

Business Process Functional Training Manual Creation and Standardisation

Abhijit T¹, Mridula Sahay²

¹*Amrita School of Business, Amrita Vishwa Vidyapeetham University, Coimbatore,
India,abhijit2700@gmail.com*

²*Amrita School of Business, Amrita Vishwa Vidyapeetham University, Coimbatore, India,
s_mridula@cb.amrita.edu*

ABSTRACT

Every company that deals with the container company has its own rate structure (mentions which charges are to be paid to the company and which will be handled by the company), so whenever any new recruit from company starts to handle rate structure, it becomes difficult for them. Also, there is no document available to refer to regarding the rate structure and steps involved in handling it. So there is a need to create a document which will help the new users to develop an overall understanding about rate structure. Rate structure is used in tender department for negotiating freight rates with customers. This process is a part of back office activities done in the container company. Rate structure is used to calculate All in rate for placing bids to the customers. The main objective of this paper is to create a document on rate structure and also to check the understanding by preparing a questionnaire

The procedure used to do this is to interact with all the users to get to know how they are handling the requests and then determine the best steps involved. After determining the optimised steps, mostly used rate structures have been identified. For this purpose, excel sheet is used. Optimised steps and most used rate structures have been used to prepare a document to explain the concept of rate structure. The questionnaire is made by referring to data provided by the company i.e. based on secondary research.

Keywords: Shipping, Supply chain, Back office operations, Tenders, Rate structure, All in rate

1. INTRODUCTION

The container company is a French container transportation and shipping company. It is the third largest container company in the world. It has 170 shipping routes between 400 ports in 150 different countries. The container company undertakes contracts from all the companies to transport goods from one place to another. They use rail, road and waterways for transportation, but their main mode for transportation is by ship.

Any contract which comes from the customer is transferred to back office from the front office. Front office is more like the group which is involved in maintaining relationship with the customer and acts as a single point of contact between customer and back office. In back office, there are many departments. These are imports, exports, tender, dangerous cargo, out of gauge goods etc. Tender team is associated with providing rates to the customer while imports team is responsible for handling all the operations related to the consignee who is the person

who is importing the goods. Exporting team handles the activities of the shipper who is exporting the goods to a specific location.

In tender team, there are 3 verticals, namely- automotive, FMCG and chemical. The users of each of the vertical have almost the same steps involved in handling the requests from customers. There are only minor differences in handling the customer requests. These users basically analyse the shipping instructions of the customers and determine the costs associated with it.

One of the most important terms used by the tender team is that of the freight rate structure. So when any customer approaches for the contract, the user has to go through the rate structure and determine which charges the customer wants to pay and which charges the customer does not want to pay to the company. After analysing this, they will calculate rates and send this data to the customer.

This paper focuses on creation of a standardised training manual. The operations carried out in the company are analysed. The operations related to three different departments have been determined- imports, exports, and tender with main focus on tender. The operations are mainly related to rate structure and computation of All in rate which is mainly used for quoting the prices while giving tenders. The process used to determine the steps involved in handling the rate structure is to interact with all the users and determine the steps they use and to find out the unwanted steps and then discuss with the managers of the tender team to take their inputs and layout the best steps which will reduce time taken in handling the rate structure and also will be easy to understand.

This paper can help in creating a basic understanding of the operations done in back office to the new recruits. The recruits will not be having any idea of the various rate structures in use and what is to be done when any customer sends them a request for the tender. So it is crucial for them to have idea about these topics, so that they can build on the basics while they are working. Without basic idea on this topic, it is very difficult for new recruits. Also, every company has its own rate structure, so it becomes very difficult for these recruits to handle various companies and may lead to hindrance in their proper functioning. So, main idea is to create a foundation for them using this document.

Next point is to test their understanding after they go through the document. To do this a questionnaire has been created. This questionnaire consists of all the basic questions which if answered by them will show that they have basic understanding of the rate structure and computation of All in rate.

2. LITERATURE REVIEW

Davenport and short (1990) suggests that the organisations which have used IT to redesign the way they operate have benefitted enormously. Over the years, many customers have reverted to shipping for transporting large quantities of goods from other modes. The main thing which cargo companies are looking into is maximising the revenue and minimizing the costs of operation. Brouer (2014) has suggested that implementation of logistics planning tools based on operations research has enhanced the performance. Another researcher Lu and Yan (2015) suggested that this shift from other modes of transport is happening because road transportation causes environmental problems. Although, customers are preferring shipping over other modes, inland transport will be a part of shipping as there are places where a vessel cannot go. Back office operations play a very important role in shipping. Rosario (2000) says that Interaction with customers, suppliers and employees has become very important and supporting back office operations are required to provide new and innovative ways to go to market, reach new audiences and collaborate with their supply chain. One of the main operations carried out in back office is tender. Shipping companies should go in for bids only

