

Supply Chain Insight
Freight Requests for Quotations

MAXIMUM SUCCESS WITH FREIGHT REQUESTS FOR QUOTATIONS



10 practical steps for a successful transportation procurement project

With almost two decades of transportation procurement experience, including over 8,000 transportation RFPs in 2015 alone, Transporeon is ideally positioned to share the following insights for a successful freight and logistics sourcing event.

Procurement and Transportation are under pressure to contain costs, while minimizing operational complexity by reducing suppliers and achieving (or better yet, exceeding) service-level expectations of internal and external customers. In the current transportation market, transport service provider over-capacity, coupled with market consolidation, provides an ideal moment to review your contracts and conduct transport bidding projects.

This might raise the question: How can I ensure that my transportation bidding projects can effect change, without destabilizing existing operations? The answer is an effective transportation procurement exercise, following world-class best practices.

In this white paper, we will address Freight-specific Requests for Quotation (RFQ) and take you through a set of rules and best practices that will be helpful before, during and after conducting a transportation bid. Adopting these simple steps will lead to: RFQ results that are in line with your goals and strategies, clearly communicated and transparent bid requirements, auditable bidding processes and competitively priced awarding scenarios with the right suppliers for your business.

First, we would like to go over a number of general and integral steps that should be followed when considering a freight bid.

1 Set clear goals: What do you want to achieve by conducting a freight bid??

Prior to implementing a bidding process, determine what information you need to obtain and set clear objectives:

- ✓ Are you looking to replace existing carriers or source new, additional carriers?
- ✓ Has your logistics and distribution network changed?
- ✓ Are contract expiring, requiring you to obtain new rates?
- ✓ Are you working within a revised budget and require updated market rates?
- ✓ What other factors are contributing to this process?
- ✓ Who are the major stakeholders of the project and what are their goals and objectives?

The objectives you set in the beginning, will determine the flow of the process, help build the format of the RFQ and assist in choosing what carriers you approach. Your chosen objectives will help to establish targets and KPIs to determine if the bid project was successful.

2 Analyzing market conditions: When is the right time to submit RFQs?

It is important to analyze market conditions early on, prior to launching a bid request. In doing so, you will obtain useful data on pricing trends and determine a timeframe that is favorable to launch an RFQ. Provided you are not working with a time-sensitive objective, such as an expiring contract that forces a new bid request, you can set your objectives based on market research.

Tip: Follow the development of the market price with the relevant market index, for example, using *Cass*, *Chainalytics* research or other sources such as department for energy diesel price developments.

3 Are your logistics tools tuned for the future?

Logistics is dynamic and fast-paced, due to globalization and ever shifting supply chains. Therefore, procurement and distribution processes must adapt to these changes. Make sure you are equipped with the most up-to-date tools that are available to support your team in the bid process.

Excel for example, while somewhat flexible and effective for a single user managing limited data, cannot support active collaboration between participants. It is unable to provide dynamic feedback (e.g. ranking, results) to bidding suppliers and cannot support sophisticated, real-time scenario generation based on multiple criteria, in a single window view.

E-sourcing tools exist and operate in several spectrums. Some general tools help you gather information as well as proposals, for long-term bidding projects with basic bottom-line price comparisons; whereas other niche solutions allow price checks and operational quotation requests based on actual transaction data. It is important to determine whether a generalist approach will result in a satisfactory outcome; or whether a niche tool that consolidates supplier information, as well as accurate pricing comparison scenarios, will be better suited for the goals mentioned above.

4 How many carriers should be invited?

It's important to assess the number of carriers needed and define their involvement in your logistics process. Allocating small pockets of volume to a wide group of carriers may be suitable in cases where niche players offer excellent rates. If you have too many carriers in the mix, you will quickly lose negotiating power that accompanies high volumes. Inversely, allocating all your business to only one or two providers can give you bargaining power; but increases the risk of service failure or lack of capacity in peak season.

