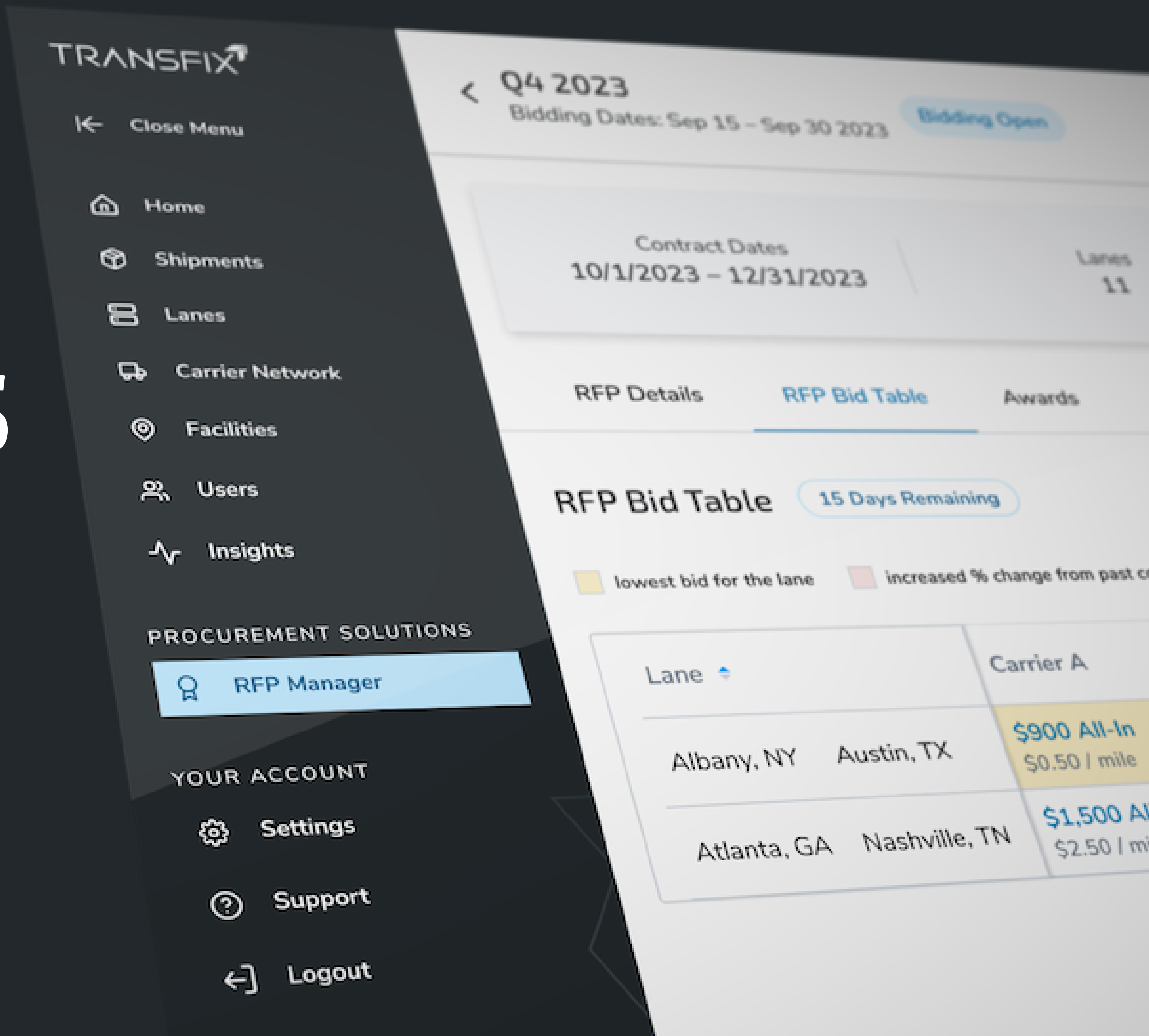
TRANSFIX

The Road to Simpler RFPs

An Insider's Guide to Freight Procurement



Introduction

The traditional annual RFP has long been in need of a makeover – even before the COVID-19 pandemic sent shockwaves throughout the supply chain. From obsolete processes and drawn-out timelines to the inability to capture true-to-market rates and real-time data and analytics, both shippers and carriers experience the expensive and inefficient aspects of the RFP at least once a year.

