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Transportation Charge Management in SAP S/4HANA[®]

- ▶ Charge Management master data
- ▶ Strategic freight selling
- ▶ Strategic freight procurement
- ▶ Settings and configuration

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1 Introduction to Charge Management

The Charge Management module deals with contracts with external and internal parties such as customers, carriers, and freight forwarders. It accurately calculates charges on execution documents, enabling you to follow up and pay your carriers, bill your customers, and do internal posting.

Before we go into the details of Charge Management and how it is set up, we would like to introduce you to the business processes in which the charges are calculated. In transportation management, charges are typically calculated via three main business processes: freight settlement, forwarding settlement and internal settlement.

1.1 Freight settlement

The freight settlement process involves settlement for transportation service providers (freight forwarders); i. e., how you pay your carriers for the transportation service offered by them.

In the following sections, we discuss how agreements need to be negotiated using the strategic freight procurement process, how they should be set up, and the different information that needs to be included in the agreement.

Figure 1.1 shows the process flow for a freight settlement scenario. Once the freight order execution has been completed, charge calculation is performed on the freight order (or freight booking document), which tells the organization the amount they need to pay the carrier. Note that it is a requirement to have a contract set up in the system between the carrier and purchasing organization. Once the charge calculation is carried out, a freight settlement document is created to book this amount in the finance system in the form of a service purchase order and service entry sheet. The invoice received from the carrier is matched against this service purchase order/service entry sheet.

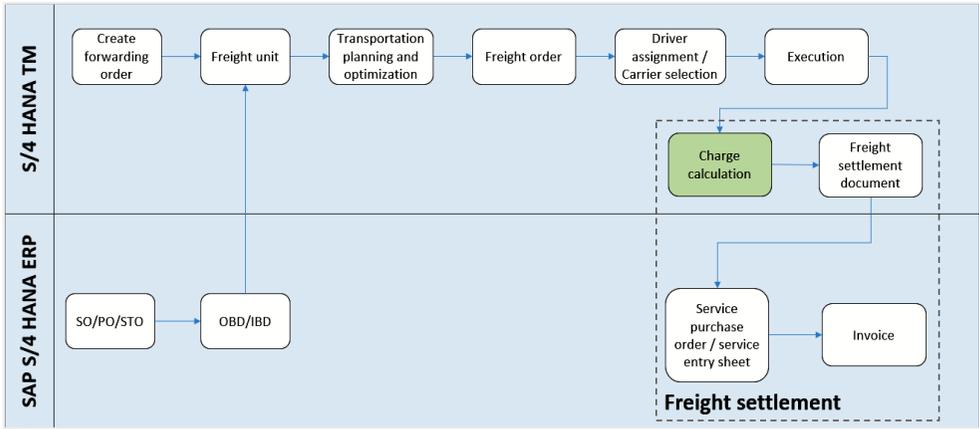


Figure 1.1: Freight settlement process flow

Is this scenario for a shipper or a freight forwarder?

The freight settlement scenario is applicable for both shippers and freight forwarders because they both typically hire third parties for transportation services.

1.2 Forwarding settlement

The forwarding settlement process is used in the freight forwarding scenario to bill the customer. The forwarding settlement process integrates with the ERP Sales and Distribution process in order to handle the billing process.

The main parties involved in the forwarding settlement scenario are the sales organization and customer (sold-to party).

The forwarding settlement process can begin much earlier in the flow, starting with a customer request for a quotation and your organization’s response in forwarding that quotation using generic agreements. In other scenarios, where the customer is a regular customer, you might have a long-term contract/forwarding agreement and the strategic freight selling process can be used to create the agreement.

Once the order has been placed by the customer and the load has been executed, you can calculate the charges on the forwarding order. The charges calculated on the forwarding order are the customer's liability and can be billed to the customer by creating a forwarding settlement document. This is posted on the sales and distribution side in the form of an SD (Sales and Distribution) billing document. Figure 1.2 shows the detailed process flow.

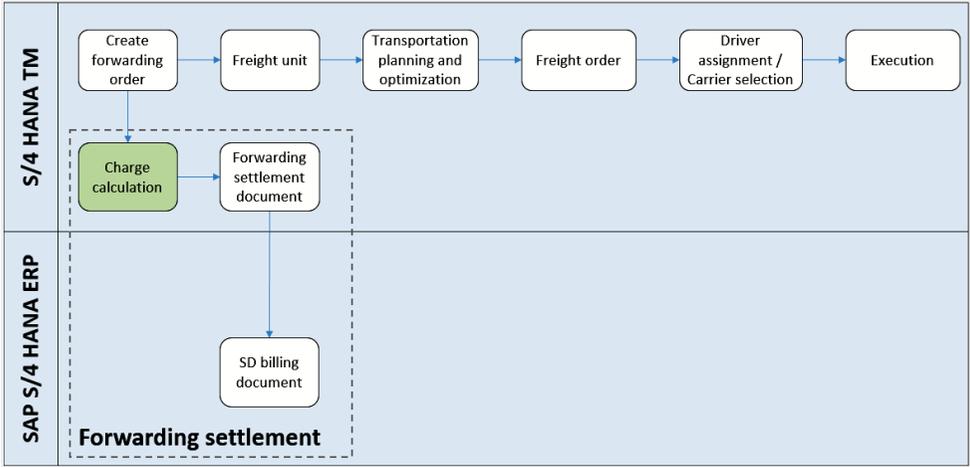


Figure 1.2: Forwarding settlement process flow

1.3 Internal settlement

An internal settlement process is between organizations within the same company. Again, internal settlement is common in the freight forwarding business where multiple locations/organizations are involved in the movement of goods. Two types of internal settlement are possible in SAP Transportation Management: internal settlement at forwarding order level and resource-based internal settlement at freight order level.

