



The Do's and Don'ts of Going to Market with Your Transportation RFP

By Tim Dalton
March 24, 2015

This time of year, many shippers are reviewing and updating their transportation plan for the back half of the year and many will be considering issuing RFPs for new or changed capacity needs. I am often asked what shippers should consider (beyond the obvious of reducing cost) when deciding whether to go to market with a transportation RFP and what the associated best practices are.

Going to Market

While there isn't a "one-size-fits-all" answer when deciding whether you should go to market, there are considerations shippers should review. Although these are not the only considerations for issuing an RFP, these provide a solid framework to help make that decision:

DO go to market with an RFP if:

- Current rates are nearing expiration
- Spot market usage has substantially increased
- Business is significantly growing
- Network changes – new customer requirements – new product launches are planned
- Need to rationalize your carrier base and build more opportunities/relationships with fewer providers
- Known market conditions, risks, or recent changes of capacity availability, such as loss of incumbent carrier(s) capacity

DON'T go to market with an RFP if:

- Awarded carriers continue to honor their contract rates at agreed to service levels
- Only motivation is to save money on freight rates
- Certain business processes need to be fixed – e.g. long delays at either origin or destination.

Communicating Your RFP Plan

After deciding going to market is in the best interest of your organization, one important step so often missed (and that can lead to how the success of your RFP is perceived), is the need to communicate within your organization. RFP's give you the opportunity to negotiate/award freight rates that will have a major impact on your budget for the year. So, first and foremost, communicate the potential impact of changing transportation plans to your leadership team. They rely on you to keep them informed of the current market conditions and challenges within transportation that may cause variances.

To ensure your leadership team is up-to-speed on the current market conditions, consider the following actions:

DO:

- Be a student of your industry and create/distribute a monthly or quarterly update internally (trends, challenges, etc.).
- Speak to your carrier partners and solicit their point of view (what are they seeing?)
- Benchmark yourself against historical and current market indexes.
- Listen to analysts/economists and educate yourself. Build that intelligence into your budgeting process
- Think outside the box, and look for opportunities to leverage continuous moves or dedicated operations to lower freight expense
- Prior to going to market, meet internally with stakeholders to review risk/reward and overall expectations. Allow expectations to guide your strategy — i.e. if you are expecting a large rate increase by going to market, you may consider working with your carriers to extend pricing or negotiate modest increases.

DON'T:

- Average seasonal spikes into the overall output to the leadership team. Help them understand the fluctuations in volume during different parts of the year and how the business drives those spikes.
- Use only your data to determine benchmarks for your next RFP. Are you sure your rates are in line with market fluctuations?
- Disregard internal business initiatives that could create volume changes. Work closely with the broader supply chain team to understand which initiatives could have an impact on transportation.

RFP's are beneficial for ensuring your rates are in line with the market as it becomes more challenging to secure capacity. Whether the market is favorable or not, the more informed your organization is, the better you will be to navigate through the process.

Align with Your Carrier Strategy

In addition to effectively communicating the potential risks/rewards internally, take the time to review your processes. Has your team taken the time to either review or create a

carrier strategy that supports your transportation strategy and, therefore, the supply chain strategy?

When we are managing a procurement event for a customer, the project will kick-off with a discovery call. One of the items we address with a shipper is to ask what their goals are (related to the event or transportation in general) and what their sourcing philosophies are around the number of carriers that they would ultimately like in their carrier base (not to exceed "x"), or x carrier not to represent more than x% of overall spend / revenue (yours or theirs). We also ask about Asset/Broker % goals, KPI's, etc. I am usually surprised by the answers that we get from shippers and I've come to the conclusion that many shippers are still formulating their carrier strategy or haven't even started. Your RFP will be much more successful with a documented carrier strategy. So, here are a few tips to guide you in completing or beginning the creation of an effective carrier strategy:

DO document your:

- Carrier Vetting Process (Size, type of carrier, safety rating, etc.)
- KPI's
- Performance Management Process
- Escalation Process
- Carrier Review Methodologies (who, what, where, when)
- Procurement Strategy (Annual RFP, Targeted RFP, etc.)
- Mix of large and small carriers
- Update your contract terms and conditions to reflect your company and customer needs and requirements
- Carrier Recognition Program (if any)

DON'T:

- Put off establishing a strategy or updating an existing strategy. Many transportation professionals are saying that if a shipper doesn't already have a documented carrier strategy, they are behind. The good news is, it's never too late to start one.
- Roll out your strategy without your carrier partner's input. Their input is essential in making the strategy work for the entire carrier community.

Once you have finalized your strategy, be sure to communicate with your carriers so they are aware of how they will be measured; a procurement event is the perfect opportunity to implement your strategy or to make any changes to existing requirements (FSC Program, Accessorial changes, Service standards, etc.).

Whatever approach you choose, my suggestion would be to remain consistent. Go to market on a schedule known to you and your partner carriers along with a predetermined number of rounds. Many shippers think they can time the market to garner better rates, but research proves that can backfire and disregards strong partnerships with your carriers. Deciding on the timing and cadence of your RFP, aligning that with your current strategy, and effectively communicating the plan is the key to

conducting a successful RFP and building a better supply chain.

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This report was originally published on [Talking Logistics](#) on November 23, 2015.