FreightWaves research from 2022 reveals that 43% of shippers undergo a bidding process for difficult lanes every three to six months. Considering it can take shippers an average of eight weeks to manually complete an RFP, it's no surprise that the majority of shippers acknowledge the problematic aspects of running RFPs. However, from this same FreightWaves study, 36% of shippers still prefer RFPs for sourcing new truckload capacity.

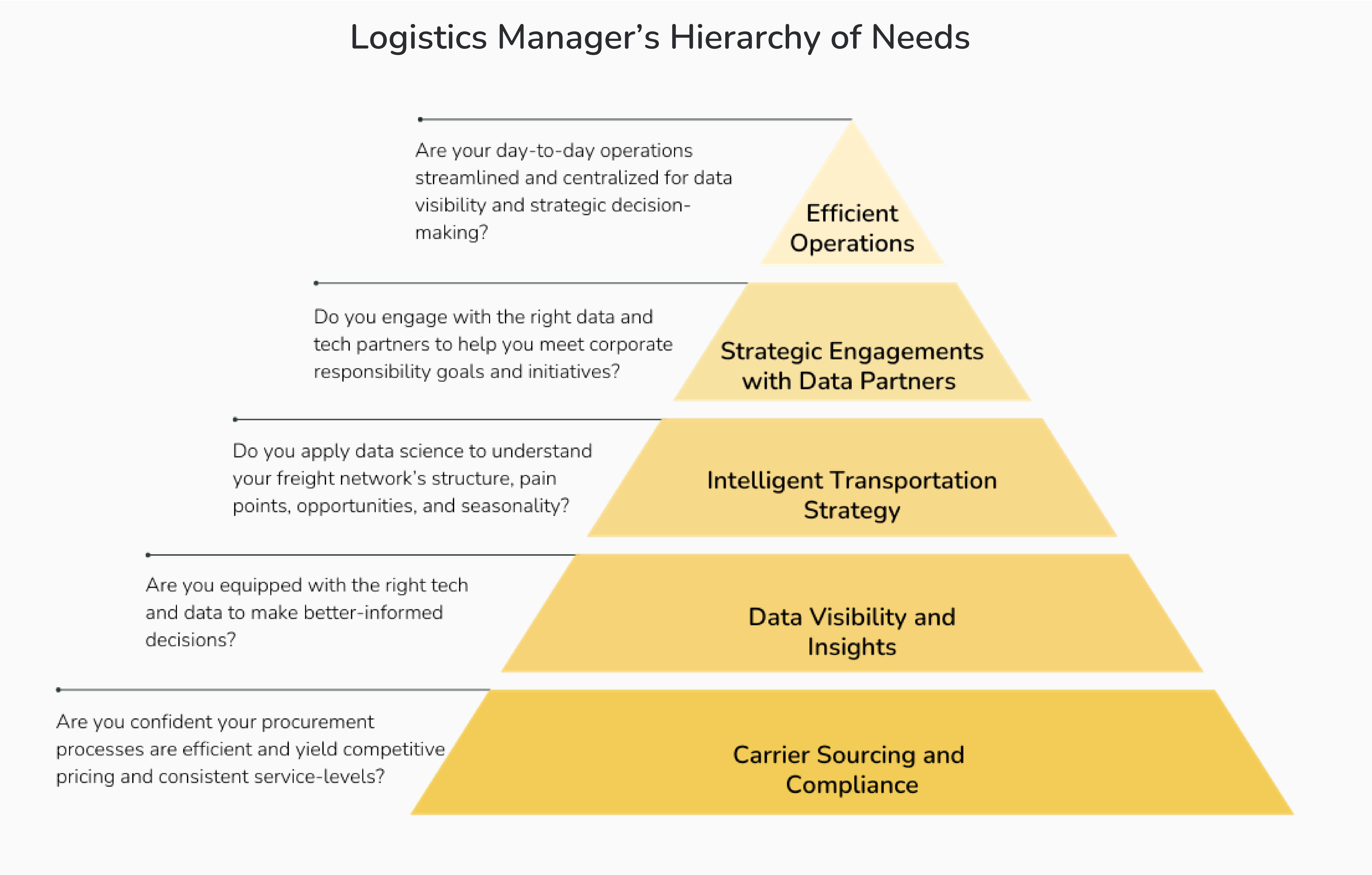
Market instability has led to a reevaluation of RFP processes, which are often costly and cumbersome, and has even further accelerated the need for shippers to pursue shorter contracts, more dynamic pricing options, as well as more flexible and easy-to-use procurement software that supports shippers and carriers in all markets.

