

# How electronic proof of delivery is enabling logistics companies fast-track billing and collection

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## Synopsis

Around 80% of large customers of logistics companies now accept e-PODs. Many mid-sized companies have also warmed up to the idea. This enables logistics players to submit cleaner and faster bills to customers, and shorten payment cycles. Moreover, logistics companies and their customers are able to save on stationery and manpower required to handle thousands of paper documents.

A proof of **delivery** (PoD) is a customer's acknowledgement of receipt of transported goods, and is an essential paper document in the bill-generation process for **logistics** companies. Till a few years ago, a typical PoD cell at a **logistics company** office used to be a messy room with pigeon holes where hundreds of paper documents would be sorted according to their destination address and customers. Depending on the size of the logistics company, five to 20 people would man such PoD cells.

Then, as the pandemic unfolded, paperless operations pushed by Covid-19 protocols ushered in digitisation in the logistics industry in a big way. Being a crucial document, yet involving highly complex **collection** and handling processes, the PoD is at the centre of that digital shift.

"Ten to 12 years ago, paper PoDs used to be a big nuisance for logistics companies not only in terms of the number to be handled but also in terms of the logistics involved," says Sanjeev Jain, managing partner at logistics consultancy Amicus Growth Advisors. Now, industry insiders say, the problem has become easier to solve, thanks to digitisation.

E-PoDs are not an entirely new concept. Large companies like Gati and Safexpress have been trying to push e-PODs for over a decade now. However, adoption has been an issue since it depends to a large extent on customers, who have been reluctant. Besides, many customers use physical PoDs and the discrepancies that creep in the **billing** process as a ruse to hold up payments and stretch the payment cycles of logistics companies, which often run into a couple of months, if not more.

However, since the pandemic, adoption by large customers has got a boost, say insiders. "We divide our customers into large, SME, and retail. As far as large customers are concerned, 80% to 85% are now accepting e-PODs," says Pirojshaw Sarkari, CEO, Gati Limited. Many mid-sized companies have also warmed up to the idea. This is a win-win for the industry, as logistics companies are able to submit clean bills to customers and hence collect payments faster. The companies and their customers are able to save on the paper and manpower required to handle thousands of these documents.

"A single docket has four copies and each copy costs us about 40 paise. Imagine the cost for a large company like Gati, which ships dockets in millions," says Sarkari. For large customers like HUL, which may be shipping a few thousand consignments a month, the volume of PoDs to collect and maintain year after year is humongous.

## What does a PoD tell?

The PoD is a copy of the goods consignment note or docket containing all the information about the goods being transported, such as names of the consignee and consignor, name of the cargo, invoice value, number of packages, origination point, and destination point.

On the back, the PoD contains a brief mention of the terms and conditions of the contract between the consignor and the consignee. It has multiple uses — it is an evidence for the delivery of goods by a logistics company. Therefore, logistics companies raise bills to customers on the basis of the PoD. It also has notes on the quality of delivery — whether it was safe and complete, or there were damages or pilferages.

A PoD also serves as a dispute-resolution mechanism in cases of discrepancies in transportation or accidents and indicates what would be the liability of the logistics company and what sort of claims the consignee can make.

In the case of full truck load (FTL) movements having one large consignment, a single PoD is issued. In the case of part truck load (PTL) movements, one PoD may be issued for several packages of the same company.

## Physical flow of PoDs: a messy process

PoDs flow through the entire countrywide network of the logistics company to either one central location or to multiple locations from where bills are processed and sent to customers.

When a consignment is delivered by a logistics company, the customer signs on the PoD. The latter is also entitled to write comments in the PoD, say, if parts of the consignment may be broken in transit or misplaced. The truck driver or the person concerned then hands over the hard copy of the PoD to the delivery branch of the logistics company. All these PoDs are sent to the booking branch, and from there they are couriered to regional offices.

Many companies raise bills to customers from the regional office itself, but most of the evolved companies do centralised billing. So, PoDs flow from the delivery branch to the regional office, then from the regional office to the head office, which has the company's centralised PoD cell. The centralised PoD cell will have pigeon holes and keep the hard copies of PoDs, sorted by various locations and customers. Once bills are printed according to the billing period — monthly, bi-monthly, or weekly — their hard copies are attached to the hard copies of the PoDs and sent either directly to the client or to the regional office, from where bills are sent to clients in person. Once a customer acknowledges that bills have been submitted, the acknowledgement is uploaded in the system.

(Note: Processes may slightly differ across companies)

## Soft copies make it simpler

For companies that are open to accepting soft copies, all PoDs are scanned at the delivery branch of the logistics company and uploaded on the central server. Say, if a Blue Dart or Gati delivers a consignment, it asks for a digital signature from the customer, on the iPad or mobile phone. The ePOD then gets synced with that particular shipment in the system. As a result, the logistics company can see the status of all the shipments of a customer, including those that are in transit or have been delivered. Most companies have set up customer portals on which they provide login access to clients. So, all these scanned copies are uploaded on the customer portal and can be downloaded by clients.