after going through instructions to the bidders, scope of work, tender requirements, price guideline, and duration of project, technical plans, and profile (Wei, 2006). It is mentioned in Return of the tender offer that various regulations which are present in the market are becoming hurdles for tenders and causing the process to extend for larger time periods than required. Many guidelines have to be followed by shipping companies before tender process is completed. This is causing delays in shipping. Heaver (1973) says that actions of the shipper organisations can be important determinants of the rate structure. While shipping is done, one of the most important things which bother the companies is the mode choice and shipment size. According to Abdelwahab (1990), these 2 factors are interdependent and they also depend on commodity attributes. Freight rate is the most important factor which determines whether the customer will give the contract or not. Alizadeh (2011) says that vessel deadweight, age and voyage routes are important determinants of shipping freight rates. Form the traditional ways of providing information to customers, everything is shifting to online format. Customers can determine the rates they are going to be charged by entering the fields on the websites of the shipping companies. Lewis et al. (2006) suggests that companies are adding accurate real-time comparative shipping rates to their web site based on their business rules and shipping preferences which will give them a competitive advantage and increase customer loyalty and satisfaction.

The trend is changing in the shipping industry and people are shifting to online transactions and results show that consumers are very sensitive to rates and this could be the make or break factor (Koukova, 2012). So the rates which are given to the companies should be competitive. These rates should be provided only after analysing all the factors given to them by the customers. Meeting customer requirements is very important to acquire the tender. So the users who are working in the tender department must be having complete idea of the process and any mistake from their side will be a big loss to the company. So this paper focuses on preparing giving the stepwise procedure to the users for carrying out error free work.

3. METHODOLOGY

The three objectives of this paper are satisfied by employing the following steps. For determining the most used rate structures amongst all the ones in use, excel sheet is used. All data from tender department regarding all the companies from three verticals is taken and are noted down in an excel sheet. To determine how the users are using rate structure and calculating All in rate, one to one interaction with all the users is done. Steps followed by each user are noted down. Next, interaction with managers is done to understand their viewpoint and take their inputs. For preparation of the questionnaire, data provided from the company has been used. Documents which are in use in company have been used for understanding the various requirements the user needs to have before handling the requests.

4. RATE STRUCTURE

- The price paid to a ship owner for the transportation of goods or merchandise by sea from one specific port to another is called freight rate
- The word "freight" is also used to denote goods, which are in the process of being transported from one place to another. The cost to transport supplies, materials, or equipment via a commercial carrier; also may include packing, crating, and handling
- The way in which the customer wants these freight rates to be depicted and to be charged by the carrier while making the offer is called rate structure

- Every company has its own rate structure because a company may want to pay some charges directly and some charges to the liner. So every company has their own requirements

Examples of rate structure:

Example 1: Port to Door (All-in rate subject to OTHC, BAF, CAF & IMO)

Port to Port (All-in rate subject to THC both ends, BAF, CAF & IMO)

Door to Port (All-in rate subject to DTHC, BAF, CAF & IMO)

Door to Door (All-in rate subject to BAF, CAF & IMO)

Example 2: Port to Door (All-in rate subject to pre carriage, inclusive of OTHC, DTHC, on carriage, BAF, IMO)

Port to Port (All-in rate subject to pre carriage, DTHC, on carriage, inclusive of OTHC, BAF, IMO)

Door to Port (All-in rate subject to DTHC, on carriage, inclusive of pre carriage, OTHC, BAF, IMO)

Door to Door (All-in rate inclusive of pre carriage, OTHC, DTHC, on carriage, BAF, IMO)

In example 1, for port to door case, it is given that All in rate is calculated excluding OTHC, BAF, CAF and IMO. All the other terms are included in calculation except for these terms. So All in rate will include BOF, on carriage, DTHC. If the customer asks for these rates also, they will be mentioned separately. Depending on the customer requirement, calculations are done.

5. ANALYSIS & DISCUSSION

One to one interaction with all the users from all the three verticals in tender department is done to determine how they handle the requests. Every user handles the requests in his/her own way. So there is a need to understand the operations carried out by them in sequential order. After understanding the steps involved in handling the request, interaction with all the managers of the three verticals is done to get their feedback and, unwanted steps and repetitive steps have been eliminated to refine the procedure of handling the requests. After determining the steps involved in handling the rate structure, the most used rate structures is determined to help understand the concept of rate structure for the new recruits. There are about 100 rate structures available in the company but only a few of them had to be selected to explain. So the most used rate structures have been selected. For this, all the rate structures have been

analysed in excel sheet. The rate structures with similarities between them have been grouped in to one. By doing so, the most used ones were determined and as a result the rate structure concept could be explained to the new recruits with minimum examples but they could get an understanding of all the rate structures in the market because these represent the maximum amount of the rate structures available. After doing analysis, these results have been found:

