

# Freight Bids in 2018 — It's a New Ballgame



By Dan Goodwill

The New Year has started off with a bang. With the stock market at record levels, unemployment at historic lows in Canada and the United States and a new U.S. tax bill that promises to put extra dollars in the hands of American purchasers, it is not surprising that consumer confidence is at a high. The strong GDP numbers reflect that people are spending money again. It is no wonder that the Dow Transportation index is also at record levels. This is great news for trucking companies.

The end of 2017 also saw the electronic logging device (ELD) mandate take effect. This measure which is designed to increase driver safety, is projected to restrict the availability of truck capacity in the U.S.

Of course, a driver shortage has already made capacity tight. Companies that comply with the mandate must work within specific time windows. Those that don't conform to the mandate risk being pulled off the road, over time, as compliance becomes stricter.

The result is that freight rates are projected to increase in 2018.

It is against this backdrop that shippers and carriers begin preparations for the annual freight bid ritual. The following are some suggestions on how each side should prepare for this process.

## SHIPPER FREIGHT RFP PREPARATIONS

### 1. Get your house in order

This means take any inefficiencies out of your freight operations. Truckers will be looking for carrier friendly shippers. This means that freight companies will be giving priority treatment to shippers that offer well packaged palletized freight, clean paperwork, freight ready at time of pick up, clean docks, and scheduled appointment times. In this era of ELDs, shippers that allow carriers to drop trailers and pick up full loads will receive preferred status.

### 2. Recruit a broad selection of carriers and freight management companies

Even if your carriers are providing great service at what you consider fair rates, add a group of new companies to the mix. In fact, begin testing some of them now before you start your RFP exercise. Have a pre-RFP chat with each carrier. Find out how your freight fits within their system, how much volume they can handle, the lanes they want and don't want and where your company's freight ranks in their customer list.

### 3. Benchmark your freight rates

There are several ways to do this. If you have sister companies, share freight costs. If your company is part of an industry association, speak with other members of your association and see if you can share data, at least on some specific high-volume lanes. This will give you an idea of where your freight rates rank with respect to overall market levels. There are also companies that, for a fee, supply benchmarking data. Since this will be a tough year for rate negotiations, preparation is critical to success.

## CARRIER FREIGHT RFP PREPARATIONS

### 1. Focus on your business and financial requirements


There will be lots of RFPs circulating through the industry this year. Carriers need to focus on their network, skills, requirements, and financial requirements. Some RFPs will be fishing expeditions. There are shippers that conduct RFPs every year but use them as leverage with their core carriers. At the end of the process they go running back to their same group of

carriers. Check the type of freight, volumes, and lanes in the bid. Focus on what best meets your needs.

### 2. Contact shippers to find out where they are facing challenges and if you have a legitimate chance of securing some business

To increase your odds, contact the shipper to find out where they need help. For new shippers, this is a great way to get in the door and prove yourself. Doing what you do best can serve as a stepping stone down the road, over even in the short term if one or more carriers do not perform up to expectations.

### 3. To ease the burden on your traffic department, prioritize your bids and lanes and set aside those where there is a minimal chance of success

There is no need to burden your traffic department by asking them to prepare a quote for every bid that arrives. Be selective. Quality is more important than quantity. Pick the pieces of business that best meet the needs of your company and prepare thoughtful quotes that will deliver value and profits to your company. 



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