SCHNEIDER TRANSPORTATION MANAGEMENT OPTIMIZES PACKAGING MANUFACTURER'S SPOT FREIGHT WITH INDEX PRICING MODEL

FREIGHT FORECASTING FOR REAL-TIME ORDERS CREATES A CHALLENGE

Like most things in life, supply chains are easier to manage when they're predictable. Of course, supply chain predictability is not always possible — and it certainly is not the reality for one packaging manufacturer, whose low-volume freight involves irregular, last-minute shipments and short lead times. Freight turnaround is fast and often coupled with high service requirements, such as special equipment to move loads.

On top of that, the manufacturer does not have a transportation management system to provide historical trending data, which makes forecasting difficult when paired with the inconsistent nature of its freight. As a result, securing contracted shipping rates is a challenge.

WHEN A FREIGHT BID GOES BAD

The manufacturer conducted a bid to ensure its freight was covered at consistent prices. It used a third party to run the shipping bid, but when it came time to award the freight, the manufacturer learned the data used in the bid was incomplete. Without the critical lane and load information needed, the third party was not able to provide key details, such as accurate lane volumes and special lane requirements. The lack of details meant the manufacturer couldn't move forward with contracting its freight.

TEMPORARY SUCCESS IN THE SPOT MARKET

When the bid attempt failed, the manufacturer was forced to enter the spot market. While prices were initially higher in the spot market, they eventually saw savings when shipping rates dipped below contracted rates. The turn to favorable spot rates, coupled with data suggesting rates would continue to decrease, solidified the manufacturer's decision to operate about 50 percent of its freight in the spot market. The manufacturer used four freight brokers to move loads given the competitiveness of shipping rates and availability.

While spot market prices have been favorable for the manufacturer, the time and resources required to move its freight in the spot market made the strategy inefficient. Constantly reaching out to different brokers for spot freight quotes was time-consuming, requiring a large team to manage the process. When a lane was either not loaded into a provider's system with a rate, or a provider with the rate couldn't service the load on a given day, the tendering contracts were sent back out to the spot market for new shipping quotes. Employees would wait for all the transportation providers to reply with their freight quotes, eventually setting up the load with the provider issuing the lowest cost.

Rates in the spot market were more favorable than trying to reissue a bid, but the time lost managing the spot freight was significant. When factoring in the administration time spent coordinating with the freight brokers, the manufacturer wasn't sure if it was netting the cost savings that the spot market could offer.

APPLYING A NEW PRICING STRATEGY TO INCONSISTENT SPOT MARKET FREIGHT

Schneider Transportation Management brokered about 50 percent of the manufacturer's spot freight. After accruing enough information on the freight, Schneider recommended its market index pricing as a solution to the manufacturer's inefficient spot market strategy. This model provides a price index based on a third party index, like DAT and factors in unique freight characteristics to provide competitive, real-time pricing – designed to deliver a better purchasing experience.

THE MARKET INDEX PRICING APPROACH FOR SPOT MARKET FREIGHT IS IDEAL FOR:
✓ Inconsistent, low-volume lanes that are traditionally hard to contract and serve
✓ Lanes that see 100 loads or less annually

The manufacturer saw the potential for big benefits with Schneider's market index pricing given the large amount of freight it moved through the spot market, and its freight was an excellent fit for the solution. With an opportunity for true savings in sight, the manufacturer was ready to try a new buying experience for covering its freight.

MASTERING LOW VOLUME SPOT MARKET FREIGHT WITH MARKET INDEX PRICING

With market index pricing, the manufacturer tenders 100 percent of its available loads to Schneider Transportation Management, receiving 100 percent acceptance on freight awarded. This translates into a more efficient and reliable purchasing experience with a single broker. Depending on the demand, Schneider services upwards of 50 loads per day across over 250 lanes. Schneider Transportation Management is nimble and able to coordinate as many loads as requested.

The manufacturer was able to adjust its purchasing experience through market index pricing, and has seen an average of $70,000 in savings/month since moving to Schneider's index-based solution.

After only one month in use, the manufacturer was able to redeploy employees who had been managing spot market freight to other critical areas within the business. Market index pricing provides the manufacturer with clear insight into the cost of each load being moved, given the amount of freight moving through the spot market. Plus, using only one broker has streamlined freight management.

The spot market turned out to be the right place for this packaging manufacturer's freight, and it was further optimized through Schneider Transportation Management's market index pricing. While the manufacturer's freight may be inconsistent, the one thing it can consistently count on is that its freight is in good hands.

$70,000
SAVINGS
PER MONTH

Interested in how market index pricing can benefit your low-volume freight? Contact Solutions@Schneider.com