And that's exactly why Transfix's RFP Manager was created.

43% of shippers bid on challenging lanes every 3-6 months, with shippers spending an average of 8 hours on each RFP

At Transfix, we believe that the most effective technology is built with real people to solve real problems in the industry. We built RFP Manager – our latest offering in the Transfix Shipper App designed to streamline and automate FTL procurement – after speaking extensively with shippers of all sizes and verticals about their current RFP processes and headaches.

This ebook is a guide for shippers to enhance carrier compliance and logistics team efficiency by integrating macro-economic trends, industry intelligence, and procurement technology into their operations. It also provides some fundamentals for building an intelligent procurement strategy, offers data insights for informed decisions, and presents how Transfix's free RFP Manager software can automate the bid process within the Transfix Shipper App.



I. A Brief Overview of the Traditional RFP

RFP (Request for Proposal) or Request for Quote (RFQ) is a documented bidding process that helps shippers find transportation providers to meet their freight needs. Shippers invite brokers and carriers to bid on their freight lanes after outlining their business goals, distribution needs, pain points, and requirements. The invited providers respond with bids that shippers review and award based on their priorities. The process can take anywhere from a couple weeks to several months, which presents challenges for overhead, communication, and rate competitiveness.

II. How to Build a More Intelligent Spot and Contract Strategy

Step 1: Consider Your Shipping Options

Spot freight pricing provides a more real-time, ad hoc pricing option for shippers, as the rates can fluctuate daily according to market. Shippers will pay a premium for spot rates during tight markets, unlike contract freight, which often is executed via an agreed-upon price that may be above or below current market value. Alternatively, during markets in which trucking capacity is more abundant, they will find lower prices than the current contract rates.

Whether working through a freight broker, load board, or asset carrier, shippers can procure a one-time shipping agreement at the time of need to move at the market rate. The spot market certainly has its benefits, but for those shippers looking to scale with a growing number of lanes across a more complex geographic network, it's likely time to consider more strategic procurement options.

Shippers tend to leverage spot pricing for the three reasons listed below.

3 Reasons Shippers Rely On the Spot Market for Truckload Capacity

1. Their transportation needs are minimal, inconsistent, and difficult to forecast.

2. They have volume beyond their contract agreements. Let's say the summer's temperatures were higher than anticipated, so a water bottle distributor ends up shipping more loads than expected. Those extra loads could be procured from the spot market.

3. Their contracted carriers have rejected loads. During markets of high consumer demand and tight trucking capacity – like the pandemic pressurized market that lasted from mid-2020 to mid-2022 – carriers may reject contracted freight for more lucrative rates on the spot market if the shipper will not pay the higher rate. Where this occurs, the shipper then must find new carriers in their base or on the spot market generally at a higher market price than what was secured during the RFP process. The opposite is also true.

Want to Have Stronger Relationships with Carriers? Let's Talk Contracts.

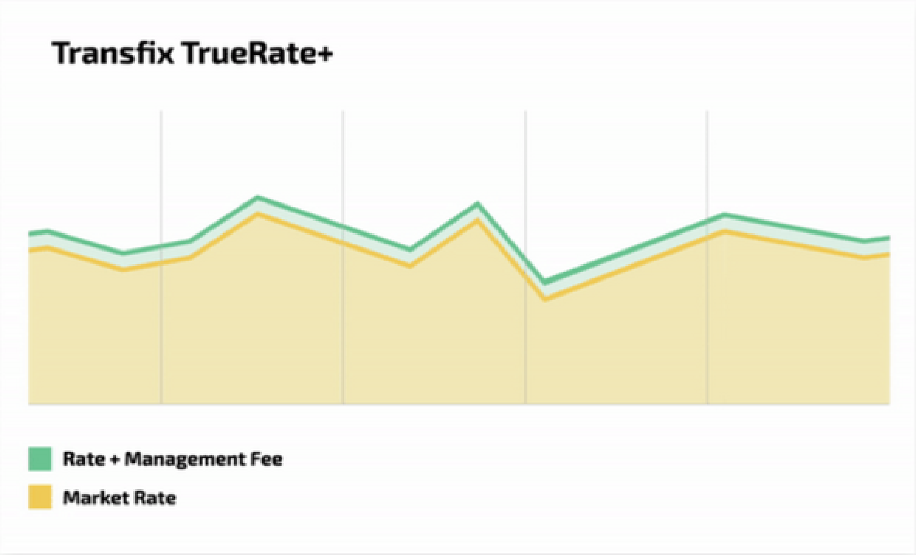
Contract rates, unlike spot rates, are price and volume agreements between shippers and carriers directly or shippers and third party logistics providers, usually established through the issuance of an RFP/RFQ. Usually, contract rates are fixed for a specific lane across a period of time, whether yearly, quarterly, or monthly. While contracts can be broken by either party (shipper or carrier), the price and volume commitments do allow for more precise budgeting and planning.

