

SHIPMENT EXECUTION ON THE SPOT MARKET REDUCES EMPTY MILES AND OVERALL COST

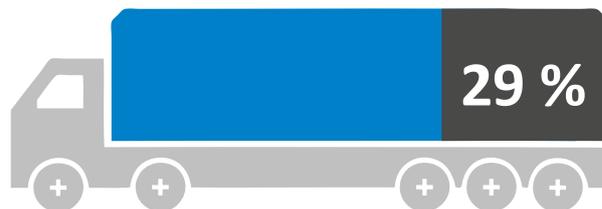


Tendering loads utilizing the spot market principle

Shipment execution on the spot market reduces empty miles and overall cost

It has been estimated that 29 % of all trucks in the U.S. are running empty¹. Industry statistics show that empty trucks travel approximately 20 billion highway miles each year², equating to 15 billion gallons of wasted fuel at an overall cost of \$ 30 billion³. With far-reaching consequences for the environment and downstream economy, efficient use of existing capacity would lead to less traffic and a decrease in CO₂ emissions, in addition to a decline in costs for both shippers and carriers alike.

Specifically offering trips that allow for possible backhaul loads or continuous-move traffic flows could benefit shipping companies looking to increase productivity and lower transportation costs. Capacities on the spot freight market are currently at an all-time high⁴, making better allocation of empty truck space or deadheads according to the spot market principle a more attractive and viable solution for U.S. shippers.



**= 20 billion
empty miles**

In the U.S., 29 % of all trucks on the road are running empty.

Assigning freight manually on the spot market, however, would require enormous effort. After contacting multiple carriers via email or phone and receiving all offers, information would then have to be typed into lists or spreadsheets for comparison. Even while determinations are being made on whether to accept or reject each carrier, rates could fluctuate.

¹ United States Department of Transportation (20 October 2015). <http://ops.fhwa.dot.gov/wz/resources/publications/fhwahop12005/sec2.htm>. In „Work Zone Road User Costs - Concepts and Applications“. Table 7. U.S. Department of Transportation, Federal Highway Administration Office of Operations. December 2011. Retrieved 15 August 2016.

² <http://www.frost.com/sublib/display-report.do?id=NF61-01-00-00-00&src=PR>

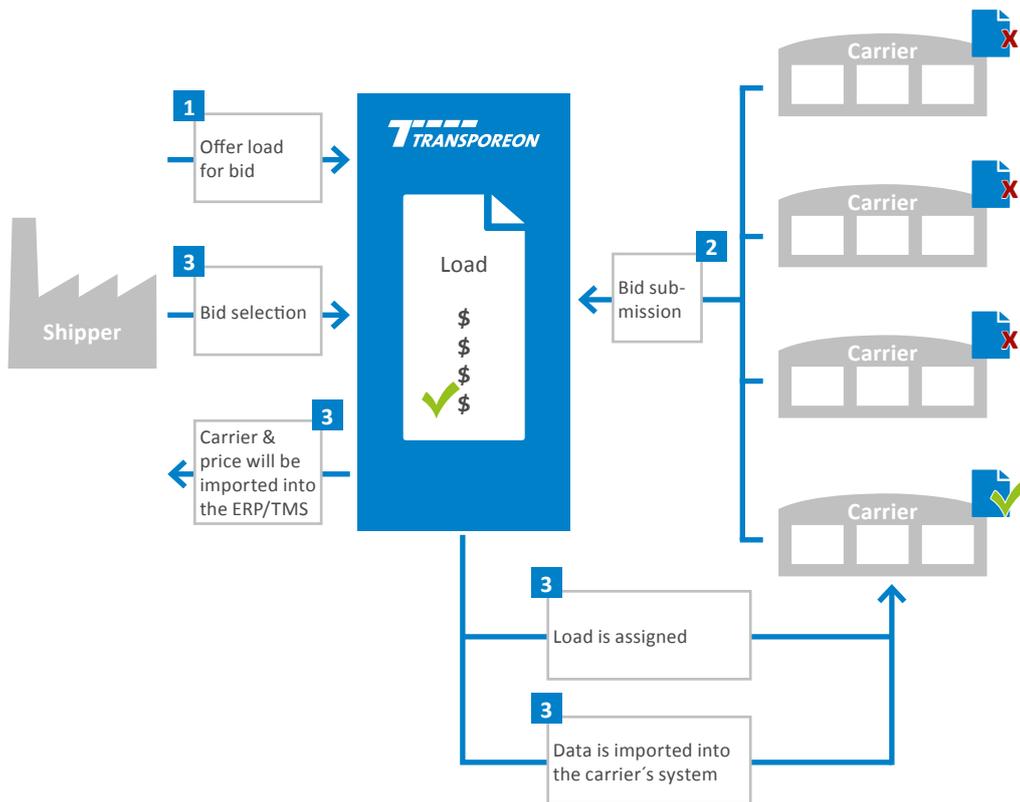
³ <http://cleantechnica.com/2010/05/01/cheap-and-green-shipping-service-citizenshipper/>

⁴ <http://www.wsj.com/articles/truck-freight-rates-slide-in-softening-spot-market-1457550300>

While many companies still work this way, forward-thinking logistics managers have started to adopt web-based shipment execution systems. These web-based systems automate the bidding process, saving shippers time, money and manual effort. They also offer the capability of automatically assigning the order to the lowest bidder at the end of the bidding process – or even relying on an experienced dispatcher to confirm carrier selection when price isn't the only consideration.

