Pricing and Bidding Technology: LTL Carrier and Shipper Case Studies

SMC³ Overview

- Provider of Transportation Pricing Data, Technology
  - Pricing Data and Related Technology for Carriers, Shippers, 3PL's, Freight Payment, Consultants and Technology providers
  - Major Products Include CzarLite®, RateWare®, CarrierConnect™, Bid$ense®
- Hosts Industry Educational Conferences and Seminars
  - Events foster advanced learning and peer networking
- Nationwide Organization with over 1,810 members and 10,000+ customers
- Founded in 1935, Headquartered in Peachtree City, Georgia

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SMC³ Overview

- SMC³ builds the rate tariffs for more than 150 LTL transportation providers, including 23 of the top 25
- 49 of the top 50 LSP's use SMC³ products and services
- SMC³ has over 5,000 complete LTL rate tariffs in its library, dating back to the late 1980s
  - Carriers – Yellow, FedEx, UPS, etc.
  - Shippers – GE, Masco, etc.
  - CzarLite
- SMC³ has over 150 complete sets of LTL carriers' points of service and transit time data

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SMC³ Overview

- 298 of the Fortune 500 are customers of SMC³
- 176 of the Fortune 500 license CzarLite (SMC³'s intellectual property and industry standard rate tariff) from SMC³
- Approximately 40% of the LTL freight moving in the United States uses the CzarLite tariff
- All of the top 100 LTL carriers in the United States utilize SMC³ products and services

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Challenges

LTL Carrier Challenges

- Receive multiple bids on a daily basis
- Bids are in many different formats
  - Paper, spreadsheets, word documents, etc.
- Each bid may ask the same question and require a manual response
- Incomplete shipment data
- Incomplete requirements

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LTL Carrier Challenges

- Predetermined freight lanes or bundles which may not match the carriers network, coverage area on needs
- Not all carriers receive the same information at the same time
- Response formats vary widely
- Those conducting the bid may not correctly interpret the carriers response

Shipper Challenges

- Identifying their strategic goals
- Establishing realistic timelines
- Providing accurate and clean data
- Access to technology and tools that will allow them to reach their strategic goals
- Ability to manage pricing at the detailed shipment level

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Shipper Challenges

- Ability to include multiple decision makers or influencers in the process efficiently
- Ability to dissect and analyze multiple carrier responses and see how large or small changes in the awards process impact each location, division and the corporation
- Ability to identify and benchmark savings opportunities

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Technology

Technology

- Paper
- PC Based
- Server Based
- Web Based
- Reverse Auctions
- Bid Tools
- Limited functionality
- Detailed functionality