While RFP/RFQs often allow carriers/brokers to bid on their entire network of lanes for the duration of a year, more shippers these days are participating in mini-bids. Due to capacity imbalances and higher volatility on certain lanes, mini-bids focus on a smaller group of lanes and for shorter durations (weekly, monthly, or quarterly).

While the spot market might offer short-term solutions, investing in relationships with carriers through contracts will increase the likelihood that those same carriers will uphold contract agreements when the market turns in their favor and give some rate/capacity certainty. Also, stronger carrier relationships can mean more consistent service levels and potentially higher percentages for on time pick-up and delivery, which many shippers deem more valuable than getting the lowest price.

Savvy shippers use a mix of spot and contract to get the best of both worlds.

> Another contract-like pricing option is dynamic pricing, which is particularly useful for lanes with high levels of seasonality – lanes that are candidates for frequent rebidding. In the case of dynamic pricing, the broker shares in both risks and benefits and ensures capacity and market competitive pricing – even in times of volatility. Read more about Transfix's dynamic pricing option, Transfix TrueRate+.



Step 2: Set Your Procurement Priorities

Before setting up an RFP, shippers need to understand and identify their priorities and requirements for service providers. Answering these questions will help them in this process:

- How is your incumbent broker/carrier servicing this business? Are they meeting expectations?
- What are your commodities' special needs, e.g., specialized equipment?
- What kind of market seasonality does your commodity experience?
- What is your price versus service criteria?
- What KPIs are you looking to track?
- Do you have technology requirements for your carriers (EDI/API)?
- How is your current TMS serving your business?
- What are your insurance and security requirements?
- Do you have any corporate compliance initiatives to consider, e.g., diversity, sustainability, liability?
- How much of your procurement teams' time is being spent on repricing conversations and negotiations?
- How is this volatility affecting your organization?
- What is your current truckload freight budget? What data points were used to create your budget?

Step 3: Determine How Frequently You Should Run RFPs

When determining the appropriate frequency of RFPs, shippers should consider, among other things, their product mix, distribution network needs, and the related cycles they have previously experienced while also thinking about additional strategies like dynamic pricing or the use of dedicated carriers. Shippers also need to know whether seasonality or overall market capacity is driving prices for their commodities.

Data-driven transportation service providers can assist by participating in a pre-RFP network analysis, where shippers can view market capacity trends and historical seasonality at the lane and network levels. Read more about pre-RFP network analyses in Section III: Why Data Partnerships in Carrier Procurement are So Important.

For Shippers with Predictable Seasonality

Perhaps your shipment volumes are relatively predictable, so predictable in fact that you roughly know the future shipment volume across your network. Take a look at the generally accepted historical patterns of the following three verticals:

- **Building Materials:** Volumes ramp up in late winter and remain steady until fall
- **Food Manufacturing / Grocers:** Volumes ramp up predictably before all major holidays
- **Beverage Distributors:** Volumes peak in summer, with upticks before Cinco de Mayo, Memorial Day, and Fourth of July

If your commodity has a predictable demand pattern, a longer-term RFP timeframe scheduling may be the right choice. However, you should also have short-term capabilities to manage unexpected spikes or declines in volume, such as those caused by the COVID-19 pandemic.

For Shippers with Unpredictable Demand

For big box retailers and other shippers of consumer goods, whose success is more contingent on fickle consumption patterns, predicting demand is not so straightforward.

Predictable Demand Case Study 1:

A beer distributor's sales and volumes spike during the summer, and contracts with carriers can handle this volume based on forecasts. However, if there are more orders than forecasted, it might be hard to move the additional surge. In a softer market, the extra volume is more likely to be covered, and at lower rates. The surge can be handled by the spot market, or the distributor can make use of dynamic pricing (like our Transfix TrueRate+ solution) which can find capacity and a fair market rate.