1.3.1 Internal settlement on forwarding order

In a typical LCL (Less than Container Load) scenario, the logistics service provider's (LSP's) business units take orders from customers, but gateway consolidation centers consolidate shipments from various business units and create consolidated bookings with the ocean carrier.

Depending on whether the business unit and the gateway consolidation center belong to the same company or different companies, the system creates either an intra-company internal settlement, or an inter-company internal settlement. Figure 1.3 shows how a simple process flow looks at the document level.

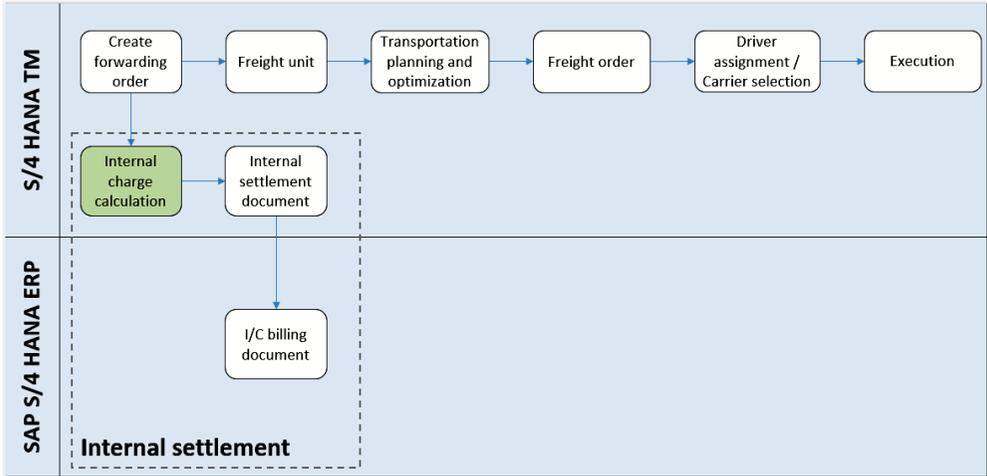


Figure 1.3: Internal settlement on forwarding order

An internal charge calculation is typically performed on the forwarding order after the execution has been completed. In later chapters we will look in more detail at how to set up the internal agreement, the parties involved, and how to use some advanced features such as cost pull to calculate internal charges. Once the internal charges are calculated, an internal settlement document is created and posted into an inter/intra company billing document. The standard functionalities of the sales and distribution module are used to handle inter/intra company billing.

1.3.2 Resource-based internal settlement

This scenario is common for logistics service providers, where resources such as trailers and tractors could be owned by different organizations than the organization using them for execution. These providers might need to do an internal settlement to recover costs.

In this scenario, the parties involved are the purchasing organization executing the freight order and the sales organization responsible for the re-

source. Figure 1.4 shows the process flow for resource-based internal settlement. The internal charge calculation is performed on the freight order document and once completed, an internal settlement document is created and posted into internal orders in ERP. Note that having an agreement between the two organizations is a pre-requisite and this will be covered in detail in later chapters.

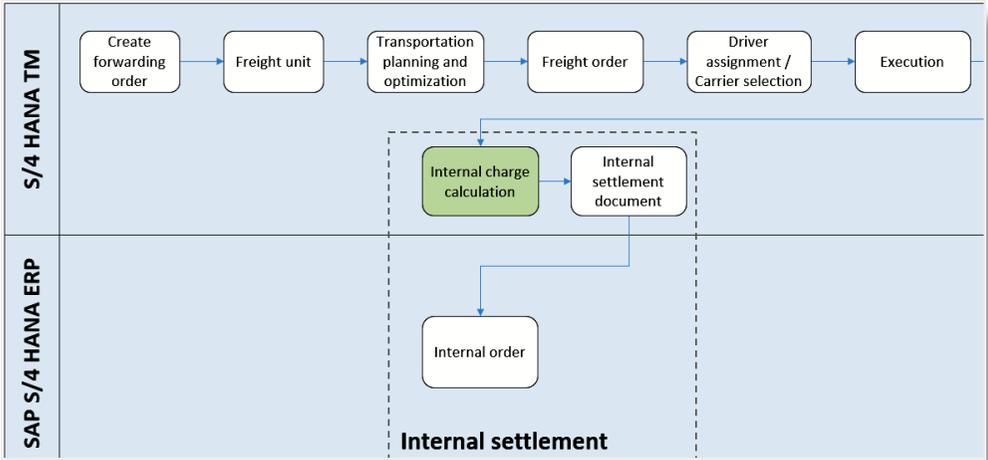


Figure 1.4: Resource-based internal settlement

1.4 Summary

Although the three different settlement processes discussed above might look like they are separate, it is possible to have all three scenarios—freight settlement, forwarding settlement and internal settlement—integrated into a single scenario.

As an example, Figure 1.5 shows a typical multi-model international shipment, involving multiple companies and multiple settlement types. Based on the incoterm FOB (Free on Board), pre-carriage is paid for by the shipper in Düsseldorf, and the main-carriage and on-carriage charges are paid for by the consignee in Philadelphia. Düsseldorf is set up as the prepaid agreement party and the Philadelphia business unit is set up as the collect agreement party in the forwarding order. Note also that there is freight settlement for pre-carriage, main carriage and on-carriage, as well as an internal settlement between Amsterdam and Düsseldorf.

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