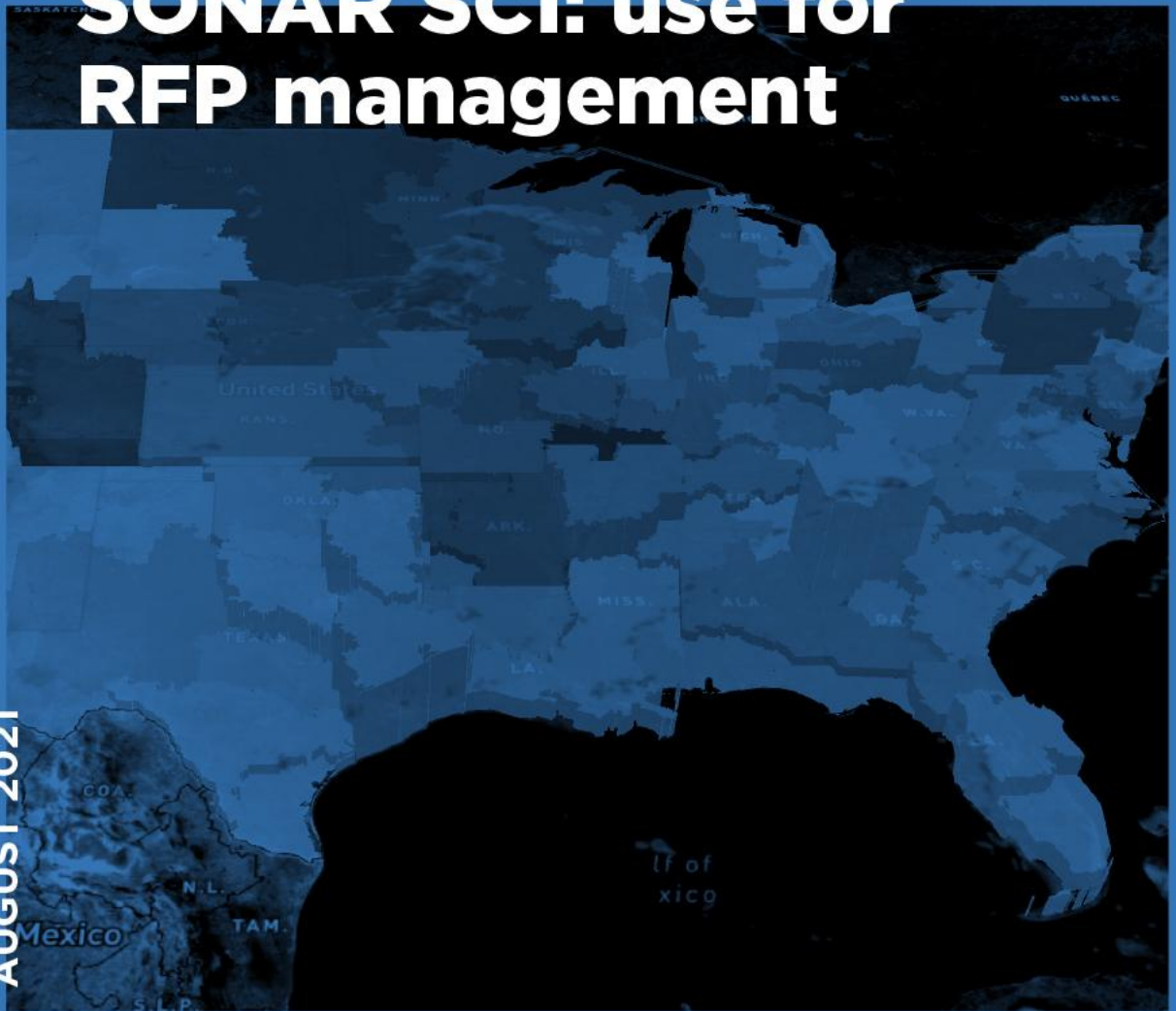


SONAR SCI: use for RFP management

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WHITE PAPER

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Over the past two years, all modes of transportation have been under immense pressure as freight rates have set new all-time highs. Freight demand continues to grow almost daily.