Predictable Demand Case Study 2:

This shipper moves goods between March and June on the same lane every year – the time frame when that lane is at the bottom of its pricing seasonality. From September to December on that same lane, other shippers push the price much higher. This shipper certainly does not want a yearly contract on that lane, since it will be priced as an average of the monthly rates and the higher rates influencing those averages are not relevant to their shipping needs. A data-driven partner can advise them to complete mini-bids for those lanes to take advantage of the low seasonality or they can hit the spot market.

Unpredictable Demand Case Study:

General merchandise retailers depend on a number of choices that customers make, whether between competitor stores or shopping online vs. in-store. For these companies, data-driven partners can still offer competitive contract rates, but Transfix often advises shorter-term contracts (1 to 3 months), dynamic pricing solutions, or dedicated partnerships with carriers.

- Embracing Agile Pricing: Instituting quarterly and monthly bid cycles allows the shipper to respond more effectively to market shifts, ensuring rates reflect current realities rather than potentially outdated projections.
- Fostering Dedicated Relationships: Developing enduring business relationships with carriers based on volume-based pricing creates a win-win scenario, where reliable service is rewarded with consistent business and carrier portfolio optimization driven by technology.

Predictable Case Study 2 Note: Other shippers who rely on that same lane during the period of its peak rates should be aware of the opposite situation, and possibly spread out their volumes if they can, which could translate to significant savings.

III. Why Data Partnerships in Carrier Procurement Are So Important

Build Predictability Into Your Network at Every Level: Q&A with Transfix's Senior Director of Freight Market Intelligence, Paul Poziumschi

Transfix's Sr. Director of Freight Market Intelligence, Paul Poziumschi, has conducted a wide range of network analyses for shippers of various sizes and verticals, and here, he explains just how this application of data science and freight expertise illuminates and informs more intelligent procurement strategies for shippers. To schedule your own Pre-RFP Analysis, click here.

Q: What is a Pre-RFP Network Analysis?

Poziumschi: The network analysis applies data science to the shipper's network within the bigger frame of national or regional markets. Obviously, the shipper understands their network and its unique dynamics, but we can provide a more granular view of how it fits into the larger network of interactions at a national, regional, and lane level. We can illuminate factors outside their purview and their control that impact their network. The deliverable is an analysis of their freight network's structure, pain points, opportunities, and the impact of seasonality.

Q: What kind of shipper benefits most from a network analysis?

Poziumschi: All shippers do some sort of internal analysis, but depending on size and resources, some shippers have a wider perspective than others to build an accurate view of what happens in their network. While the network analysis is primarily designed for small and medium sized shippers, bigger shippers can learn a lot, especially on lanes or parts of their network where they are not in a dominant position.

Q: What procurement practices do you see shippers pursuing that might not be optimal choices for shippers network?

Poziumschi: Yearly bids are only effective for a subset of lanes. If you have a consistent flow of products throughout the year with minimal variations, then yearly RFPs are a reasonable option. However, given the market's increased volatility and frequent changes, I'm not convinced that yearly RFPs are always the best choice, unless volumes remain constant throughout the year and lanes are not highly variable.

Price volatility is a key factor to consider. Even if 70% to 80% of your business operates on the traditional yearly framework, the remaining 20% to optimization efforts. The problem we've noticed is that even a small percentage of controversial lanes can result in losses that outweigh the savings on other lanes. Many major shippers have already transitioned to clustering lanes and are adopting different pricing mechanisms like mini-bids or Transfix TrueRate+.

Q: Can network analyses help shippers prioritize sustainability alongside their core operational goals?

Poziumschi: Network analysis, at its core, is agnostic, focusing on identifying risks and network structure. However, it inherently supports sustainability efforts because optimizing the network reduces waste, resulting in a more efficient and environmentally friendly operation. While it primarily targets efficiency and risk management, it can be combined with sustainability factors, such as CO2 emissions, to help shippers make more eco-friendly choices. Some shippers already use network analysis to assess sustainability impacts.

Q: What are the short & long term benefits of receiving a Pre-RFP Network Analysis?

Poziumschi: In the short term, network analysis provides support and insights during the RFP process. It helps shippers gain a comprehensive view of their network, facilitating better management of the exercise itself. It also aids in preparing for future market dynamics.

In the long term, network analysis fosters predictability, which is vital in logistics. Considering what may lie ahead allows shippers to optimize their behavior and examine potential changes in their logistics structures. For example, they might build inventories strategically to cope with market fluctuations, potentially leading to changes in warehouse locations. Essentially, it helps shippers control what they can control, ensuring efficient operations both now and in the future.

