Sleek Technologies™

Executive Guide

How Reinventing Freight Procurement Will Help Shippers Handle Market Volatility

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Avoid Budget Overages, Poor OTD, Distribution Bottlenecks & Unhappy End Customers.

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Introduction

Successful manufacturers are always on the hunt for ways to reduce cost of goods sold to help drive margin growth. The supply chain offers a smart place to start because it is one big, connected machine that impacts every part of the business. Usually when one element goes off track, consequences are felt throughout. Time and money have been spent to optimize supply chain processes to mitigate risk and limit the slowdown of goods produced and moved.

But there is one critical supply chain process that has remained unchanged and inefficient. Unfortunately, this process is not equipped to handle today's market volatility. Manufacturers across the US continue to use this old, rigid process because no other options exist to replace it- until now!

We are talking about the **freight procurement** process.

Did you know poor freight procurement practices lead to increased freight costs, poor on time delivery (OTD), distribution bottlenecks, and unhappy end customers?

A fully-optimized freight procurement process is necessary to navigate extreme market conditions, and flips. And 2021 is already showing unprecedented activity.

Examining the Traditional Freight Procurement Process

The "traditional" way to procure freight is rigid and static. It fails all parties involved, except for brokers, especially when market prices swing quickly due to swift changes in supply & demand.

Loads move through a systematic waterfall process until they are accepted. When capacity is tight, an inefficient process can take hours to complete putting the entire supply chain at risk.

Here are tell-tale signs that a shipper's freight procurement process is not yet optimized:

MARKET WATCH

Freight capacity remains tight as load volumes remain strong, usually by this time of year capacity softens.

Spot rates are 30% higher year-over-year.

Tender rejection sits above 20%, and is not expected to ease up until rates are renegotiate to fair market price. Renegotiations could increase contract rates by 8-12%.

#1

The process falls apart when contracted carriers reject loads. Shippers spend hours pulling together RFPs to identify contracted carriers. But even contracted freight can take advantage of market fluctuation by shopping the market prior to accepting loads to see if more lucrative freight is available. Unfortunately, the waiting game slows down the entire tender process for the shipper.

#2

Managing shipping costs is a nightmare. Contracted rates grow stale quick, because they are fixed for long periods of time and do not adjust with supply & demand. When there is excess capacity, shippers overpay to haul freight. And when there is no capacity, contracted carriers reject loads causing loads to hit brokers and spot where freight rates jump by 15-30%.

#3

Brokers and spot market are used to move freight. When primary, secondary and tertiary carriers reject loads, shippers have no other option but to turn to brokers or spot, and deal with unresponsiveness, rate hikes, lack of transparency, and poor service.

#4

Deliveries are running late (poor OTD). On time delivery (OTD) is one of the most important metrics to determine freight management performance. The longer a load remains in the waterfall tender process, the more at risk it becomes for late delivery.

#5

There is ZERO rate and carrier visibility. Brokers are not in business to share data, otherwise they would be out of business. The shipper blindly pays a fee, and does not know how much the broker is paid versus the carrier. This leaves the shipper without visibilty to true market cost, and which carrier is hauling for them.