The annual RFP process has been increasingly difficult for shippers during this period, which has given rise to mini-bids, but understanding market dynamics and risks within your own network can ease the stress of the RFP management process.

Shippers have a need to understand where the biggest cost management opportunities within their network lie. With FreightWaves Supply Chain Intelligence (SCI) platform, shippers are able to see exactly where they are overpaying and underpaying. Viewing where overpaying/underpaying risks are within their network allows for more targeted approaches during the RFP process and will likely lead to holding the line on budgets more effectively than using just historical data in the ever-evolving transportation environment.

With SONAR SCI, shippers can understand where the troubled lanes are that are placing the pressure on the budget and operations teams. They also can learn whether the problems are unique to their network or market-wide.

The combination of SONAR and SCI allows for shippers to take advantage of numerous datasets measuring volumes and capacity in particular markets as well as the desirability of entering destination markets.

With the ability to isolate unique challenges across the network, shippers can work with their carrier partners to enhance that

relationship while maintaining a disciplined approach during the RFP process.

Knowing where and why specific lanes need additional funds allocated for transportation spend also will allow shippers to understand where the highest return opportunities lie.

If Shipper X below is overpaying on the largest lane and the lane is typically a relatively easy lane to manage, the potential savings on transportation could be significant.

Taking advantage of the highest return lanes, Shipper X may be able to save enough money to justify overpaying on the niche lanes to secure the necessary capacity.

Shipper X, while not being able to raise rates, has other operational steps that can drive improved compliance, including drop and hook opportunities, extending tender lead times and guaranteeing high and consistent volume levels.

Developing and reviewing RFPs is a tedious process with limited visibility into the whole market. However, with the implementation of FreightWaves' SONAR and SCI platforms, shippers are able to have more targeted conversations with carrier partners about "trouble" lanes and drive the most value while also limiting the downside risk.

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Understanding troubled lanes where the biggest cost management opportunities lie

The COVID-19 pandemic has brought supply chains to the limelight for shippers; transportation budgets are under immense pressure as freight rates have reached new all-time highs across all modes. RFP management has become increasingly difficult during the market disruption of the last one and a half years. Shippers have a need to understand where the largest cost management opportunities are, as well as highlighting problems within their network.

FreightWaves' SONAR and SCI platforms highlight areas where a shipper's network is at risk of both overpayment and underpayment, the latter of which is difficult to see but is arguably more important in terms of cost management. Imported traditional RFP data for hypothetical Shipper X, including lanes and benchmark rates and based on real-time freight market data is shown below. It highlights the total spend and lanes that are at risk.

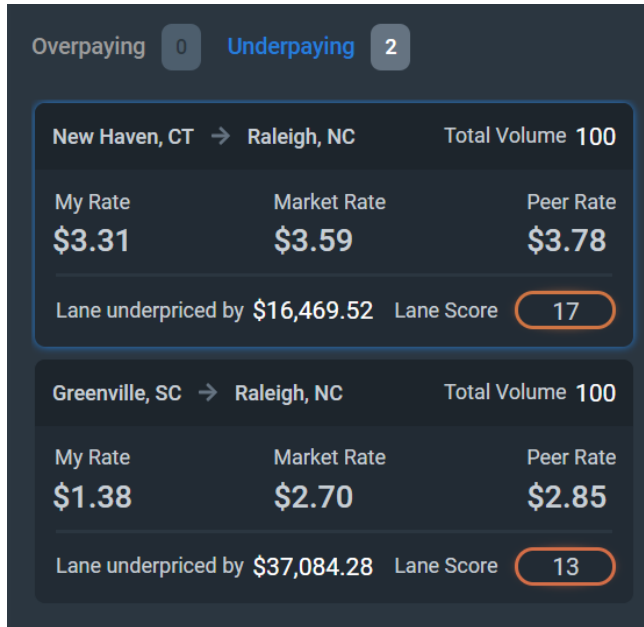
Total Spend \$2,340,466	Unique Lanes 24	Load Count 2,400	Total Miles 1,208,028	Total Carbon 2,044 MT	Unique Origins/Destinations 17/19
Total Spend at Risk \$53,553	View 2 opportunities →	Overpaying \$0	View 0 opportunities →	Underpaying \$53,553	View 2 opportunities →

(Source: FreightWaves SCI, Shipper X underpaying market rates by more than 5% on two of 24 lanes)

Shipper X, while not currently overpaying on any lane, if benchmark rates reach more than 10% higher than market rate, those lanes will be highlighted as lanes at risk. Overpayment risk can be alleviated by reducing the benchmark rate so that it is closer to the market rate. However, along certain lanes it may be beneficial for shippers to overpay slightly, especially on lanes where securing capacity is extremely difficult and having a higher rate will drive higher compliance levels.