Improve Network Resilience with Carrier Diversity

While supplier diversity programs have gained more traction in recent years, their history reaches back to the civil rights movement when companies such as General Motors and IBM launched programs that encouraged the inclusion of small businesses with economic and social disadvantages in Federal contracts.

Investment in supplier diversity also allows shippers to nurture carrier relationships and network resilience for times of volatility.

> In the transportation industry, a procurement model that is just looking for the lowest-priced provider, and ignoring other factors, may not provide the shipper with the best long-term result.

“Initiatives like supplier diversity provide access to a wider net of smaller carriers,” said Transfix Senior Director of Freight Market Intelligence, Paul Poziumschi. “As a result, shippers will likely face far fewer fluctuations in capacity, since different types of carriers face unique impacts at each point in the economic cycle. This strategy creates more pricing predictability.”

Begin Tracking Your Diverse Supplier Spend

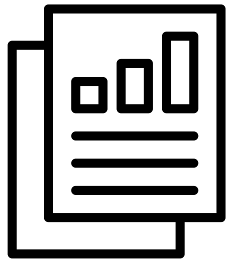
Today, a growing number of companies are investing in supplier diversity programs as a part of their Environmental, Social, and Governance (ESG) targets. According to supplier.io’s annual State of Supplier Diversity Report, from 2021-2022, supplier diversity programs saw double-digit growth. And with the influx of available data, leaders can more easily identify and prioritize spend with diverse suppliers.

- Tier 1 spend applies to diverse suppliers an organization partners with directly.
- Tier 2 spend applies to the diverse suppliers an organization partners with indirectly through a third party.

How do you know a supplier is considered diverse?

Suppliers are generally considered diverse if the business is at least 51% owned and operated by someone (or a group) in one of the following underrepresented groups:

- Veteran-owned businesses (VOSBs)
- Service-disabled veteran-owned businesses (SDVOSBs)
- Women-owned businesses (WBEs)
- Small business enterprises (SBEs)
- LGBTQ owned businesses (LGBTBEs)
- Disability-owned businesses (DOBEs)
- Minority-owned businesses (MBEs)



Read about Transfix's partnership with GRD Trucking, a certified diverse carrier.

Commercial Benefits of Supplier Diversity Programs

According to supplier.io's 2023 State of Supplier Diversity report: "Companies may initially buy into supplier diversity because they want to live their values, but it's clear that it has a positive impact on the business." 66% of their survey respondents said that supplier diversity programs improve their supply chain competitiveness, while 53% said they enhance their brand image. 61% of respondents reported that their senior business leaders were engaged with the company's supplier diversity initiatives.

As shippers' supplier diversity programs mature, there's often more executive engagement, meaning more supplier diversity leaders are regularly meeting with their CEOs and presenting the status of their programs and how their diverse spend has impacted and improved the lives of their communities by measuring the jobs that were created, as well as the wages earned and taxes generated.

Through our reporting partnership with supplier.io, Transfix offers all shippers the ability to track their Tier 2 Diverse Supplier Spend allocation to businesses owned and operated by underrepresented groups, such as women, people of color, and veterans.

> Companies may initially buy into supplier diversity because they want to live their values, but it's clear that it has a positive impact on the business."

Supplier.io's 2023 State of Supplier Diversity Report

Simplify RFP Complexities with Tech Built for Freight Procurement

The majority of shippers still run procurement using manual processes like spreadsheets and emails. One contributing factor, according to 28% of the shippers surveyed by FreightWaves, is the lack of data and IT resources. However, the current procurement technology options aren't boasting an easy alternative. A leading research consultancy describes the current procurement technologies on the market as "fragmented" and "difficult to navigate."

A year ago, Transfix set out to modernize the RFP process. At the core of our development plan was customer research. Among many data points, we examined how shippers are currently approaching the RFP process for freight procurement, the drawbacks associated with each option, and the questions shippers should be asking themselves when choosing a technology partner.

Spreadsheets and Emails: The Hidden Costs of Manual Processes

Manual RFP approaches are labor-intensive, time-consuming, and prone to errors. Industry research has shown that it can take shippers an average of eight weeks to complete a freight RFP, and many identify the general process as a problem area. Further, these old methods lack the agility required to respond to sudden market shifts and don't offer the level of visibility and control modern shippers need.