The soft copies of PoDs can be attached with the soft copies of the bill and e-mailed to customers.

Once a PoD is entered in the system, there is less confusion and less chance of billing errors. On the other hand, in the case of the hard copies, there is a chance that they could be misplaced by courier companies. Even if there is a mismatch in one of the documents, the customer can hold up the payment for entire 15 to 20 truckloads. "Say, you have delivered 1,000 shipments for a customer in a month and have 900 PoDs. You have to wait for the remaining 100 PoDs before you can submit your bills to the customer," says Sarkari of Gati.

The need for signatures is done away with in the case of e-PoDs because the customer's signature is taken on the mobile. That solves one of the issues that crop up in physical PoDs — that of signature mismatch. "With an e-PoD, we can tell the customer the latitude and longitude where it was signed. Checking electronic PoDs is also much simpler for customers because they can put crawlers on their system to trace the PoD instead of having people to do it," says Sarkari. Also since all documents are uploaded on the customer's portal, they can know the shipping cost for the month.

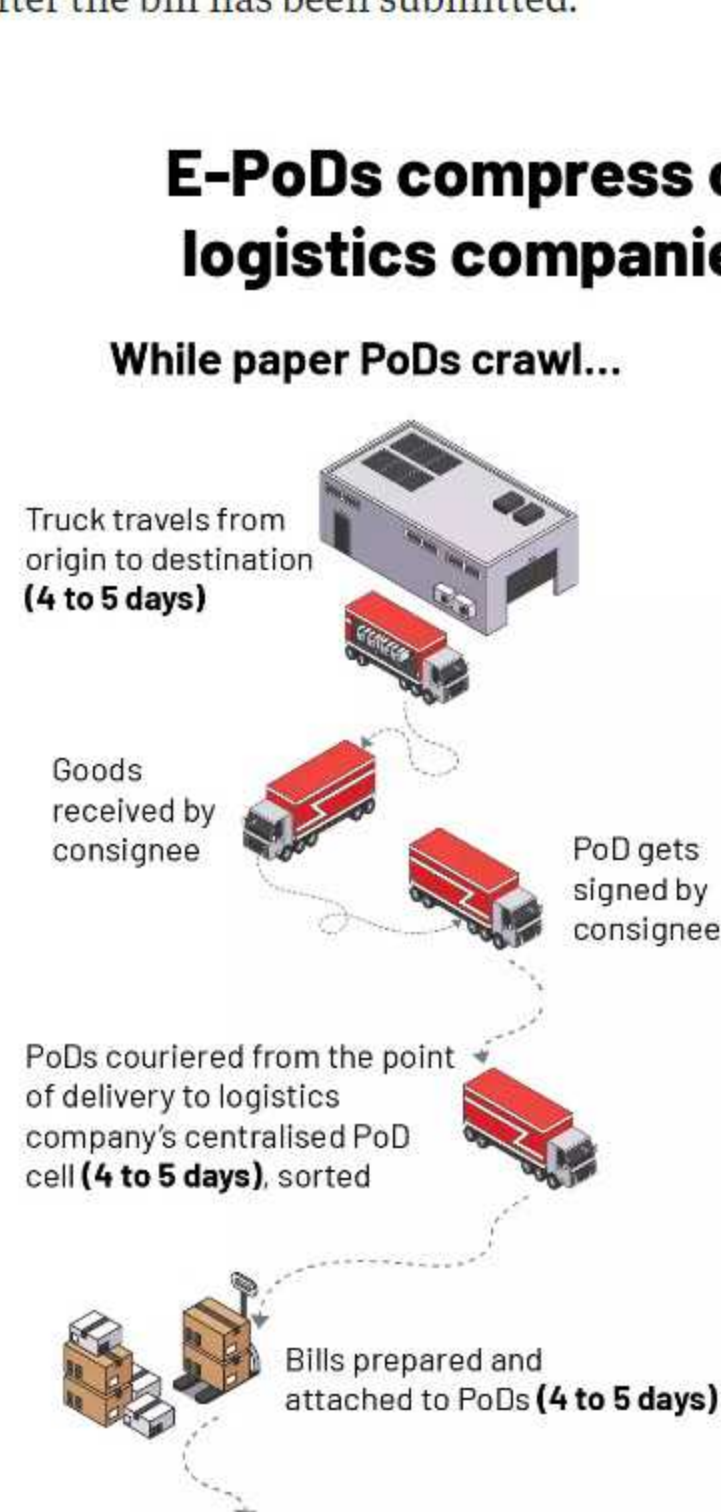
## How e-PODs are compressing long billing cycles

Delayed payments have haunted logistics companies for long. In certain services such as telecom, unpaid bills attract the threat of disconnection. Logistics is different. In logistics, every customer typically works with two or three service providers. So, if one company threatens it, a customer can transfer the business to other service providers. Besides, logistics payments do not figure high on the priority of clients. E-PoDs are changing this because the process of collection and dispatch of paper documents has been discontinued.