There may be lanes that are a constant drag on the overall network as compliance rates fall significantly, especially when the market is as tight as it currently is. There are numerous problems with underpaying lanes including compliance rates falling below acceptable levels, loads falling all the way through the routing guide and entering the spot market.

In the hypothetical example, Shipper X is only underpaying on 2 lanes, risking over \$53,000. Each of the lanes have extremely low lane scores (sub-20), signaling that carriers possess the pricing power along both lanes and that the lanes are difficult for Shipper X to manage. These two lanes represent the largest problems within Shipper X's network.

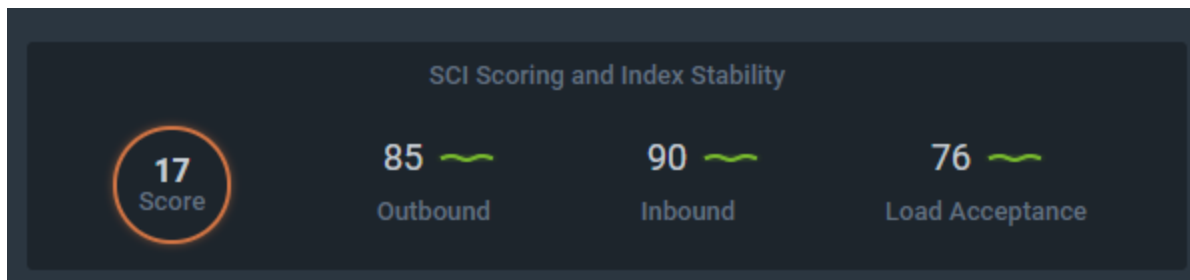


Along the Greenville, South Carolina to Raleigh lane, Shipper X is paying nearly 50% of the market rate resulting in underpaying carriers by almost \$40,000 across the 100 loads. With a Lane Score of 13, the lane is extremely difficult to cover and would represent a lane that a cushion above market rate could be beneficial to secure the necessary capacity for the required service levels. With Shipper X underpaying across the lane, loads suffer the same fate as those on the New Haven to Raleigh lane, and eventually Shipper X is having to pay significantly more in the spot market.

Being able to identify lanes that are at risk of both overpayment and underpayment will allow Shipper X to make cost-effective decisions without sacrificing service levels. Overpaying or underpaying along certain lanes can lead to more targeted discussions with carriers and likely drive better service while pricing remains competitive. Pricing may not be the only solution to drive improved compliance along these lanes; having additional volume along carrier-favorable lanes also may benefit Shipper X.

Isolating network-specific issues leads to more targeted conversations

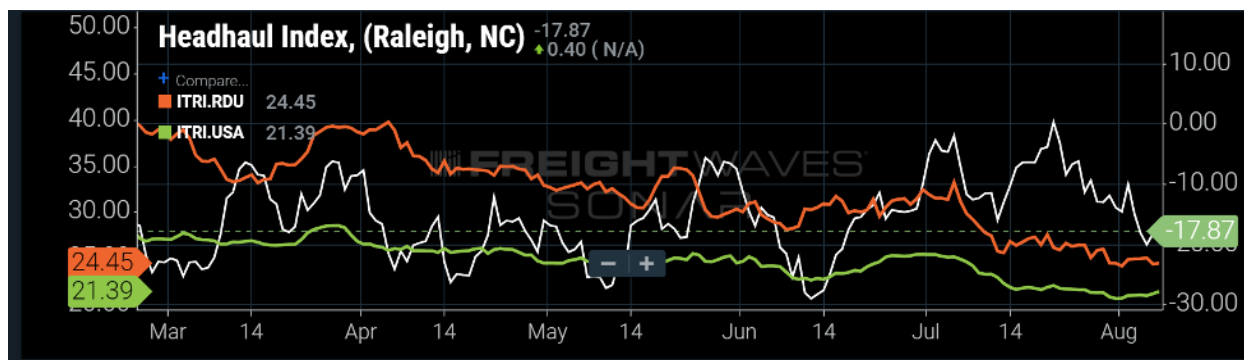
While understanding where risks lie and how to mitigate them is vital for RFP management, so is understanding whether issues within a network are across the broader market or isolated to just Shipper X's network. Using the FreightWaves' flagship software-as-a-service (SaaS) platform, SONAR, Shipper X can drill into the lanes that are causing trouble in the network.