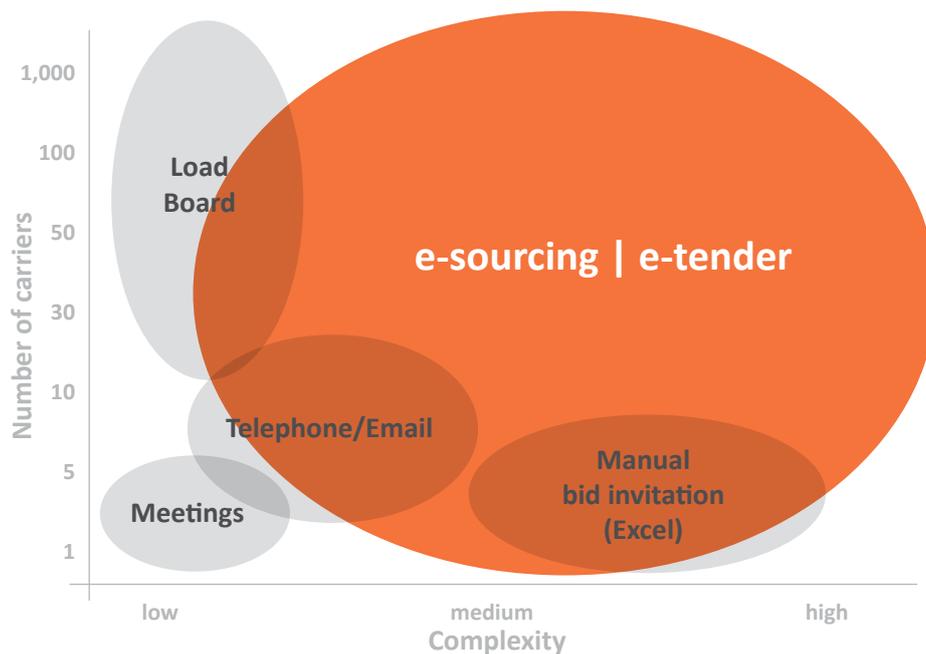
The amount of available resources in your team will determine the number and variety of carriers you can invite, especially when carrier information and offers are compiled on a one-by-one basis. This may even prevent you from approaching new carriers in the market. Online sourcing tools will increase the efficiency of resources by enabling your team to reach out further. They will contact not only to a small group of incumbent or known providers, but extend to the balance of the available supplier capacity in the market, using an online network.

Open bidding platforms exist, which do not require or allow you to specify participants. Implementation can be straightforward, however, in this case you should keep RFQs simple. All incoming offers are collected, but often do not meet the objectives and/or qualifications set forth when implementing the process later on. Specific and detailed analysis will not be possible, due to the varied nature of submissions from an uncontrolled network of suppliers.

A closed bid invitation platform, such as TICONTRACT, allows you to pre-qualify your suppliers, prior to the actual bid process. Information about the carriers you choose is saved, detailed and given a certified provider profile within the system. Relevant parameters about the carrier, such as equipment type, company size, service, etc. is automatically analyzed, allowing for elimination of those companies that don't fit the requirements of the bid. Additionally, you can set geographical search parameters, giving you the ability to source several carriers, giving you a larger selection of options and improving on the results from your submitted RFQs.

Another feature of the bidding platform: the pricing structure cannot be modified. You define your bidding structure and carriers bid within your structure. This ensures accurate apples-to-apples comparability among all suppliers offers. While keeping carriers on a rigid and uniform price matrix, the system still allows flexibility for including qualitative parameters such as transit time, equipment type and similar entries.

Tip: When possible, always invite your incumbent service providers to provide a bid, even if you are considering to include new entrants. This is not only a fair business practice, but often leads to new ideas, process improvement suggestions and ultimately a fresh start to your business relationship with your incumbent partners.



Various types of freight purchasing at a glance

5 Vetting out the right carriers

While it is important to know the type of carriers you wish to work with, try not to hold criteria and requirements for your carriers too restrictively at the beginning. This will allow you to start with a wider array of suitable carriers for a qualitative review at first. Specific questions, such as payment terms, can be negotiated and discussed at a later date, but in the early stages of a bidding event, take a broader approach to ensure that all available market players come into consideration for an RFI (Request for Information). Due to the previous time-consuming nature of manual bidding events, they were not conducted frequently or regularly and this may have resulted in a disconnect with the actual market developments. Remember, the transportation market by nature is dynamic, not static.