Service	Rate structure
Port to Door	All in rate subject to Pre carriage & OTHC
Port to Port	All in rate subject to THC at both ends, Pre Carriage & On carriage
Door to Port	All in rate subject DTTC & On carriage
Door to Door	All in rate

- 1) This rate structure is used by almost 20% of the global customer accounts
- 2) This rate structure is used by almost 20% of the global customer accounts

There are basically three things which are needed to be analyzed regarding the operations related to All in rate calculation:

- i. Customer Rate structure
- ii. Working File of the company
- iii. Customer excel sheet

Working file is the document where the users in the tender team will be updating all the details about shipping like shipping route, port of loading, port of discharge, charges involved and all other details related to the customer. All the data from working file is copied into customer excel sheet. This is the document which is shared with the customer, all rate are converted into the format in which the customer wants are and shared with them.

5.2 Suggested steps in handling the rate structure

There are different rounds of negotiation happening between the customer and the company, the steps which need to be followed in the round 1 and round 2 are mentioned and the difference in the steps is also mentioned.

Round 1

- Customer will be sending a document to tender team. All details about the tender can be determined by going through these documents which have to be downloaded from either the platform or e mail. Then the user has to go through all these documents first

- There are two things which are to be observed. One is the customer rate structure and the other is customer excel sheet
- Once the user goes through these documents, any doubts or clarifications to be sort out are to be noted down
- These doubts should be asked in the synopsis sent to HO and also in the kick off meeting held between customer, tender team and HO
- Then the HO will send Customer Identity Sheet (CIS) to tender team with detailed information about customer requirements
- CIS contains information about the tender like contacts, customer information, rate structure, surcharges specificities etc.
- The rate structure mentioned in the CIS and the document downloaded from mail is the same
- Then the user has to go through the CIS to clear any doubts regarding the tender
- Based on this data, user will fill the details in the working file of the company and send it to the pricer
- All columns must be filled except quotation details columns
- In round 1, rate structure is not shared with pricer so that all the freights can be obtained irrespective of whether the customer wants it or not
- The pricer will enter all the details and send the file back
- After going through the excel sheet, identify the rates which customer wants to be mentioned separately in excel sheet. These rates should not be included in the All in rate. Rest of charges based on the rate structure of the respective lane should be added into the All in rate
- Then All in rate is calculated for each lane and updated in the working file
- After calculating All in rates for all the lanes in working file, they have to be copied into the customer excel sheet. This is called reverse formatting
- Then file is sent to the customer
- Customer will revert back with the targets for round 2

Round 2

- Once customer responds for round 1 offer, user has to update the working file and add new columns according to requirement. All in rate which is calculated for round 1 was based on the customer excel sheet i.e. Those rates which were available in the excel sheet were not added into the All in rate. But before sending the file to pricer for updating values for round 2, All in rate has to be calculated based on customer rate structure only and ignore the excel sheet requirements. This is done because the target is provided by customer based on rate structure only
- In round 2, rate structure is shared with pricers
- Then the pricers will update new rates in the working file after comparing with the target and round 1 All in rate and send the file back
- Then user will have to calculate All in rate 2 times. One is for copying the value in excel sheet for round 2 and other is used for comparing how close this value is to the target
- After this, user will have to copy the values into customer sheet and send it to the customer

This process will continue till all the rounds of negotiation are done. These steps will have to be followed in all the rounds

For example

Rate structure from customer:

Port to Door (FIGO)

Port to Port (FIFO)

Door to Port (GIFO)

Door to Door (GIGO)

Working File:

Service	Pre carriage	OTHC	BOF	BAF	CAF	IMO	DTHC	On carriage	All in rate
PD	200	200	600	200	200	200	200	200	1200
PP	200	200	600	200	200	200	200	200	1000
DP	200	200	600	200	200	200	200	200	1200
DD	200	200	600	200	200	200	200	200	1200

Customer Excel Sheet:

Service	Pre carriage	OTHC	Base rate	IMO	DTHC
PD			1200	200	200
PP			1000	200	
DP	200		1200	200	
DD	200	200	1200	200	200

Round 1 working file and customer excel sheet All in rates comparison:

Service	All in rate based on rate structure (i)	All in rate based on rate structure (ii)	Target
PD	1600	1200	1400
PP	1200	1000	1100
DP	1600	1200	1500

DD	2000	1200	1800
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Note:

- i. This rate is for pricers to compare with the target
- ii. This rate is for copying into customer excel sheet

6. CONCLUSION

After going through all the operations carried out in the back office of the company and understanding the terms involved in the shipping industry, a training manual was created for making it easy for the new users to understand these terms and create a basic foundation of the rate structure. The main aim was to create a manual which is very simple and very easily understandable by all the users. This document will give only an overview of all the operations carried out. This can help the new recruits to develop a basic idea based on which they can increase their command on the topic.

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