Reduce transportation costs by up to 10 %

Web-based logistics platforms and internet freight exchanges offer significantly more efficient methods of handling freight assignments compared to manual efforts. Web-based platforms carry out a “mini-bid” process with a selection of carriers. Dispatchers enter relevant data to an order screen and then release the information. Carriers can review requests and submit a bid based on the specifications. In contrast to manual shipment execution, this process can be completed within 10 to 15 minutes. Based on the situation and the market, a dispatcher can choose between an average of four offers⁵.



Example of TRANSPOREON shipment execution process

Utilizing the spot market principle reduces the possibility of running empty miles and, as a result, increases efficiency for the carrier. In turn, agreed-upon rates are often less than fixed-contract pricing. Shippers are able to cut operating costs as much as 10% with spot market bids. Both sides benefit from on-the-spot shipment execution via web-based systems.

⁵ Transporeon (2016): Transport market compass, internal survey of the bids by “best carrier” order. Based on the number of bids in web-based platforms with a closed forwarder pool.

Advantages for shippers	Advantages for carriers
Reduction of empty runs up to 13 %	
Reduction of fuel consumption and vehicle emissions	
Transport cost savings up to 10 %	Improved vehicle utilization due to backhauls and triangular traffic
Minimal effort and expense to obtain optimum freight prices	Workload reduction for dispatching
Improved, guaranteed delivery	Effective route planning
Rapid response to freight market fluctuations	Short-term ordering of additional transports

Advantages of web-based shipment execution

Empty mile reduction by utilizing spot-market bids



Example TRANSPOREON customer savings

React to market fluctuations

Shipment execution platforms offer shippers the ability to react according to the dictates of the transportation market, which can impact costs significantly. Large-carrier transportation capacities in the U.S. hit a peak of 90.4 in the third quarter of 2014, only dropping a few points to 87.6 in the second quarter of 2016, according to the JOC Truckload Capacity Index⁶. With plentiful capacity, the freight environment has become increasingly competitive, prompting many shippers to renegotiate rates in their favor⁷. In addition, recent market reports show that shipping demand in the spot market is down while capacity continues to rise, making it a shipper's market⁸. Shippers who limit themselves to fixed contracts cannot take advantage of changing market developments. Assignments based on the spot market principle make it possible to respond flexibly to current capacity and pricing trends.

⁶ https://www.joc.com/trucking-logistics/truckload-freight/covenant-transport/truckload-carriers-downshift-pricing-plummetts_20160729.html and https://www.joc.com/trucking-logistics/truckload-freight/knight-transportation/truckers-joc-index-point-slow-tightening-truck-capacity_20160201.html

⁷ https://www.joc.com/trucking-logistics/truckload-freight/covenant-transport/truckload-carriers-downshift-pricing-plummetts_20160729.html

⁸ <http://www.wsj.com/articles/truck-freight-rates-slide-in-softening-spot-market-1457550300>

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Use benchmark data

Various benchmarking reports, such as the “Transport Market Radar,”⁹ offer current monthly market data on price and capacity development – also in part for individual sectors, such as wood, paper or building materials. These indices can be used as benchmarks for the data from the shipment execution system.

Choosing a closed tender or an open freight exchange

Single loads can either be sourced on the spot market via a web-based logistics platform concentrated on a defined carrier pool or on an online freight exchange accessible to all transportation logistics providers. The majority of shippers rely on closed systems, ensuring carriers are proven partners of the highest quality.

Closed/selective tender	Open freight exchange
Manageable number of transport service providers	Higher number of transport service providers
Minor control of the process is necessary	Higher control of the process is necessary
Quality of shipping process is easily tracked	Quality of shipping process is difficult to track
Deployment of reliable carriers	Carriers are often unknown
Relevant potential for savings in transport costs	High potential for savings in transport costs
Price transparency for the shippers within the carrier pools, higher confidence level	Price transparency for the entire market
Proof of delivery is visible to all parties involved	Communication about delivery status is not ensured

⁹<http://www.transportmarketradar.com/>

2 Consider your customer's needs

What are your customers' expectations and requirements for delivery quality? Certain customers may have demanding criteria regarding reliability – such as the case of just-in-time deliveries – and special requirements may be necessary. It may be important to your customer that you provide additional equipment and capacity, or adhere to specific shipping requirements or state regulations, including providing advanced notice for receipt of goods. In such cases, a closed-pool process is recommended.

System interfaces provide process enhancements and efficiency

When a shipment execution system is implemented, it should be compatible and integrate easily into the existing IT system through an ERP interface or plug-in. It's also possible to leverage a common interface to your carrier's IT platform, fully optimizing and increasing operating efficiencies through a simple import of shared data. Automating processes like the import of order entry data prevents errors and frees up personnel or resources needed for more value-added activities.

3 Cloud solutions provide real-time transparency for all logistics partners

When choosing a shipment execution system, cloud solutions often offer access to a larger pool of potential carriers. All parties have easy access to the system via the internet, eliminating the need to set up and maintain complex interfaces. All involved – the shipper, carrier and the customer – have real-time access to shipment status. Shipper-specific systems, on the other hand, do not promote efficiency or cross-supply chain collaboration since the data sits in an in-house system behind company walls. Additionally, cloud systems usually undergo continuous development and improvements without the need for complex system updates.



Get a free demo to see how easy spot-market bids can be when you leverage the power of next-generation shipment execution from TRANSPOREON:

<http://www.transporeon.com/us/live-demo/>