



Economy Yields Opportunity To Save on Transportation

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The economy has created an imbalance between transportation supply and demand. In response, carriers are dropping their rates in order to fill trucks. For companies that haven't yet compared their transportation spend to what it can be based on the current market rates, this is a good time to consider putting your freight out for bid. The upper hand has now shifted from the carriers to the shipper.

But proceed carefully. Many shippers report that, in order to win bids, carriers will include overly competitive rates for certain lanes for which they have little intention of accepting tenders. Shippers should also be concerned about serviceability. Ask yourself if you can reliably obtain capacity to cover loads at the rate quoted, or if the carrier can ultimately afford to haul your freight at that rate long term. Unless the rate is sustainable for the carrier, they ultimately won't haul the freight, with the shipper having to seek out more expensive options at execution time, and thus diminishing the value of the rebid in the first place.

Best practices for rebids

Expanding strategic partnerships with a smaller number of reliable carriers is good practice when rebidding freight. Working with carriers with ideal lanes that coincide with your freight demographics generally produces the best results. Once prices go up, you don't want your primary carriers—that is, the ones with the lower rates—to seek out more attractively priced freight.

Apart from costs and demographics, choose carriers based on their reputations for a high tender acceptance rate and excellent on-time pickup and delivery performance. Market knowledge, transportation competency, and technology tools provide a better chance of success when used in a balanced transportation procurement process.

Using an experienced third party can also help achieve realizable freight savings. AMR Research recently met with **Transplace**, a provider of outsourced transportation management services (LSP/3PL). Experts in the transportation market, the company has been helping several of its existing customers analyze freight spend against current market rates. After successfully rebidding one of its customer's freight and being mindful of the other factors necessary to obtain realizable results, Transplace was able to save the company just over 15%.

Still, other companies report they consider freight cost analysis a process they prefer to do in house and on a more continuous basis to ensure they're always getting the best market rates. These companies wouldn't experience such a dramatic one-time savings, though. Whether you choose to use a third party or do it yourself, if you haven't revisited your rates with carriers in the last six months, now is the right time.