

How to run a successful freight bid

Follow these **11 steps** to improve your company's service and bottom line

By Dan Goodwill

As shippers continue to face the challenges of capacity shortages, high fuel surcharges and upward pressure on freight rates, many are turning to freight bids to secure consistent capacity and rate stability. There are a host of other variables that are encouraging shippers to move in this direction.

While many companies with multiple divisions have allowed their various units to operate autonomously, some are realizing that opportunities exist to manage their freight transportation more effectively by centralizing this function. By taking a more holistic look at transportation, they may identify opportunities to consolidate small shipments into larger shipments and to leverage their volumes with a well selected group of carriers. This can lead to better operating performance and reduced costs.

Advances in technology are also playing a part. Transportation Management Systems facilitate the task of carrier routing and selection. With the advent of "pay as you go" TMS services, these capabilities are now available to both medium and large shippers. These systems make the data collection and analysis tasks much easier than in the past. Shippers can quickly gather the data they need to conduct a successful freight bid.

In addition, the actual process of conducting a freight bid has become so much simpler. Freight bid services such as BidSense from SMC3 and BidSmart from Schneider Logistics allow a shipper to conduct a freight bid in a very timely and

cost effective way.

To run a successful freight bid, here are the key steps.

1. Define your Objectives

This is the most important step in running a freight bid. Here are a few questions that need to be asked: Before you put your LTL, truckload or small parcel freight up for bid, is your supply chain providing your company with its raw and semi-finished goods in a timely and cost effective manner? Are your customers happy with the manner in which your company's products are delivered to them? Are there any fundamental changes that you should be making to your supply chain (i.e. warehouse locations, merging goods in transit, supply one product line from one specific plant rather than multiple plants etc.) before embarking on this journey? If so, they should be reflected in your freight bid.

Once you have answered these questions, the next question you need to ask is, do you have a mandate from top management to implement the results of the bid? Will the general managers in each of the operating divisions move forward with the bid results or will they simply ask their traffic managers to renegotiate with their current carriers or do nothing at all?

If you have a mandate to conduct a freight bid and there is a definite need to improve your company's freight transportation program, then you are ready to move to the next step.

2. Assemble Quality Data
Three months of shipment data would be the absolute minimum that you should supply to a carrier. Six months is better and a full year is best. If you cannot assemble a year's worth of data, make sure you advise your carriers of your seasonal fluctuations and any expected changes in volume in the coming years (covered by the bid). The carriers should receive origin and destination postal codes/zip codes, shipping date, arrival date, type of service, shipment weight, commodity and mode used/required.

Provide your carriers with descriptions of the commodities that they will be moving, including the shipment dimensions and weights, packaging and loading (i.e. pallets, forklift or dock cart, live load or drop trailer etc.) requirements. Make sure to take digital photographs of each of your different types of freight and supply these to the bidders.

3. Prepare a Quality Bid Package
As a minimum, your bid package should contain the following:

- a) company overview
- b) bid objectives
- c) freight characteristics (including commodity descriptions and digital photos, commodity DIMS, shipping locations and pick up/delivery/transit time requirements, freight claims policy etc.)
- d) data template (s)
- e) bid requirements (i.e. rate structure such as FAK or actual class with discounts, incentives, currency, timeline, number of rounds, award date, carrier performance measurement process, rate adjustment process in future years etc.)
- f) carrier questionnaire (that includes a range of questions relevant to your business such as the age of the carrier's fleet, the size of the fleet with specific detail on your company's requirements such as reefer trailers, the company's O.R., on time service performance, driver turnover ratio, technological capabilities, track and trace requirements, carrier capacity commitments, etc.)
- g) fuel surcharge template
- h) draft contract (in WORD and ask the carrier to use "Track Changes" to easily identify suggested changes).

4. Select the Right Mix of Carriers
Keep an open mind and invite those asset based carriers, non-asset based companies and 3PL's that can provide some or all of the services you require. If you have a large volume of LTL freight, make sure you invite a good mix of national and regional carriers. If you have a high volume of truckload traffic, keep in mind that many carriers are good in some lanes and poor in others.

Look at other modes. Would intermodal service be a viable option on some of your long haul freight? Do you need air freight service or would standard ground or deferred air service do the job? If a carrier provides 98.5% on time service, do you require guaranteed service? Do your due diligence before you launch your bid and select those modes, services and carriers that can best meet your shipping requirements.

5. Give the Carriers Adequate Time to Prepare their Bid Responses
Remember that the pricing departments of many carriers are busy with other customers' rate quotes. Two work weeks is the minimum for any bid with a large number of shipping lanes. Three weeks is better.

Contact each of the bidders and ask them to confirm that they have received the bid and to indicate if they plan to respond or not. This will avoid some of the last minute "panics" that can occur and minimize the chances that a potential "good carrier" is unfortunately left out of the bidding.

6. Look beyond the Rates at the Carriers' Capabilities
Certainly rates are a critical component of every freight bid. However, you need to ask yourself, can this carrier perform? Does it have the drivers, the trailers, the technology and the desire to meet the transportation needs of your company? You don't want to be one of the industry "horror stories" of a shipper that gave his freight to a low bidder only to be left with the freight sitting on his dock instead of his customers' docks, night after night.

7. Negotiate Effectively with your Short List of Carriers
Some business issues are best left to one or two rounds of negotiations. Accessorial charges, fuel surcharges, capacity commitments and volume incentives can be left to the negotiation stage once you have a good idea of the carriers that are serious candidates for your company's freight. Meet face to face with the carriers that make it to the next round. Telephone communication can work but not as well.

8. Sign Contracts
To protect your company and its customers, capture the results of your freight bid and negotiations in writing and sign off on these commitments for one, two or three years (with the appropriate renewal and exit clauses).

9. Prepare and Distribute Routing Guide
Develop a routing guide and distribute to all employees that have some involvement with freight transportation. The routing guide should list your first, second and third choice carriers on every lane. For difficult lanes, a longer list of carrier options may be required.

10. Create an Effective Implementation Plan
Invite the carriers' terminal managers or directors of operation to your plant and establish a written operating plan to make sure the implementation and/or transition to new carriers goes smoothly and you don't need to run back to the incumbent "cap in hand" asking the carrier to handle your company's freight again.

11. Establish and Maintain an Effective Carrier Evaluation Process
Meet with each of the carriers you select during the bid process and methodically review your company's specific operational requirements. Develop a 360 degree scorecard that provides a mechanism for two-way feedback between your company and your carriers. Establish regular meetings so you can work together more effectively and derive the full benefits of your freight bid.

If you follow these steps, you should see an improvement in your company's service and bottom line.

If you have any questions about any of the topics contained in this article please feel free to contact me at dan@dantranscon.com.



Dan Goodwill, president, Dan Goodwill & Associates Inc., has over 20 years of experience in the logistics and transportation industries in Canada and the United States. He has held executive level positions in the industry including president of Yellow Transportation's Canada division, president of Clarke Logistics, general manager of the Railfast division of TNT and vice president, sales & marketing, TNT Overland Express. Goodwill is currently a consultant to manufacturers and distributors.

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