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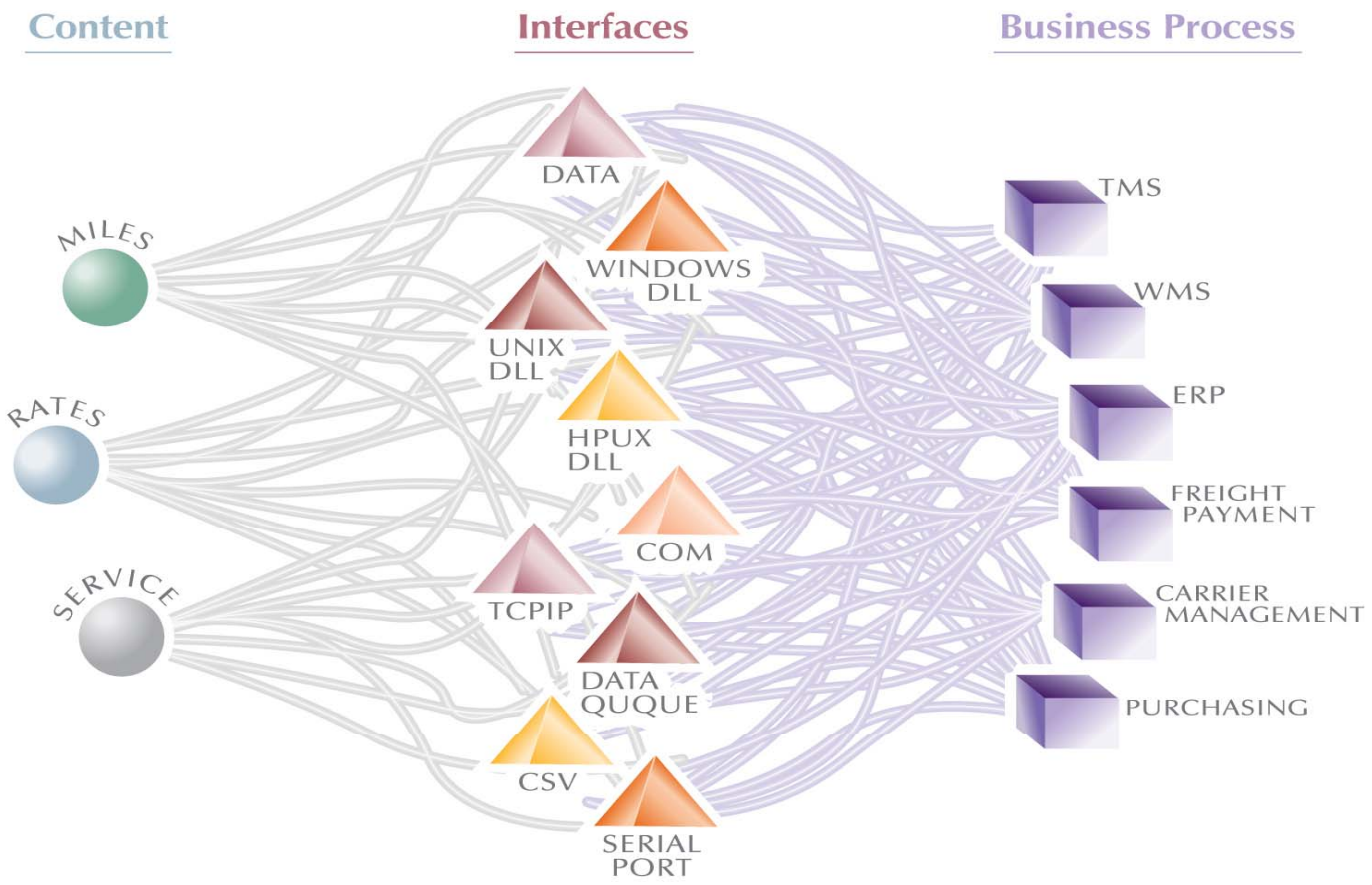
Traditional Technology Model



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LTL Bid Tools

- Should include the ability for carriers to respond with and shippers to do detailed level rate analysis based on
  - FAK's or Tiered FAK's
  - All minimum charges
  - Discount application by lane, weight break, class, etc.
  - Application of all absolute minimum charges
- Provide response analysis capabilities using a combination of criteria and scenarios
  - Cost
  - Transit times
  - Weighting or preferences based on specific responses to specific questions