(FreightWaves SCI: Overall lane score coupled with stability scores for both origin and destination as well as tender acceptance rates)

Looking at the New Haven, Connecticut to Raleigh, North Carolina lane, the lane score is just 17. This signifies that the lane overall is difficult to manage on a daily basis. The benchmark

rate is over 8% below the market rate, but diving deeper, the Load Tender Acceptance Score is 76, which is essentially having a tender rejection rate of 25%, or one in every four loads is being rejected. The Hartford market, which houses New Haven, is a relatively small freight market, representing roughly 0.75% of total outbound freight volume in the country. The result is a relatively low rejection rate outbound from Hartford as carriers try to exit the market and return to markets like Elizabeth, New Jersey, that have significantly higher outbound volume levels. Based on the size of the market, the outbound stability score of 85 is relatively low, contributing to the low overall lane score.



(FreightWaves SONAR: Raleigh, NC Headhaul Index {white}, national Inbound Tender Reject Index {green} and Raleigh Inbound Tender Reject Index {orange})

The Raleigh market is traditionally a backhaul market as inbound volumes outpace outbound volumes. However, the market is relatively stable as headhaul scores consistently stay in the -10 to -20 range, which is signaled in the inbound stability score of 90. Carriers are reluctant to enter the Raleigh market compared to the national average as shown in the Inbound Tender Reject Index (ITRI), which is a measure of carrier sentiment into a given market.

Combining all of the available data points around the New Haven to Raleigh lane indicates that the lane itself is difficult and that other shippers face similar challenges in the lane. However, underpaying along the lane increases those challenges, making it even more difficult for Shipper X to compete along the lane.