Once your broad supplier base has been identified, pertinent carriers can be identified using a specific subset of questions in a Request for Information (RFI). This is a simple information gathering exercise, during which you can determine which service factors are important to you. For example, carriers' available capacity, years of experience in the market, experience within your industry/company, etc.

It may possibly make sense to identify service providers in question up front by using an individual qualification process. You can achieve this by means of an upstream RFI (Request for Information), for example. For the use of a suitable bid invitation tool, an RFI is to be simply and automatically carried out. Here, you can predetermine the information that is important to you, such as, which capacities are available to you or which experience does the service provider have with my company.

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Plan resources and time requirements: Define the RFQ process, timelines and tools required to carry out the bidding process.

Set a realistic timeline for your bidding process. Be cognizant of peak seasons, holidays and vacation times. The duration of the process depends significantly on the following factors:

- ✓ Logistics requirements: modes of transportation, capacity, number of carriers involved, equipment, etc.
- ✓ Geographic scope (Domestic/International, number of involved countries, local/global suppliers, involved sites, volumes, etc.)
- ✓ Execution: what tools will be utilized to perform? (Excel tables, freight handling platform, bid invitation platform with comprehensive evaluation functions, etc.)
- ✓ Internal resources (staff capacity, availability for supplier meetings, management review and approval process, etc.)

Minimizing time requirements is one of the key beneficial areas of using a bidding tool. Your time to prepare and launch the bid will be reduced (by up to 40% in the case of TICONTRACT), which means that carriers will have more time to study the requirements and determine the pricing levels they can offer sustainably. Clarification requests and questions can be conducted through the tool directly, greatly reducing the need for repetitive direct communication by email or phone.

Tip: Keep in mind the added audit compliance benefits that come from using an electronic sourcing tool. Once an event is complete, all aspects of bidding (including prices, attachments, questions and answers) can be exported along with time stamp and USER ID for excellent record keeping.

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Assemble an internal project team: Who is responsible for what function?

While an electronic platform simplifies the process compared to a manual process, there are steps that should not be overlooked. An insufficiently prepared and executed bid (e.g. missing volume data) will lead to results that may prove difficult to effectively analyze and compare. It is important to assemble an internal team with clearly defined responsibilities.

Your quoting process requires constant support throughout. Identify who will be available as a contact for carriers to handle specific questions they may have. Regardless of how well the RFQ may be presented, carriers will have questions along the way, which should be answered in a timely manner. Identify a content expert who is best suited to answer these questions.

If you are utilizing an online tool for your bidding process, encourage carriers to use the Q&A module as a first level clarification forum. This way, the majority of communication will come to the key contact person through the platform and can be later exported during the review stage of the bidding event. Additionally, store the content expert's contact information (phone and email) in the contact section of the tool. Make sure all questions are handled within 24-48 hours.

Tip: If internal capacity is an issue, professional bid request platforms offer a full-service option, handling the entire process for you.



Go live when everything is 100% ready: Is all data available and is the RFQ clearly prepared?

Avoid process deficiencies and incomplete RFQs by launching the event only when it is 100% ready to go.

Utilize the expertise of all parties for pre-qualification of the quote requests prior to implementing. If you are using an electronic quoting platform, consult with their experts and test the system prior to launch. They can review for consistency and accuracy as well as route specifications, quantity, weights, etc.

Pre-checks are always worth the effort: Small mistakes cause more work to communicate and correct. Errors can be found during a pre-check and be corrected prior to launch. When selecting an electronic bidding tool, ensure that it is flexible enough to allow effortless tweaks and changes, rather than having to start from scratch.