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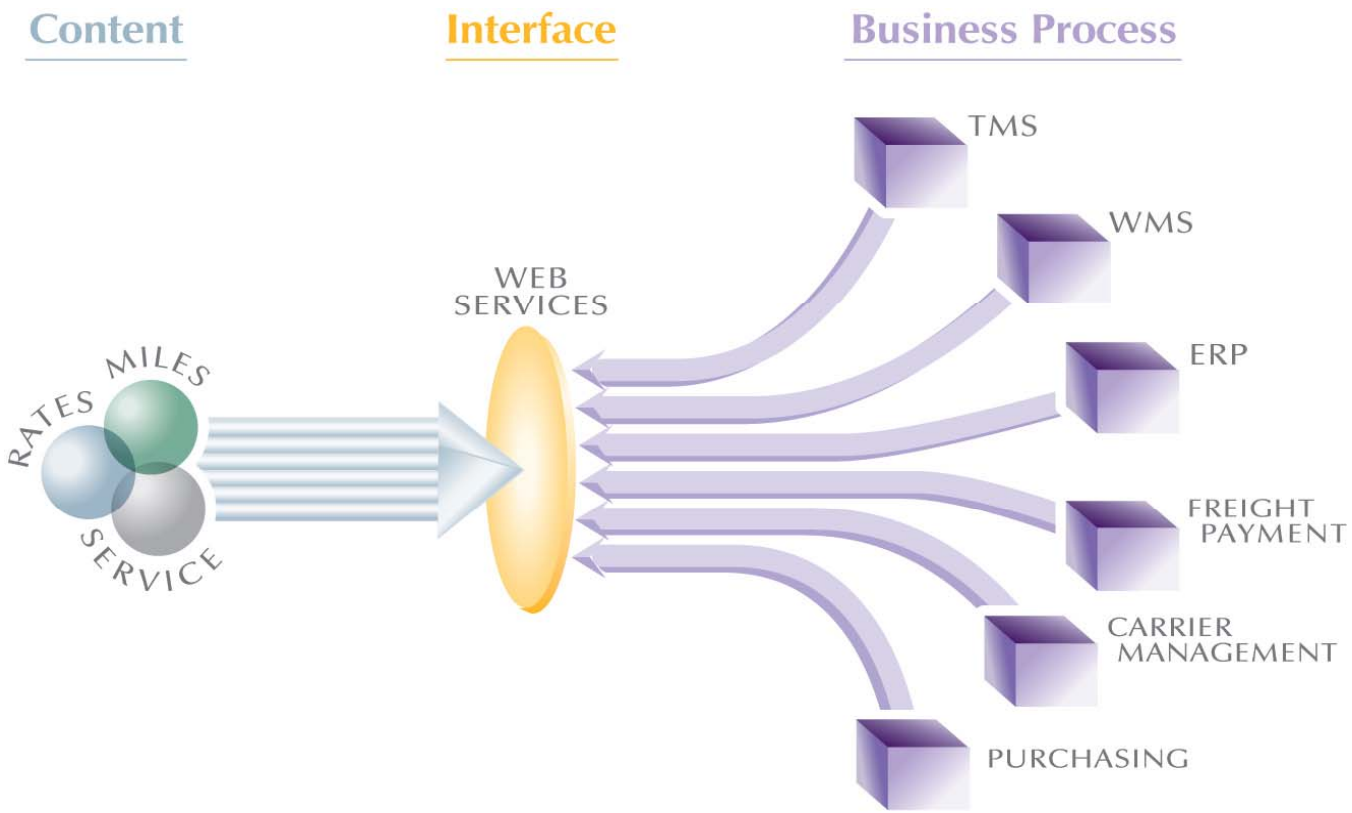
LTL Bid Tools

- Provide the ability for all participants to have the appropriate level of access via secure password and role assignment
  - Shippers
    - Primary decision maker with authority to commit the business
    - Others
  - Carriers
    - Pricing department decision makers with the authority to offer the pricing
    - Support personnel with access to work with the bid request
  - Third Parties conducting bids on behalf of a shipper
- The ability to electronically export the results for loading into the shippers application and benchmarking

Web Services and SOA Technology Model



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Case Study #1

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Case Study #1 – Company Overview

- $2.1 billion publicly traded company
- Manufacturer and Distributor
- Branded and private labeled products sold at major retail and home improvement stores
- Successfully acquired 26 companies in previous 16 years

