The Ultimate Guide

New Ways to Manage Transportation Spend that Drive Working Capital Growth

Introduction

Payment terms for transportation services are shifting fast, stretching from 30 days to as long as 120. Although longer terms may help shippers preserve capital, they can leave carriers struggling to cover fuel, payroll, and maintenance with limited liquidity.

Today's freight market is feeling pressure on both ends, with lengthening payment terms and rising costs making it increasingly difficult to manage working capital cash flow. Carriers—especially mid-sized companies with limited access to credit—are feeling the strain.

In response, forward-thinking leaders are turning to smarter payment practices, stronger partnerships, and innovative tools designed to help their carriers close the cash flow gap.

Today's economic pressures are testing your working capital like never before, but smart strategies can help you come out ahead. Here's how.

Cass Information Systems, Inc.

The Cost of Delayed Payments on Carrier Cash Flow

When payment terms stretch, operational risk increases for carriers. Extended payment timelines place significant pressure on carriers already operating on razor-thin margins. According to the American Transportation Research Institute (ATRI), average operating margins fell below 2 percent across nearly every sector, with the truckload sector reporting a 2.3 percent drop, making cash flow disruptions especially acute.

As carriers absorb more financial risk, many are forced to reduce capacity, delay maintenance, or raise rates. Shippers also feel the effects, facing longer lead times, fewer service options, and added supply chain uncertainty.

Together, these pressures ripple through the supply chain, putting pressure on carriers and the shippers who rely on them.

How Term Extensions Strain Cash Flow

Extended payment terms mean carriers must cover expenses upfront without timely cash. With less liquidity, even routine business decisions such as scheduling repairs or hiring drivers become more difficult.

Although this is a constant challenge across the industry, it's especially risky during peak shipping seasons. For shippers, pushing payment terms may seem like a smart capital strategy, but it can trigger downstream issues, including delayed deliveries and strained relationships.

Why Mid-Tier Carriers Are Feeling the Pinch

Mid-sized carriers often lack access to low-cost credit or financing, making them more vulnerable to delayed payments.

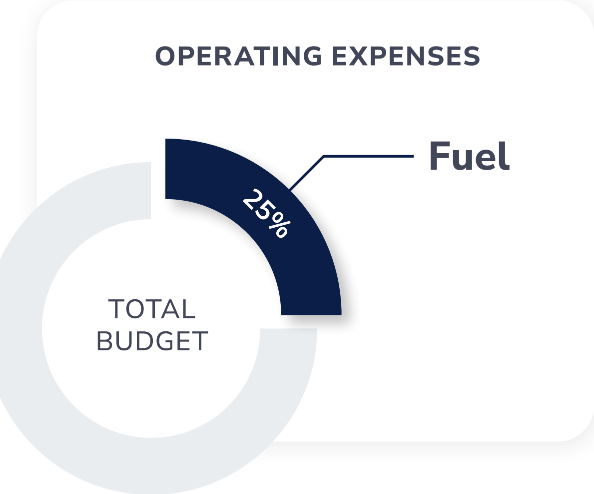
Many turn to factoring to stay afloat, but that quick access comes at a premium—one they can't always afford in a market of rising fuel prices and wage pressures. Tariff shifts add uncertainty to the market, creating fluctuating market prices that can either pressure or strengthen already thin margins.

When mid-tier carriers are forced to scale back or exit key routes, it limits capacity for shippers and adds new risks to supply chain continuity.

Economic Pressures on Working Capital

Ongoing economic fluctuations are forcing carriers to operate with less predictability.

Fuel Prices, Tariffs, and Inflation Are Real Risks to Cash Flow



Fuel costs now account for roughly 25 percent of a motor carrier's operating expenses. Even modest price spikes can cause a significant hit to cash flow, and inflation has only added to the challenge.

Tariffs add another layer of unpredictability. Often driven by politics and policy changes, tariff news can upend months of planning. Even the possibility of a new tariff can cause unexpected swings in shipping volumes—such as sudden surges followed by sharp declines—which create challenges carriers prefer to avoid.

As a result, carriers are forced to operate day by day and react to decisions outside their control, contributing to a high rate of market exits. ITS Logistics reported that more than 7,400 trucking businesses left the market in April alone—a 26 percent increase from March and the highest in a year.

Payment Terms and Working Capital Impact

As shippers extend their days payable outstanding (DPO) to preserve working capital cash flow, they risk destabilizing carriers whose days sales outstanding (DSO) are climbing in the other direction. The longer carriers wait to get paid, the harder it becomes to fund operations, take on new loads, or respond to surges in demand.

This imbalance affects the supply chain as a whole, raising the risks of delays, capacity issues, and service breakdowns.

Balancing DPO for your transportation spend with DSO for your transportation providers is critical to keeping freight networks responsive, resilient, and efficient.

Tools to Strengthen Carrier Cash Flow

Solutions such as traditional credit options and emerging tech are helping trucking companies manage liquidity.