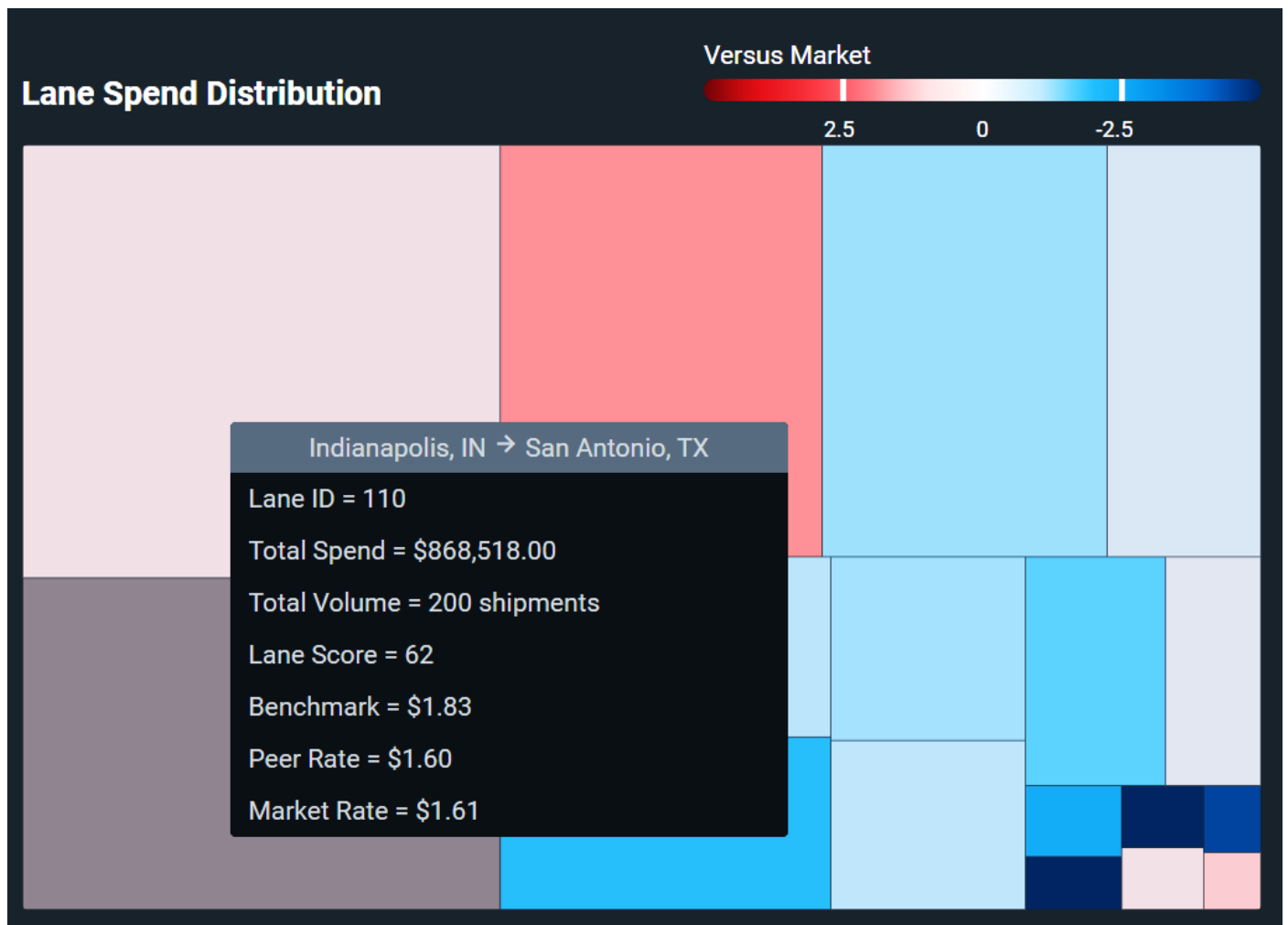
Having the ability to isolate these challenges relieves some pressure when managing an RFP and allows Shipper X to work around and have valuable, targeted conversations with carrier partners.

Use SONAR SCI to focus your bid management efforts on the highest return opportunities

Hypothetical Shipper X is managing a new bid cycle that includes \$5.2 million in spend across 16 unique lane combinations. Utilizing SONAR SCI, Shipper X is able to quantify what portion of its transportation budget is being overpaid across shipper-friendly and stable lanes, and underpaid across carrier-friendly and volatile lanes.

Total Spend \$5,190,654	Unique Lanes 16	Load Count 3,400	Total Miles 2,820,200	Total Carbon 4,771 MT	Unique Origins/Destinations 13/15
Total Spend at Risk ⓘ \$618,054	Overpaying ⓘ \$294,897	View 2 opportunities →		Underpaying ⓘ \$323,156	View 1 opportunities →

Before conducting a review on the entire bid offering, Shipper X wants to pinpoint what lanes are absorbing the greatest amount of its allocated transportation spend. By utilizing the lane spend distribution tree chart, Shipper X can determine that it is overpaying on three of its top lanes in terms of spend (Red tree chart icons).



By drilling into the chart, Shipper X can see that one of its highest spend lanes runs from Indianapolis, IN to San Antonio, TX, and that it is overpaying both the market and its industry peers. The lane score of 62 indicates that the lane is relatively easy for shippers to manage, giving them access to the majority of the pricing power.

Based upon this quick analysis, Shipper X can determine that the Indianapolis to San Antonio lane should be a major point of contention on its next RFP. Because of the high lane score and rate analytics, Shipper X could easily put downward pressure on carrier rates through the next round of negotiations to minimize its transportation spend.

