/debit cards powered by PayPal and PayCargo

Costs Saved per Shipment: By reducing administrative overhead and errors, customers can save around 5-10% in operational costs per shipment, depending on the complexity.

Case Study

A leading global logistics company specializing in ocean freight, **Jofran**, a prominent furniture wholesaler, faced significant operational challenges in its international trade processes, particularly in documentation and payment management

Challenges Identified

- **Limited Visibility:** Difficulties in tracking and reconciling invoices and understanding the status of container releases led to operational delays and increased administrative burdens.

- **Inefficient Payment Processes:** Frequent delays in applying payments, especially related to carrier payments, adversely affected cash flow and financial planning.

Solution Implemented

ODeX's Workflow, Documentation & Payment Management platform was introduced to address these issues. The platform's swift onboarding process allowed Jofran to integrate it within minutes, minimizing downtime. Key features included:

- Reducing the turnaround time (TAT) for payment applications from 72 hours to within 60 minutes upon receiving payment confirmation.
- Enabling operations teams to track invoice generation.
- Providing real-time updates on shipment releases.
- Simplifying the visibility and application of credit notes.

Achieved Outcomes

- **Accelerated Payment Processing:** The significant reduction in payment application TAT contributed to time savings, facilitating quicker shipment releases.
- **Enhanced Operational Efficiency:** Improved visibility into invoices and container release statuses enabled more effective shipment management, aligning with global trends toward transparent and streamlined logistics operations.
- **Streamlined Payment Processes:** The integration with ODeX expedited the payment application process, reducing delays and additional costs and enhancing financial operations' efficiency.

By adopting ODeX's platform, Jofran transformed its documentation and payment workflows, improving operational efficiencies and better visibility across its shipping operations.

This case exemplifies how ODeX's digital payment platform can significantly enhance operational efficiencies in global trade.

Future Trends in Freight Payments

While ODeX currently offers a comprehensive suite of services, the freight payment industry is evolving with emerging technologies that promise to enhance security, transparency, and efficiency.

Blockchain Payments: Blockchain technology is poised to revolutionize freight payments by providing decentralized, tamper-proof ledgers that enhance security and transparency.

Real-Time Payment Tracking: Implementing real-time payment tracking features will give businesses complete visibility into payment statuses, reducing uncertainties and facilitating faster decision-making.

AI and Smart Contracts: Integrating Artificial Intelligence and smart contracts can automate payment processes, enabling predictive analytics and real-time decision-making.

Embedded Finance: Integrating financial services directly into freight platforms can simplify transactions by eliminating the need for third-party intermediaries.
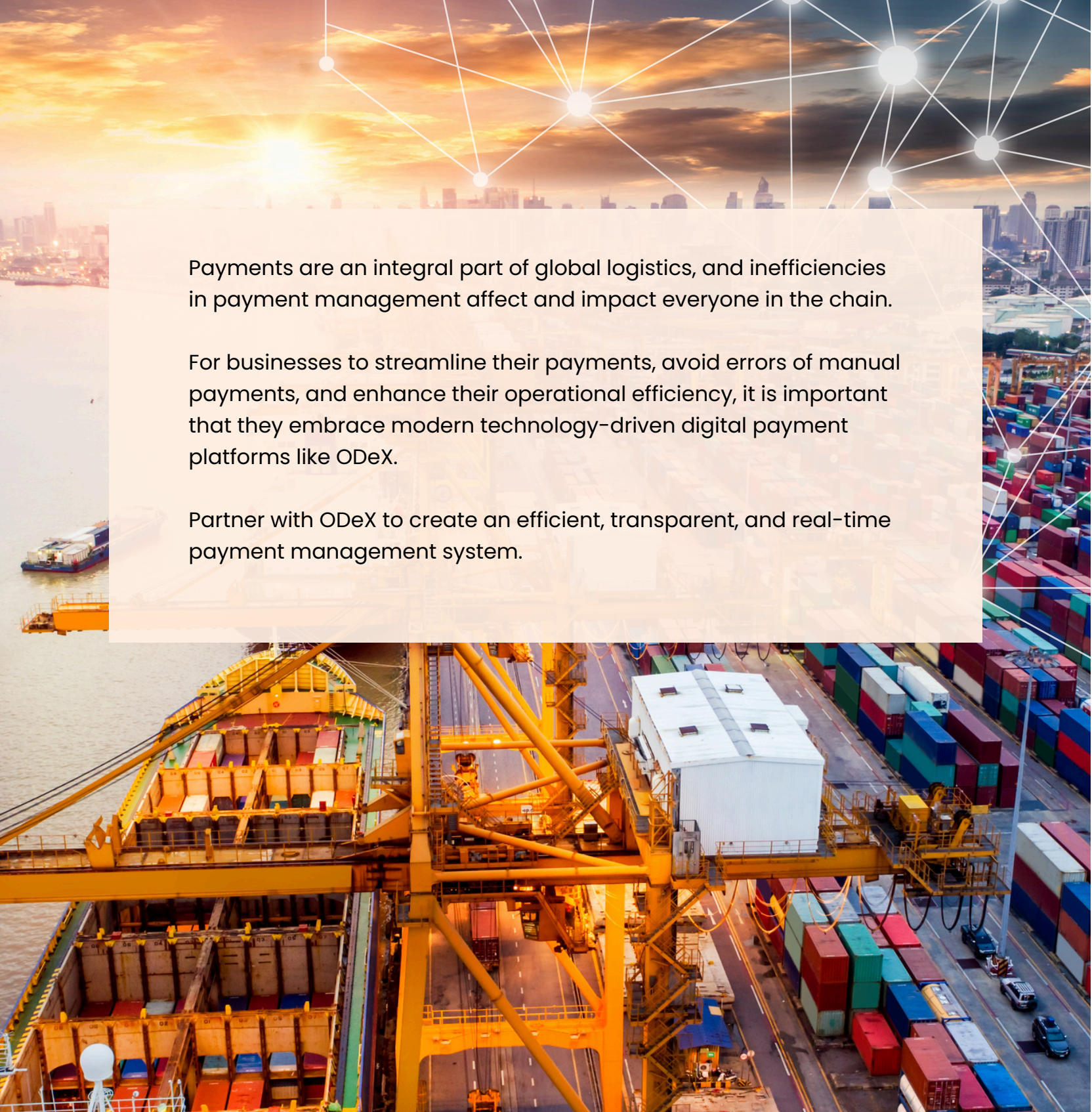
Integrated Ecosystems: Developing fully integrated platforms that connect various supply chain processes will facilitate real-time data sharing, ensuring end-to-end visibility and operational efficiency.

Cross-Border Payment Solutions: Advancements in cross-border payment solutions aim to enable seamless international transactions, support multi-currency payments, and ensure global compliance.

By staying abreast of these emerging technologies, ODeX Global is well-positioned to continue enhancing its platform, ensuring it meets the evolving needs of the freight payment industry.

Payments are an integral part of global logistics, and inefficiencies in payment management affect and impact everyone in the chain.

For businesses to streamline their payments, avoid errors of manual payments, and enhance their operational efficiency, it is important that they embrace modern technology-driven digital payment platforms like ODeX.

Partner with ODeX to create an efficient, transparent, and real-time payment management system.

ODeX

Visit Our Website

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