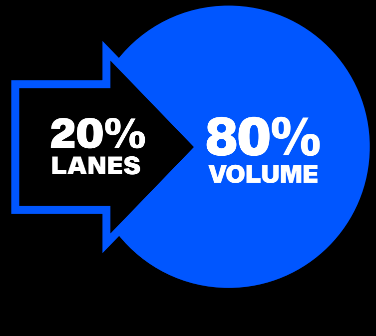
DAT Freight & Analytics

TOP 5 Mistakes in Transportation RFPs

Transportation RFPs are constantly evolving and require new approaches. Shippers can mitigate risk and successfully manage capacity needs by avoiding the most common pitfalls in the RFP process.

1 Unclear Carrier Strategy

Instead of sending every lane to bid or rolling every lane over to your incumbent carriers, use the 80/20 rule to identify high-priority lanes where additional flexibility will improve cost and service the most.



80/20 RULE:

For most shippers, 20% of lanes account for 80% of volume.

During the pre-selection process, pinpoint carriers that have the right characteristics to provide year-round coverage in lanes with higher volume and service requirements. For maximum efficiency, gather and review information electronically using transportation databases instead of a manual Request for Information (RFI) process.

Consider variables like equipment types, terminal locations, SmartWay certification, load board activity, the number of drivers, etc. This ensures only qualified carriers bid on those lanes.

2 Limited Carrier Mix

Economies of scale do not apply to the transportation industry, since more volume often does not generate better prices. In fact, shippers that give all volume in a lane to one or two carriers often see higher-than-market rates.

Diversifying the carrier base is a much better strategy for managing cost and service. Leveraging several carriers on a lane creates multiple opportunities to cover shipments at contract prices and creates a better network fit for each carrier to help temper rate hikes.

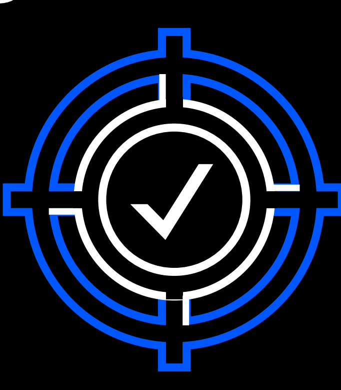
Clear and concise expectations and feedback between bid rounds is critical to building a reliable and diverse carrier base through the RFP process. Simply issuing a target price lacks the context transportation providers need. Shippers can share independent, third-party market data to serve as a source of truth throughout negotiations.

Economies of Scale

VS

Economies of Scope

3 Not Focusing on Efficiencies



Many shippers want carriers to conform to their networks, but the better strategy is to focus on economies of scope. Take a collaborative approach that aligns capacity needs with carrier networks.

Combine lower-volume lanes that have similar origins and/or destinations to create more attractive bid opportunities, such as clustering locations within a 75-mile radius or using three-digit zip code ranges known as Key Market Areas (KMAs). Carriers benefit from the volume density, which cuts down on ad hoc negotiations.

For example, a shipper could combine two loads per week from Bloomington, IN, to Atlanta with 10 loads from Indianapolis to Athens, GA. The shipper could then offer 12 loads per week from the Greater Indianapolis market to the Greater Atlanta market. Carriers are more likely to allocate their capacity toward larger volumes in high-traffic markets.

4 Missing Key Details

Quoting annual volumes in the RFP shows the big picture and identifies which lanes require the most attention. However, yearly figures miss volume spikes and seasonality that can wreak havoc on networks. For long-term capacity, think about short-term volumes.

Segmenting volumes by week or month offers greater clarity and improves bid confidence. Sharing network patterns and offering specific feedback on lanes gives carriers information to increase bid accuracy and gives shippers predictable rates throughout the duration of the contract. When carriers know when to anticipate volume spikes, they can better prepare and service lanes, which helps shippers to avoid spot market premium exposure.

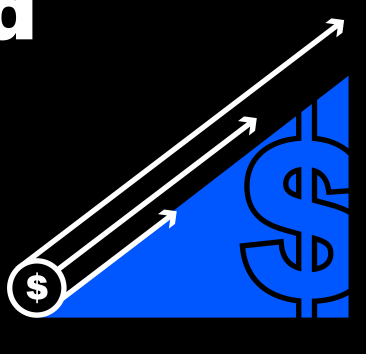
2 Loads Per Week

is likely the minimum required to secure capacity from your carriers.

Rate forecasting models make it easy to project pricing for seasonal capacity needs by finding patterns based on historic volume and market trend data.

5 Short-Sighted Evaluation

Simply selecting carriers based on the lowest rates often costs more in the long run. When contract pricing is too low during times of tight capacity, tender rejections go up as carriers seek out more profitable opportunities. This often leads to routing guide failures and budget-busting spot market premiums.



1 tender rejection = 6% increased cost

10+ tender rejections = 26% increased cost*

Bid rates should be one factor—but not the only factor—when considering a carrier. Review other key elements like service levels, lane density and overall network fit.

When it comes to rates, identify trends using historical and forecasted rates on the lane to create a realistic price range that viable carriers should be able to meet. This practice will better secure year-round capacity while maintaining budget compliance.

Maximizing RFP Success

A strategic RFP process sets freight networks up for lasting success. Shippers can rely on DAT iQ to avoid making these common mistakes and maximize success during the RFP process. DAT iQ is the industry-leading transportation analytics provider, offering three categories of solutions.

RateView Analytics

Comprehensive market rate visibility equips shippers with the insights they need for strategic planning, risk mitigation, performance optimization, and cost management.

Network Analytics

Evaluate objective market data and capacity trends to create a procurement strategy that works for the long haul.

Analytics Services

Bolster your operations with advanced data services, seamless integration support, and access to consultants with deep industry expertise.

DAT iQ Analytics

Make DAT iQ your negotiation partner for the next RFP.

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