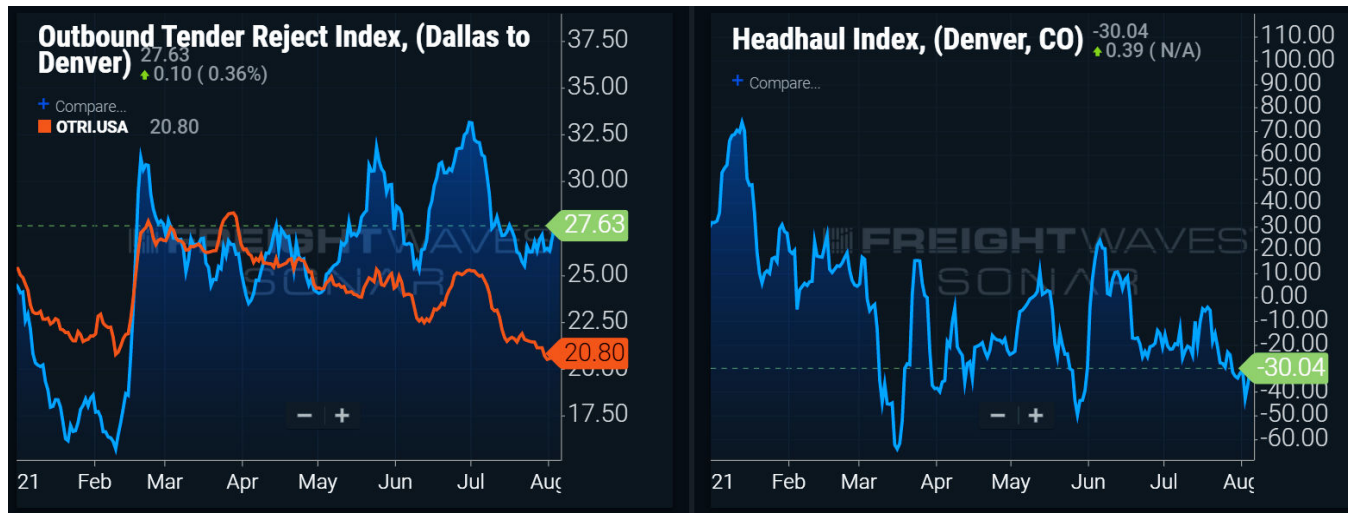
SONAR SCI identifies where allocating your transportation budget will produce the most value

As the trucking market has become more volatile in recent years, more and more shippers have begun gravitating towards mini-bids instead of annual, all-encompassing RFPs. Conducting recurring mini-bids allows shippers to continuously tweak freight contracts, test carriers and easily manage its new and existing supplier portfolio. Regardless of a shipper's incumbent contracts, the supply chain only maintains so much capacity at any given time. SONAR SCI allows shippers to easily identify where to allocate spend to achieve the greatest amount of network fluidity and prevent tender rejections.

For example, Shipper X offers a series of dense lanes within its monthly mini-bids. Included in the offering is a lane from Dallas to Denver, which has a freight spend of \$326,360. We can see below that this lane bears a relatively low lane score of 44, which signifies that it is a fairly difficult lane for shippers to cover. Coincidentally, a lower lane score indicates that a carrier has more negotiating leverage in regard to pricing.

Dallas, TX → Denver, CO		Lane ID 200 VAN			
Benchmark	Market Rate	Versus Market	Peer Rate	Versus Peer	Lane Score
\$2.05	\$2.39	-0.34	\$2.36	-0.31	44
Total Volume 200		MT Carbon 269	Total Miles 159,200	Total Cost \$326,360	

Denver is a heavy consumption market that typically becomes oversupplied with inbound freight, leading many carriers to be reluctant to accept inbound loads. In the example above, hypothetical Shipper X has budgeted this lane for its upcoming mini-bid well below both its peer and market rate benchmarks. At this rate, Shipper X will likely experience compliance issues, with carriers rejecting its tenders at a higher amount relative to its peers.



Investigating this lane further within SONAR, we can see that lane-specific tender rejection rates from Dallas to Denver have become increasingly elevated relative to the national average. This comes as the destination market of Denver has become more severely oversupplied (Headhaul Index becoming more negative since June).

Introducing an RFP when carriers are in power will require additional action by the shipper to ensure attractiveness. In order to effectively hedge the risk of low compliance on this lane, Shipper X should look to increase its benchmark rate to better coincide with or exceed its peers. Additional operational steps can be taken such as guaranteeing high and consistent volumes, extending tender lead times, and allowing for drop & hook capabilities.

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