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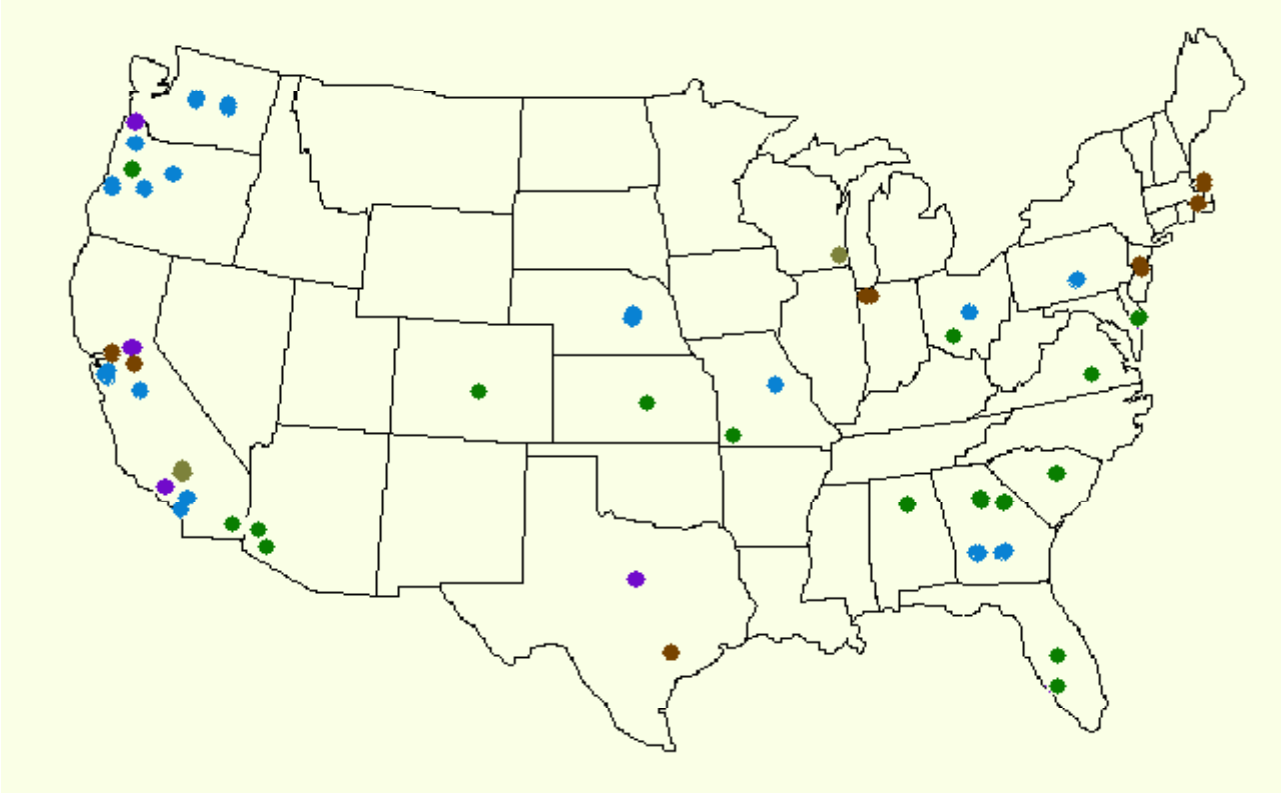
Case Study #1- Situation

- $23.4 million in LTL spend
- 51 locations
- Maverick spend by location
- No internally available shipment data
- No carrier contracts



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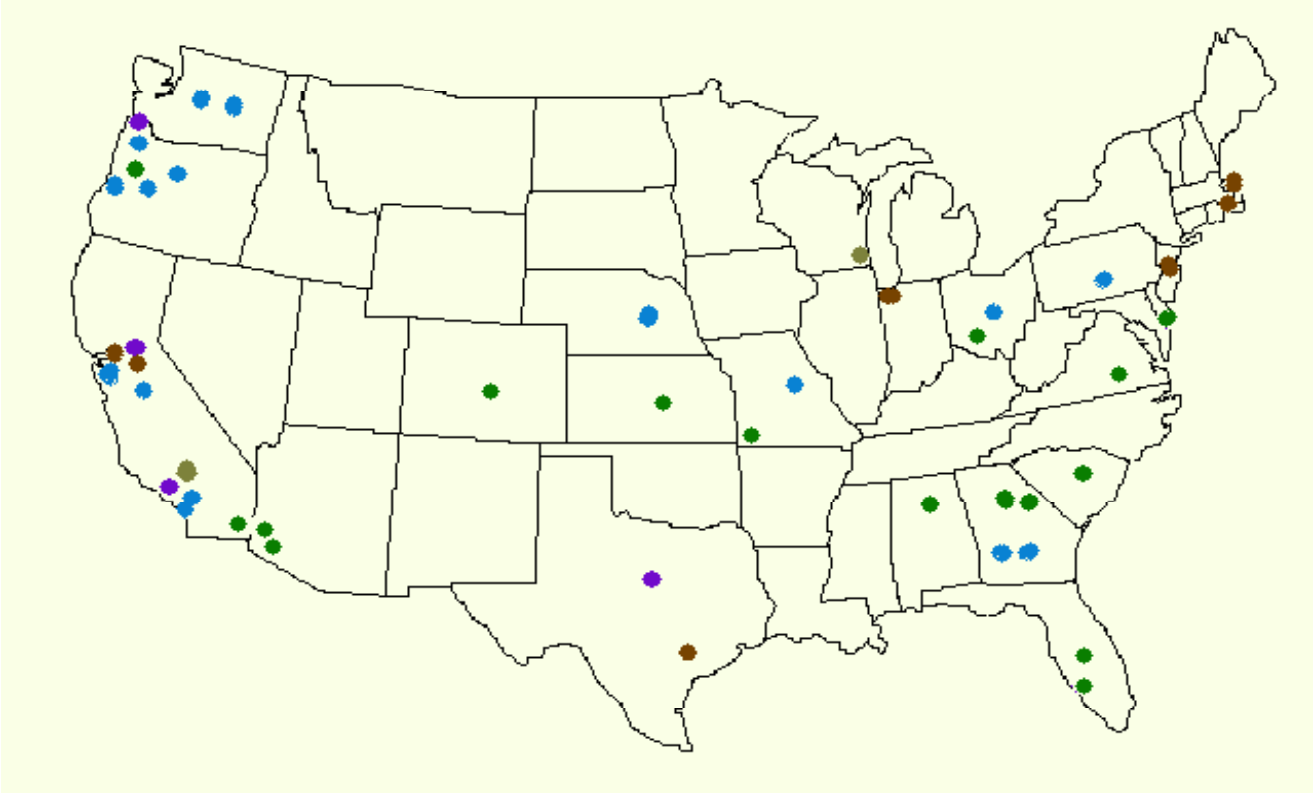
Case Study #1- Situation

