

Schneider White Paper

OPERATIONAL EXCELLENCE WHEN RUNNING A NETWORK BID





There is no doubt that 2018 was a tough one for supply chain leaders – many shippers are still left feeling its bumps and bruises. Schneider Logistics is an excellent resource to help reset rates through a competitive network bid.

Over the last decade, transportation procurement has evolved into a cyclical process where standard services are normally purchased every 12-18 months within a network bid while more specialized services or strategic relationships may be tendered every 24-36 months. In 2018, transportation service providers were caught with rapidly increasing costs and a difficult market to secure drivers. This resulted in numerous outside cycle rate increases and a challenging fiscal year for many North American shippers. Despite these challenges, Schneider Logistics executed over 75 procurement events valued at over \$2B in total freight spend and beat leading market indicators in excess of 7%. Schneider Logistics is an excellent resource at helping shippers reset their network and recapturing lost savings through our proprietary competitive procurement process.

Network bid strategy considerations for shippers:**Market conditions (spot vs. contract)**

When evaluating bid strategy, shippers should consider how conditions are changing, both in spot and contract rates. Spot rates adjust more quickly to changing conditions, and rate increases and decreases are first evident in this arena.

Contract rates follow spot trends, but tend to lag spot market shifts. In 2018, rising costs were the biggest challenge for many shippers. The spot market saw premiums in excess of 40%. Contract rates also increased but followed behind the spot market.

The value triangle

Striking balance as depicted in Schneider Logistics' Value Triangle is critical for success. From a carrier's perspective, this means building density for an efficient trailer pool and minimizing delays to keep drivers moving. It also means following through on awards and commitments to support the carrier's ability to plan and forecast.

A shipper also needs to deliver against a transportation budget, so understanding market conditions and knowing how to adjust its procurement strategy during changing markets is key. They need procurement software that allows them to optimize their network through each event often comparing competing scenarios in real-time. Leading technology with a standardized process coupled with procurement experts with over eighty years of experience across multiple industry verticals ensures your procurement strategy moves from a reactive posture to one that leads the market.

Maintaining density with core carriers will generate consistency and elevate performance. Additionally, choosing providers that provide timely, complete tracking information will also improve customer experience.

The Value Triangle reminds shippers that becoming and remaining a shipper of choice is critical to their success. Carriers need visibility to the shipper's lanes and volumes, shipping/receiving hours, days of operation, requirements such as pre-load, live load, drop, live unload, temperature controlled, driver requirements, multi-stop, and commodities.



Market conditions (spot vs. contract), cont.

In 2019, DAT demonstrates a decrease in spot rates relative to a tough first quarter comparison in 2018. How does this impact shippers? Utilizing the data from the needs assessment on lanes, volumes and any seasonality, it may make sense in the strategy to move more freight to the spot market. Schneider Logistics has the capabilities and tools to help determine which lanes, types of freight and how much overall spend may benefit from this strategy during a bid.

Shipper of choice

Becoming and maintaining shipper of choice status with service providers is powerful in the bid strategy. Being up front with the operational characteristics of the freight helps service providers price accurately and build trust. Service providers find value in having volume forecasting so they can better plan their capacity. Preloading and drop deliveries are attractive to service providers, as it saves drivers' time. Carriers also rank being paid for their services accurately and timely high on shipper of choice scorecards. As part of the strategy, evaluation of and adjustments to payment terms and freight characteristics can make a shipper's freight more attractive and drive greater competition.

Service providers

How many and what type of service providers should be invited to the bid are also considered in the strategy phase. Schneider Logistics can assist in both the evaluation of incumbent providers and new capacity generation, leveraging scorecards to verify quality and service.

BidSmart® technology

Schneider Logistics facilitates bids with its BidSmart® technology platform, both as a managed service for its customers and also as a standalone service to augment shippers' operations. Once the bid results are in, Schneider helps shippers weigh trade-offs and identify outcomes that optimize the needs of all stakeholders.

Key Takeaways

During bidding, changes to both spot and contract markets should be considered, and carriers should be evaluated via scorecard.



Evaluation and changes to payment terms and freight characteristics can help you achieve shipper of choice status.



A 3PL like Schneider can assist with the procurement process using proprietary tools to help shippers reset their network and recapture lost savings.

**Work with an expert on
your next network bid**

Contact solutions@schneider.com



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