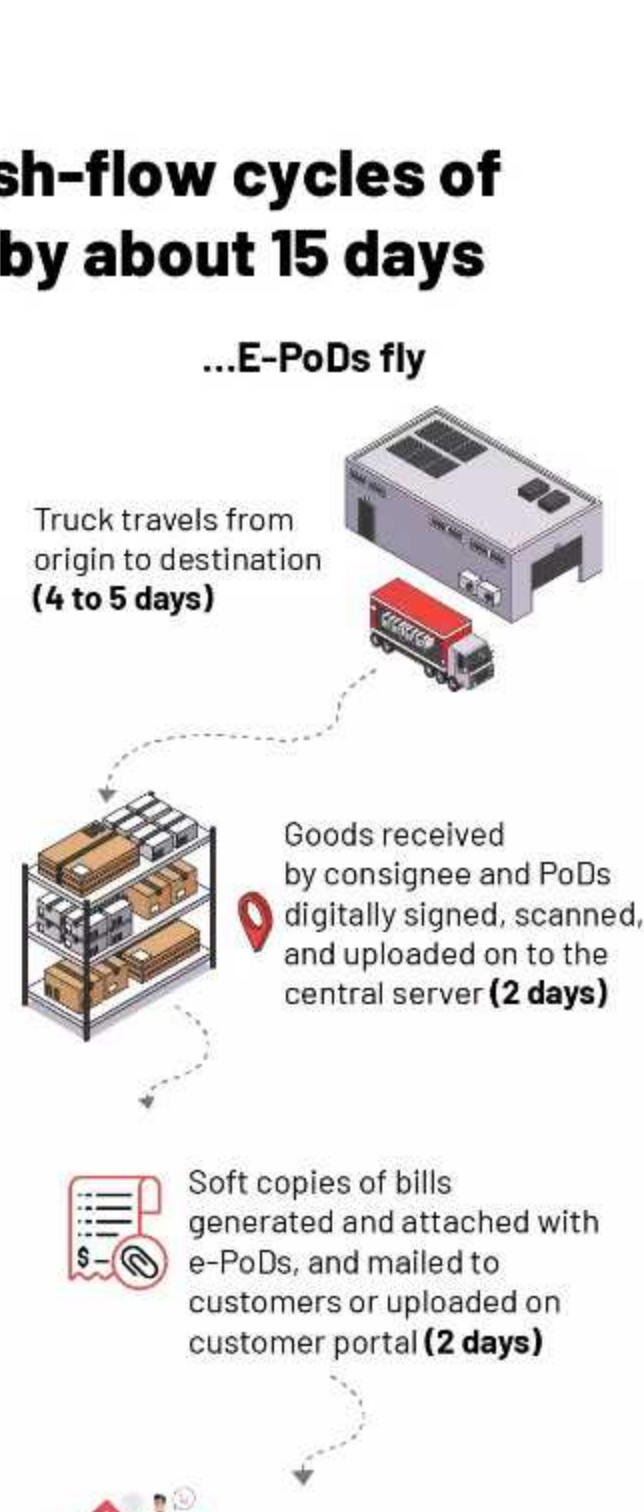
The overall billing cycle, from booking a shipment to submitting the bill to the customer, spans 25 to 30 days, depending on the efficiency of a logistics company. This includes four to five days of transit, four days for retrieval of PoDs, four to five days for bill preparation, and another four to five days for bill collection. E-PoDs cut the time taken for bill submission by a good 10 to 15 days. The submission cycle, or the time the customer takes to make the payment towards the bills raised starts after the bill has been submitted.

## E-PoDs compress cash-flow cycles of logistics companies by about 15 days

### While paper PoDs crawl...



### ...E-PoDs fly



Note: Logistics companies have to bear 80%-90% of the trip cost in advance (diesel, payment to market vehicles); consignees make payments in 45 to 60 days or more after receipt of bills. Source: ET Prime research

ETPrime



For the best-in-class service providers, the overall collection cycle ranges between 45 to 70 days. For smaller trucking companies, it can even stretch to 90 days or so.

## What's the status of adoption?

While large and mid-sized companies are adopting e-PoDs in a big way, multinationals with ESG commitments no longer insist on hard copies of PoDs. To push adoption further, some logistics service providers are mulling levying a surcharge if customers insist on hard copies. That's because logistics companies have to incur costs on maintaining a centralised e-PoD cell, and incur courier expenses for moving paper PoDs.

Many small companies avoid e-PoDs because at the end of the day, payments to logistics companies are accounts payable. So, they try to delay payments as long as they can. "This is a shortsighted view. The long-term view is to let players survive and let them give you the best service," says Vikas Pawar, an independent logistics consultant. That's because if a company faces a cash crunch and goes down, especially a small or medium trucking enterprise, a bigger company operating in that region would gain pricing power.

All said and done, while e-PODs and e-billing are compressing payment cycles, paper PoDs still flow to the head offices, just for the sake of record keeping. The reason is that a PoD is not just a billing item, it also helps in resolving disputes with clients. At least 4% of PoDs have some sort of comments from clients, such as 'items not received', 'package opened', and 'broken goods'. In such cases, the PoD helps decide whether a customer's claims are to be accepted or not.