- Locations shipping same products at different classes
- 287 different rate tariffs
- 94 different carriers
- Accessorial and fuel surcharges varied by carrier
- Customer routed shipments



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Case Study #1 - Goals

- Reduce and control LTL spend
- Identify winners and losers by company, division and customer
- Implement standard contract
  - Rate base
  - FAK structure
  - Fuel surcharge
  - Accessorials
- Consolidate carrier base

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Case Study #1 - Results

- Implemented a standard contract
  - Reduced time and resources required in their legal department
  - Simpler to implement across all locations
- Implemented one rate base for all locations
  - Allowed for easier carrier pricing comparison
  - Ease of auditing
  - Ease of implementation into applications

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Case Study #1 - Results

- Implemented FAK class structure
  - Allowed for easier carrier pricing comparison
  - Ease of auditing
  - Ease of implementation into applications
- Implemented one fuel agreement
- Reduced carrier base to 15
  - Larger customer with fewer providers
  - Less management and maintenance

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Case Study #1 - Results

- Reduced fuel spend by 34.7%
- Reduced LTL transportation spend by 15.4% ($3,600,000)
- 49 of 51 locations lowered overall spend and goals were adjusted for the other two
- Determined that customer routed freight actually cost more than their new program

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Case Study #2

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Case Study #2 – Company Overview

- $6.3 billion publicly traded company
- Manufacturer providing products to the food and beverage, personal care, cosmetic, healthcare, media and entertainment sectors
- Operations in 29 countries
- Multiple divisions with their own P&L's

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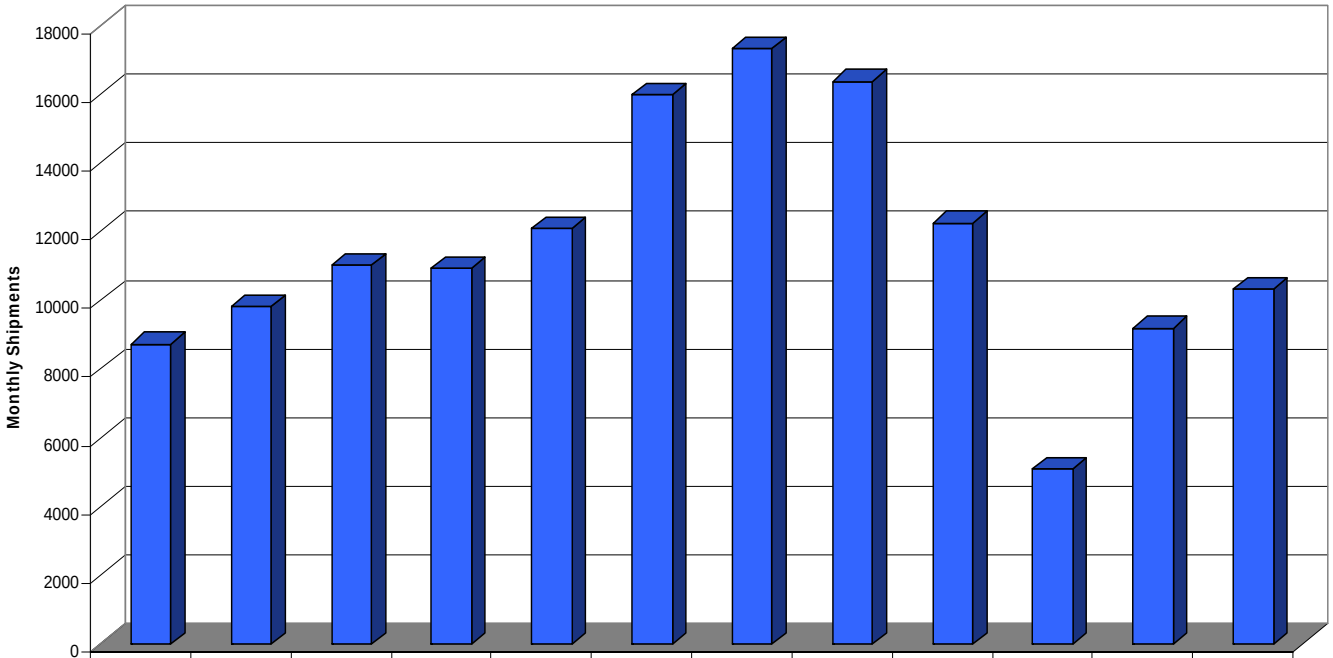
Case Study #2 - Situation