Freight Request for Quotation

RFQ matrix

- Does the structure of the rate sheet contain all information that you want to query and subsequently evaluate? (e.g. volumes on weight, pallet space on truck, further/additional price components, zip code areas, zones, lanes etc.)?
- For international bids, have you defined currencies in which prices have to be quoted?
- Are base prices (current rates) stored, for subsequent analysis of incoming bids?
Is the price per unit specified, against which the carrier has to quote (e.g. price per load, per mile, per weight unit or price per pallet, etc.)?
- Have you uploaded your historical shipment data? This helps the carriers calculate real prices. The shipment structures should include the following specifications:
 - Origin (zip code, city, state)
 - Destination (zip code, city, state)
 - Shipment count
 - If necessary, number of stop off locations per move
 - Shipment weight
 - Dimensions (loading meter, cubic meter)
 - Shipping date
 - FAK classification for LTL shipments
 - Current pricing/rating of shipment

Carriers

- List current partners who are participating in the bid invitation, including:
 - Company name
 - Address
 - Contact partner(s) with contact information such as phone number and email address.TICONTRACT makes the required file available to you for collecting the carrier data

Prior conditions (optional)

- Draw up a NDA (non-disclosure agreement) between your company and the carriers
- Store General Business, Purchasing Conditions and carrier contract, if these are to be part of the contract
- Fuel and Diesel surcharge rules applicable to the bid

Checklist of important topics to be considered when creating a RFQ

9 Communicate to all parties involved: Who needs to know what and when?

Another important factor affecting the success of your bidding process is communication with all parties involved. Ensure that all internal departments and subsidiaries are informed about the process. All parties involved with the process should be aware bidding is in progress and determine who will be in charge of providing information.

Define objectives to carriers and advise the reason for the quote request. A suggestion would be to hold a webinar prior to the release of the RFQ, inviting all potential carriers to participate. In doing so, you will minimize the number of individual meetings required, and encourage competition by reminding carriers that they are part of a larger group of suppliers.

Prepare to provide as much information as possible, creating a fair bidding process for all potential carriers. Make all documents and contracts accessible, by sharing them on the quoting platform you will be utilizing. Include shipment data, quantities, volumes and any other pertinent data.

Communicate your timeline for the quoting process, including all steps involved (RFI, RFQ and additional rounds of negotiation).

After every round of negotiation, provide an update to all carriers, even those who you have removed from the process and explain the reason for rejection.

Tip: If you are quoting via an electronic platform, this communication process can be automated with a click of a button. You can take frequently asked questions within the platform, and convert them into public responses, making that information accessible to all participants in the process, and again cutting down on repetitive calls.

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Create transparency: Which awarding scenario is the right one?

At the conclusion of a large bid request, you will hopefully be faced with a large number of varying quotes. The structure of those quotes will very largely be determined on the tools used during the bid creation and launch. Had you used Excel, you may be faced with the time consuming task of consolidating the offers into a unified worksheet, followed by creating complicated formulas to compare offers. If you used a professional e-sourcing platform, you will benefit from the price matrix tariff being uniform for all suppliers, allowing you to make in-line comparisons with ease.

In addition, bid platforms are built with analytical tools that help you develop complex allocation scenarios, simply and without error. These scenarios can follow pre-defined calculation constraints, or some of the more modern tools allow you to customize the reports and scenarios according to constraints you defined. The tools will compute the complex calculations (which can be setup prior to the bid ending) and provide you with the results as soon as the event closes.

Most importantly, a professional e-sourcing tool will allow you to create numerous "What-if?" scenarios, which can then be compared side-by-side, to determine the implications of different allocation logic (e.g. single- vs. multi-supplier; incumbent vs. new supplier; etc.)

Transportation sourcing, while in many cases is complex, does not need to be so complicated. With the application of these practical steps, your next sourcing event can be executed smoother than ever, without causing any disruption to your existing services. With the advent of the Internet and the growing number of online sourcing tools and platforms, transportation and procurement functions can leverage the network effect to reach a wider audience of suppliers. By identifying your needs and selecting the right e-sourcing solution, preferably one which has been developed and customized for logistics and transportation buyers' needs, you will be able to conduct an effective and efficient RFQ.

For more information on the TICONTRACT platform, please contact:

us.sales@ticontract.com

dussler@ticontract.com

pretorius@ticontract.com