Some common RFP issues that can arise include:

- Excessive time and effort: Using antiquated processes requires a hefty time investment to manage the RFP cycle.
- Problematic communications: Back and forth with bidders via email (for bid communication, rate negotiations, etc.), takes time and is prone to errors, particularly when confirming lane rates.
- Lack of a single source of truth & team bottlenecks: When multiple team members are managing communications and collecting information, their individual sources are not easily compiled to create routing guides. Some shippers have a single individual responsible for running RFPs to secure rates, making the RFP data difficult to centralize for team use. Without a centralized source of truth, teams may lose sight of contracted lanes and rates, resulting in excess time spent sourcing capacity.
- Difficult analyses: Compiling bids from multiple sources into a single spreadsheet to analyze prices can often lead to error, as it doesn't allow shippers to layer in other data points (e.g., service metrics). Without data insights to provide better market transparency, shippers may struggle to evaluate if they are getting the 'best' rate.
- Information silos and individual dependencies: When/if individuals leave transportation and logistics teams, their institutional knowledge is often lost and new processes have to be spun up, creating further inefficiencies and resulting in less intelligent awards.

Freight Procurement Software

Recently, tech-forward shippers have started to utilize freight procurement software and/or a TMS that purports to resolve many of the aforementioned problems. But, not all software is created equal; and therefore, not all software will deliver procurement teams the solutions to their particular RFP challenges. Some existing software solutions for shippers offer designs that attempt to weave together different products, often resulting in an inefficient workflow— meanwhile general procurement software (not designed for freight) is not designed to handle the complexities of logistics.

So the question remains, what features should shippers look for in their freight procurement software?

- Designed for Logistics: Due to the complexities of the freight market, general procurement software often does not address the needs of transportation teams. Shippers should pick a software solution that's designed specifically for logistics and that allows them to collect more data from their bidders for a smoother, more integrated process.
- User Experience: Some solutions on the market have been created as a 'band-aid solution,' more so than a permanent one. These solutions don't result in a cohesive workflow, and instead, provide transportation teams with a suite of disjointed products that will cause more friction when converting to a new, more long-term system. Shippers should opt for software with an intelligent user experience that works for their transportation team, not against.
- Integration: Similarly, shippers should look for solutions that are adaptable to their current processes and existing systems. Some existing and upcoming freight procurement software packages are not well integrated with other products, siloing RFP data from TMSs. Shippers that are satisfied with their current TMS may opt to pick software that can integrate their data from procurement to tendering.
- Speed to Market: RFPs can be a very time consuming process, but with the right software, shippers can seamlessly turn around RFPs and receive contract prices as quickly as needed.
- Data Insights: Freight procurement software aimed at providing efficient solutions to shippers should go beyond simply presenting bids. Shippers should select software that provides insights into bidder service metrics, provide price comparisons, and more.

Given these product insights and recent conversations with shippers, Transfix put itself to the test to create a procurement tool that not only addresses those requirements, but sets a new standard for freight procurement tech.

IV. Introducing Transfix RFP Manager

It’s awesome giving carriers estimated volumes that vary lane by lane within a given RFP”

“Saves a lot of time when generating RFPs”

“A game-changer”

“Automatically sets up a routing guide after RFP is completed”

“Makes my job a lot easier”