- 140,000 LTL shipments
- 58 origin locations
- 46 carriers



	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
Shipments	8723	9816	11011	10936	12102	15972	17334	16374	12244	5094	9189	10318

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Case Study #2 - Situation

- Individual divisions and locations were skeptical and territorial about conducting a bid especially if the corporate logistics department was going to conduct it
  - Lack of participation and control
  - Impact on individual P&L's and compensation
  - Ego – I already have the best rates
- Carrier contracts were maintained at the division and location level (12 total)

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Case Study #2 - Goals

- Vendor reduction
  - Simplification of transportation management
  - Simplification of transportation network
- Reduce overall LTL transportation spend
- Streamline contract
  - Reduce to one contract per carrier for the entire corporation
  - Standardize accessorials
  - Standardize freight payment terms

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Case Study #2 - Goals

- Involve division and location personnel in the process to create team environment and buy-in
- Match shippers business with carriers strengths and needs

Case Study #2 - Results

- Reduced carriers from 46 to 14
- Streamlined contract from 12 at the divisional level to 1 at the corporate level covering all of the divisions
  - Accessorial charges standardized and loaded into freight management application for the first time
  - Freight payment terms standardized which resulted in the ability to lower freight payment service providers charges

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Case Study #2 - Results

- Each division and key locations had a representative on the decision making team
- The technology allowed for each representative to see the various scenarios and how changes to the scenarios impacted each location, division and the corporation

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Case Study #2 - Results

- Lane and transit time analysis allowed for the shipper to reduce their overall transit times and help to fill empty backhaul lanes for the selected carriers
- The implemented reduction in transportation spend was 9.7%

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Carrier Feedback

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Carrier Feedback

- Shipment level data allows for detailed analysis and more accurate pricing
- Lane level data allows for targeting of specific freight flows to fill empty lanes and improve overall carrier operations
- Standardized bid process creates familiarity and higher productivity among pricing analyst

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Carrier Feedback

- Provides confidence that a carrier has complete information (no more or less than their competitors)
- Bid requests are delivered directly to the carrier pricing department electronically thus ensuring the proper person has the request in a timely manner
- Roles are assigned and the proper resource can work on their portion of the bid without disrupting the work being done by others on the bid
- Carriers are confident that the rate calculations being done by the shippers during the analysis phase are accurate

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Summary

- Spend the appropriate amount of time preparing the bid and understand the strategic results you want to achieve
- Understand the tool you will be using to make sure it allows you to reach your strategic goals
- The integrity of the data plays an important role in the bid process

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Summary

- The best overall result may mean more than just selecting the cheapest carrier on every shipment
- The complexities of LTL pricing dictate that the user actually do the math on every shipment in every scenario to achieve the best overall result

Final Thought

"A good bid tool does not guarantee that you will accomplish your goals. A good strategy and good data are still needed. A good tool will not make up for a bad strategy or bad data."

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Questions

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