Working Capital Financing Options

There are a few ways carriers can manage ongoing working capital cash flow struggles, but each has its tradeoffs:

- **Lines of credit:** A go-to option for many carriers, credit lines provide quick access to cash. However, they can impact financial ratios and may not scale with demand surges.
- **Factoring:** This approach unlocks immediate funds by selling invoices, but it comes with high fees that erode margins, especially for carriers who are already stretched thin.
- **Early payment programs (EPPs):** EPPs give carriers faster access to funds through third-party providers that advance payments on the shipper's behalf—without changing standard terms.

Among these options, EPPs are gaining traction as a sustainable, low-risk solution. As supply chains become more interdependent, these programs are proving to be a win-win, helping carriers maintain liquidity, strengthen vendor relationships, and reduce the risk of disruption.

This trend is mirrored in the broader freight and audit payment market, which is projected to nearly double—from $0.97 billion in 2025 to $1.89 billion by 2030, growing at a compound annual growth rate (CAGR) of 14.2 percent.

Supporting this shift, solutions such as Amplify by Cass® are proving to be key tools to bridge the gap between carriers and shippers. By improving cash flow visibility and payment flexibility, they help stabilize operations on both sides.

Fintech and FreightTech Are Changing the Game

Today's platforms go beyond billing and invoicing to provide carriers with real-time cash flow data and faster access to funds.

Here's what's driving the change:

Load boards with instant pay capabilities offer smaller carriers near-immediate payments after load completion.

FreightTech platforms now include cash flow dashboards, predictive analytics, and auto-generated invoicing—speeding up the quote-to-cash cycle.

Third-party freight payment providers offer shippers and carriers a clearer view of receivables and payables, improving forecasting and reducing uncertainty.

"Payments in advance of funding" is quickly becoming the next frontier, allowing carriers to get paid before funds are fully settled with the shipper. It's a promising way for transportation providers to maintain operations during market volatility and strengthen supply chain resilience.

The Power of Visibility and Communication

Clear, timely information flow is essential to prevent payment delays and resolve issues before they escalate.

- **Real-Time Data Is a Necessity**
  Delayed communication often means delayed payments. With tighter margins for carriers and longer payment cycles for shippers, all parties need instant access to invoice status, transaction history, and rate details to keep freight moving efficiently.

  For shippers, sharing rate confirmations promptly can help carriers invoice accurately and on time. For carriers, having access to invoice status or discrepancy alerts can prevent missed payments and disputes.

"If the carriers have visibility, the two can communicate and resolve conflict quickly."

— Jeff Carlson, VP, Cass Information Systems

Navigating Risk in Logistics

Rising equipment costs and shifting trade dynamics are prompting logistics partners to get more strategic about where—and how—they deploy capital.

What Smart Shippers and Carriers Are Doing Right Now

Since 2018, the cost to finance transportation equipment has risen sharply. Equipment leases alone have seen rates climb from 30 percent to 35 percent. This presents a tough challenge, especially for mid-sized carriers.

As a result, both sides of the transportation industry are adapting to protect margins, manage volatility, and keep operations moving.

Shippers are:

- Prioritizing partnerships with financially stable carriers to reduce disruption risk.
- Offering more flexible payment terms—like early payments or negotiated extensions—to preserve critical vendor relationships.
- Adjusting sourcing and payment strategies by diversifying suppliers and renegotiating payment schedules in response to shifting tariffs, particularly when working with global suppliers.

Carriers are:

- Working with trusted partners like Cass to create more predictable cash flow and reduce financial uncertainty.
- Using automation and FreightTech solutions to minimize processing delays and shorten the quote-to-cash cycle.
- Staying flexible in response to shipper needs—rerouting, adjusting fuel surcharges, or renegotiating contracts when tariffs shift.

Emerging Trends in Transportation Working Capital

Working capital management is increasingly relying on proactive insight and adaptive solutions today—a trend that will continue.

The Future Outlook

Term extensions will likely persist as buyers look for ways to preserve cash, but that's only part of the bigger picture.

Here are emerging factors to watch:

- **Fintech integrations across freight platforms,** including real-time payment authorization and instant pay options, will become more common.
- There will be **increased adoption of tools that forecast, model, and simulate** the impact of tariffs and rate shifts on working capital.
- **Tariff unpredictability** will keep driving interest in predictive modeling and on-the-spot financial visibility.

Helping Carriers Navigate Working Capital Challenges

Disruption isn't going away. Carriers and shippers that build financial agility into their operations will be better positioned to navigate what's next.

That means:

- **Prioritizing flexibility** in payment terms, contracts, and capital planning.
- **Partnering with freight payment providers and financial services organizations** that offer visibility, support, and scalable solutions.
- **Investing in freight payment platforms and early payment programs** that help accelerate cash flow and reduce bottlenecks.

Put Shipper Cash Flow at the Center of Your Strategy

Working capital cash flow is a strategic lever and an essential element of supply chain success.

Maintaining real-time insight, building strong financial partnerships, and exploring more adaptive payment models are your best tools for minimizing supply chain disruption. Being a reliable partner helps keep your freight moving and your operations resilient.

Explore how Cass Freight Audit and Payment and Cass Carrier solutions drive better payment visibility and financial resilience in transportation.

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