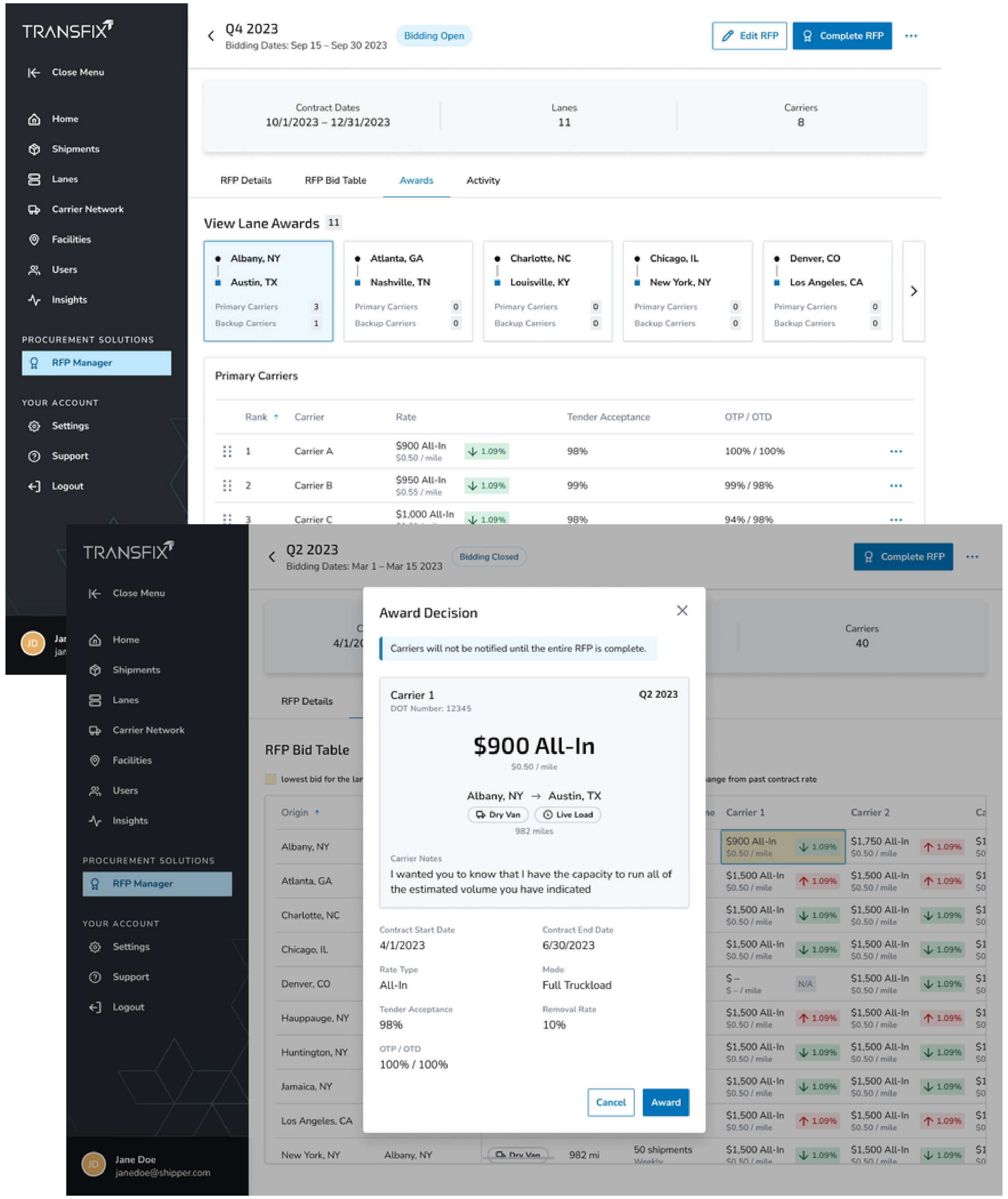
“A second nature process”

“Very easy to use”

“Another great time-saving tool by Transfix”

“I like that you show carrier metrics”

“I love working with Transfix”



As market and capacity fluctuations persist and procurement technology evolves, the writing is on the wall: in order to reap the operational benefits of more flexible procurement strategies, shippers have to abandon the spreadsheets and emails.

For ten years, Transfix has partnered closely with shippers and carriers, nurtured top tech and freight talent, and weathered repeated cycles of volatility. It was time to build a better procurement solution for our industry.

> Unlike most procurement software in the market today, [Transfix RFP Manager]() was specifically built to streamline the often manual and time-consuming RFP and freight procurement process by allowing shippers to complete every step from sourcing to settlement all in one place.

RFP Manager features a centralized dashboard with automated bid management and acceptance workflows combined with powerful analytics capabilities, empowering shippers to partner with their selected carriers at a fair market price, all while reducing the time it typically takes to run an RFP or minibid.

Through RFP Manager's digitalized and automated processes, shippers can now launch an RFP in minutes and invite their selected carriers and brokers to participate in the bidding. Carriers can then access the RFP through their own portal link sent via email and easily submit their bid.

Once the bidding window is closed, shippers can compare carrier bids, get visibility into lane-level pricing insights, and make data-driven award decisions. From there, transportation professionals can immediately begin executing freight in one seamless process – all inside the Transfix Shipper App.

"Market research and a robust beta program were core development milestones that delivered crucial insights and learnings," said Savar Sareen, Senior Product Manager at Transfix. "As a result, we recognized - and prioritized - the importance of building a product that not only streamlined the RFP process, but allowed shippers to feel confident running RFPs more frequently to address the volatility in the market."

Transfix is equipped, with the tech, data, and people, to streamline and supercharge your unique procurement process. RFP Manager is now available, free of charge, to all shippers via the Transfix Shipper App.

For more information about Transfix's RFP Manager, visit **www.transfix.io/rfp-manager**

TRANSFIX