



Grocery Chain Finds Millions in Savings with FreightWaves SONAR SCI, More Savings Possible

An in-depth look at how a grocery chain utilized FreightWaves SONAR Supply Chain Intelligence (SCI) to make data-driven decisions.

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SUMMARY

Grocery supply chains are full of nuances associated with the movement of goods ranging from dry van freight from consumer packaged goods companies to produce from various sources around the world. The result is grocers spend more for transportation than what the market indicates would be a “fair” price.

A regional grocer was searching for a way to:

- + Improve transportation purchasing efficiency.
- + Reduce overall spending on applicable lanes.
- + Mitigate service failures related to rates.

The grocer turned to FreightWaves SONAR and its Supply Chain Intelligence (SCI) platform to benchmark its rates and identify savings opportunities along high-volume long-haul lanes.

At the beginning of the analysis, the grocer, through SCI, discovered that it was paying nearly **\$140 million** more than the current market rate. Overpaying the market was the norm for the grocer due to the nuances, but the grocer was spending more than **\$15 million** more than even the “high” market rate.

The FreightWaves SONAR and SCI platforms highlighted where the company could improve purchasing across its long-haul lanes, leading to network optimization, improved negotiations with truckload carriers and an understanding of capacity changes in the market, and ultimately uncovering ways to reduce transportation spending.

The grocer found that in lanes where it was paying more than **20% above the high market rate**, reducing the benchmark rate by 10 cents per mile would generate **more than \$7 million in savings**. Furthermore, if the grocer adjusted the benchmark rates on the lanes where it was paying more than 20% higher than the high market to just 10% above that rate, it opened up more than **\$50 million** in potential savings.



ISSUE

Strict service requirements led to overpayment on lanes with high opportunity for cost savings



OUTCOME

The grocer found more than \$7 million in transportation costs by reducing rates by 10 cents per mile, while maintaining service levels



SOLUTION

FreightWaves SONAR Supply Chain Intelligence provided easily digestible market insights leading to significant transportation savings

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NUANCES OF GROCERY SUPPLY CHAINS LEAD TO VASTLY OVERPAYING THE MARKET RATE

The grocery industry faces unique challenges in the supply chain, from rising costs for consumer packaged goods to produce-associated trouble related to farming schedules and weather impacts. Additionally, grocers have to maintain a transportation network that consists of both dry van and refrigerated equipment.

As the pandemic placed inflationary pressures on rates across the board, rates out of the backhaul regions of central and southern Florida experienced upward

pressure. A regional grocer who relied on moving goods out of these backhaul markets northward faced rising prices, well above pre-pandemic levels.

The grocer was used to paying more than the traditional market price because of the service levels, but emerging from the pandemic the grocer was looking to generate savings in this area of its transportation network as it was overpaying by the market rate across nearly 30 lanes out of southern and central Florida.

THROUGH BENCHMARKING, THE GROCER FINDS SIGNIFICANT SAVINGS

By running an analysis of those lanes, the grocer found it was paying more than **\$15 million** above the high market rate, which led to further analysis and identification of lanes that were troublesome and presented opportunities for savings.

The grocer was able to identify 19 lanes out of the area where it was paying more than **20% above the market rate**. Even by focusing just on how the spend performed compared to the high rate, given the nuances, the grocer was able to identify more than 10 lanes where it was paying **20% or more than the high rate**.

Through the analysis, the grocer wanted to ensure that service failures were kept to a minimum given the strict time constraints of the business. By just focusing on the lanes where the current benchmark

rate was more than 20% higher than the high-end rate, the company uncovered over **\$7 million in potential savings** by adjusting its current benchmark rate by 10 cents per mile in these lanes.

On lanes where the grocer was already presented a discount to the high rate, it opted to hold the rate steady, and if service failures became a problem, it would adjust the rate accordingly.

By holding the rates that are discounted to the high market rate and adjusting those where the current rate was more than 20% above the high market rate, the grocer discovered that total spend would decline by **\$50 million** if it adjusted the benchmarks on lanes that were over 20% above the high rate to 10% above that rate.

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HOW SONAR UNCOVERED MILLIONS IN TRANSPORTATION SAVINGS

Throughout the analysis, the key theme for the grocer was to limit service failures, even if that meant having rates above the high end of the market rate. In using FreightWaves SCI platform, the grocer homed in on the lanes where the company was spending more than 20% above the high market rate and conditions were in the shipper's favor.

To find those lanes, the starting point was identifying the lanes where the grocer had the pricing power in a given lane through the lane score function. Each lane is given a score from 0 to 100; the higher the score, the more leverage a shipper holds as the lane itself is attractive to a carrier, while the lower-score carriers have the upper hand.

During the analysis, the grocer focused on lanes where the overall lane score was above 50, indicating that the shipper was in an advantageous position to adjust rates.

The grocer used the high rate throughout the analysis because the nuances required meant spending more

than the traditional market rate to ensure capacity needs were met. Many of the lanes in the analysis didn't need any attention and highlighted that the grocer was an efficient buyer of transportation capacity in certain lanes but needed to improve efficiencies in others.

The grocer used SCI to identify these opportunities and then put that information into action and generated tremendous savings while also limiting the number of service failures. Following the initial savings, the grocer plans to use SONAR and SCI to benchmark itself against the market and be proactive to changing market conditions, as opposed to being reactive.

Click [here](#) to find out more about FreightWaves **SONAR SCI**. If you are interested in benchmarking your freight spend and making actionable, data-driven decisions, [schedule a free consultation here](#).