#6

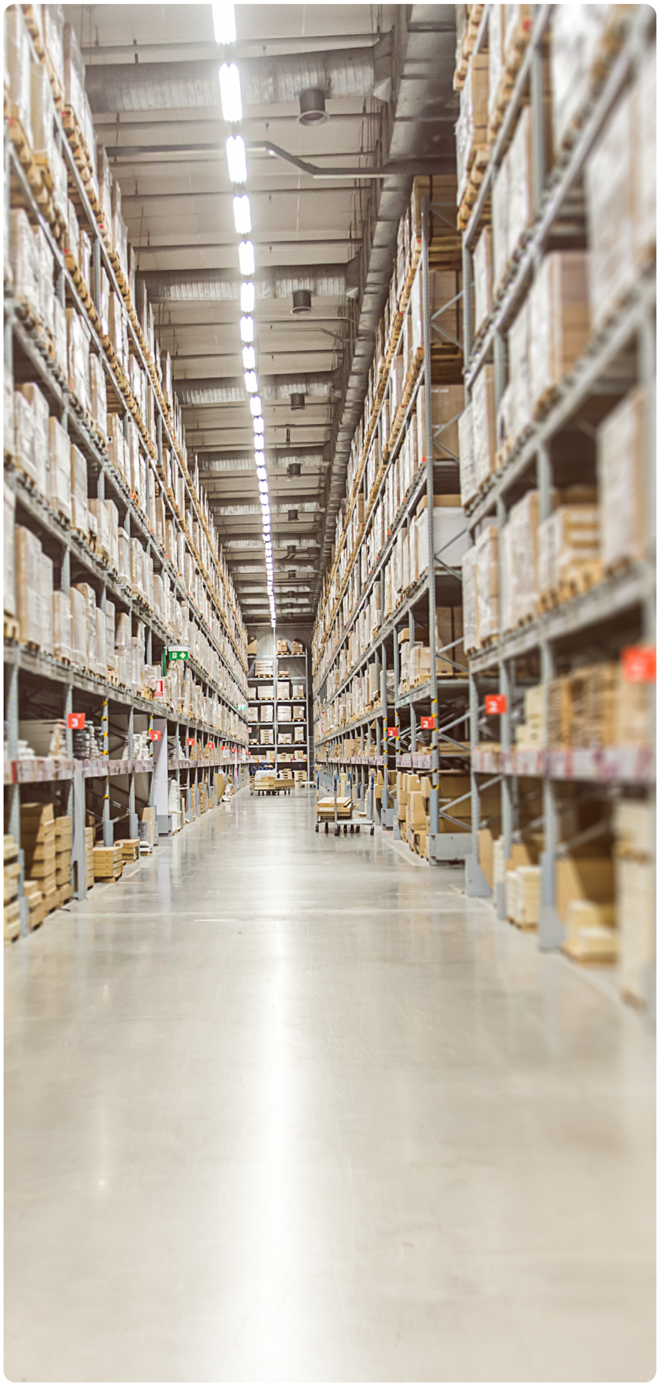
Distribution bottlenecks occur at the docks. All manufacturers experience bottlenecks, so it's important to know where in the chain the hold-up occurs. If goods are produced on time, and ready to ship out, but there are no trucks to move the goods to the next destination, freight procurement is the key culprit.

#7

Sales orders arrive late/ SLAs are not fulfilled. Customer retention is the key to any company's success. White-glove service is no longer a competitive advantage, but a must. Exceeding sales order demands is critical. Afterall, if a shipper can not meet a customer's expectation and deliver goods on time, as promised, the customer will find another supplier who will.

#8

The supply chain offers no competitive advantage. Optimized freight procurement is sure to cut waste. Shippers have found millions of dollars saved in truckload cost and human capital time. These savings can be invested in other supply chain areas to help goods get to market faster and more efficiently than the competition.



The New Standard in Freight Procurement

This is where technology comes into play. Just like other components within the supply chain, technology has optimized the freight procurement process eliminating costs and challenges associated with extreme market unknowns and fluctuation. Late deliveries equal OTIF penalties, as well as missed appointments & unfulfilled SLA's to customers. Those consequences are felt up and down the supply chain, however, software now provides another option for freight procurement.

Here is how software helps and differentiates from brokers and DFBs:

#1

Instead of transactional fees per load, OTS users pay a fixed annual licensing fee. There are no hidden margins/ markups as associated with brokers.

#2

With OTS, users control lane cost by setting rate maximums. Loads that strike at/ below the maximum rate are automatically accepted. The loads are confirmed, and savings are dynamically posted back into the shipper's TMS. OTS data is also used to level-set contracted rates before RFPs.

Nextgen software, called OTS, is the only SaaS solution in market developed to optimize the outdated freight procurement process.

OTS users are achieving industry-leading OTD (95.5%+) and generating truckload savings up to 20%, even in today's volatile freight market.

#3

OTS dynamically opens capacity when needed most, as users configure its role within their TMS process. It can run after carriers reject, or in unison. Once opened, loads are shared directly with carriers who bid on-the-fly. With OTS, carriers set the rates not brokers.

#4

OTS ensures all tenders are "asset-based", opposed to brokers who load grab without a truck in hand. Only the highest-quality carriers are allowed in.

#5

OTS records and shares ALL rate and carrier data on every load. Shippers know who the carrier is, and what they are getting paid. Unlike with a broker who hides this data. Shippers gain actionable rate data to make better, informed freight procurement decisions.

#6

OTS leverage proprietary machine learning algorithms to match the right carrier for each load based on shipper lane attributes, resulting in higher service levels. A shipper's best carrier could be blocked by the broker, whereas OTS removes the broker to open up the relationship.

#6

Although OTS does all the heavy lifting, certain areas may require human intervention to ensure operational excellence. OTS offers world-class, transparent managed services so shippers can avoid things like carrier compliance to focus on other important duties.

Wrap Up

The freight procurement process is complex, and costly. With unpredictable market volatility, every manufacturer should be committed to optimizing this critical supply chain process. Shippers who use the old, static way to procure freight will continue to place the entire chain at risk.

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