

Catapult Viewpoint:

How to Use Technology to Eliminate Risk and Win More Business From RFQs



Are you an LSP (Logistics Services Provider)?

If so, you know RFQs offer the most direct and effective way for you to win more business and grow.

While RFQs may represent an important opportunity for freight forwarders, 3PL's, brokers, and carriers alike, there's also cost and risk with every bid you participate in. And, for all the effort, there is never a guarantee of winning anything.

The upside of RFQs is obvious – with a favorable bid you get awarded more lanes and loads – and earn more profit. Tenders are a great way to get noticed and gain business from new customers.

The downside to participating in RFQs may not be as obvious, but it exists nonetheless. The opportunity cost of time and resources used to respond to even the simplest tender is real. Manually filling out countless lines in spreadsheets to rate loads coupled with the risk of errors combine to make the choice to simply participate in any RFQ a serious decision not to be taken lightly.

The good news is the majority of wasted resources are preventable and don't have to simply be chalked up to "the cost of doing business" because there are better ways. Furthermore, the solutions are surprisingly simple.

Viewed from the perspective of the party issuing an RFQ, the process is pretty straight forward. The reason is primarily that using technology to issue a bid has become more affordable and the solutions more robust. This is why large and complex bids are increasingly more common in the current market. Software platforms like Combinet and GTNexus, as well as countless third party consultants can take vast amounts of data points and construct huge RFQs. The problem is they are big enough to choke even the most experienced LSP's pricing team.

Another important note is the fact that few of these systems are truly capable of running

multi-modal global freight tenders. This likely means the bid formats that you as a participant receive can be inconsistent and end up being messy to respond to. It also makes how issuers analyze and make decisions difficult and inefficient in their own way – but that is not your problem to deal with.

The challenge remains that most responders are stuck with old "technology" and a process no more advanced than shuffling through disorganized rate contracts and excel spreadsheets. The problem is compounded when many of those same rate sheets are out of date and spreadsheets still require manual inputs.

This process – the best that most LSPs have available – leaves you exposed to the two main risk factors of playing the tender game: errors and wasted time. Both challenges can take many forms and have different solutions.

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Issue #1 Preventing Errors (accuracy matters)

Accuracy is paramount for responding to bids – for obvious reasons. Errors will cost your company business, or worse yet, WIN business you do not want at low or negative margins. Taking steps to eliminate this risk from your RFQ process should be a priority for every LSP. Here are 3 areas to watch out for.

Using a spreadsheets for calculations

Regardless of how an RFQ is issued, chances are spreadsheets are part of your process. At some point your rate data probably needs to be manually entered into an RFQ template. Where there is manual data entry, there are errors – this is a fact. Incorrect assumptions that formulas in any spreadsheet you are using are correct can lead to mistakes as well. Unfortunately spreadsheets are not going anywhere, but creating a process that minimizes rekeying rates or other data, along with a proper QC check, will help reduce mistakes and improve accuracy.

Accounting for GRIs, surcharges, and other fees

Freight rates, especially for tenders involving international ocean shipping are subject to constant fluctuations. These changes come in the form of seemingly random GRIs (General Rate Increases) and other surcharges. Not accounting for these changes means your rates will be wrong. It's important for LSPs to be aware of market trends in both the short and long term. Contract surcharges and announced GRIs are important factors in the short term, but macro-economic trends such as where the price of fuel will be in 12 months is another. Knowledge of the market place

is vital for long term profitability when quoting on bids.

Using a system for rate and contract management

Having a central database for managing your freight rates and contracts is a big step for improving how you respond to bids. This solution overlaps the issue of errors and what we'll discuss next, saving time. A rate and contract management platform is a way to ensure rates are calculated accurately, with all current GRIs and other surcharges applied in real time. It eliminates many of the manual calculations when using spreadsheets and much of the time spent wading through piles of contracts. A good rate management platform will make calculating rates accurate and easy.

Issue #2 Time Savings (work smarter)

Of course, just having a process to prevent errors is only half the battle. You need to do the actual work and complete the RFQ. The time and resources to do that are always significant. Here are 3 things that affect the amount of time a bid can take to complete.

Responses must be formatted to the issuer's template

Once you make sense of your contracts and rates, and actually start filling out the RFQ, you now have to face the fact that no two tenders are ever alike. Your response will need to follow the format given. It's wishful thinking, but if more tenders would follow a consistent format it would make the process easier for responders.

This reinforces the importance of being accurate and efficient with your process of calculating rates which minimizes the amount of time you'll need to complete tenders.

Speed (get more of it)

Time is your biggest cost for responding to an RFQ. Therefore, anything you can do to cut time out of your process is a good thing. Having fast access to your rates is key. A platform for storing and calculating rates will beat out a loose file of rate contracts and excel spreadsheets every time. Reusing written parts of past RFQ responses can save time as well, just make sure the response is the right answer to the question.

Scenario comparisons to maximize margins

Given all the time in the world, it'd be great to compare every pricing scenario that optimizes your rates in each lane in a way that maximizes your overall profit. Knowing where to "give" a little for the overall good would be a great thing. Lacking the time, and we all do, most LSPs will rely on gut feel and other subjective measures to figure this out. Developing a process to objectively evaluate various pricing scenarios is crucial to optimize your profit margins at minimal risk.

There is a common theme here. Finding better ways to work, supported by technology, is the way to overcome the risks associated with responding to RFQs.

A few progressive companies are catching up with how technology, such as Spring Board from Catapult, can be used to support the RFQ process. For them it is increasing win rates, eliminating risk, and ensuring they are focused on the right types of business. Spring Board overcomes the challenges of responding to large complex bids, making it simple by applying the same rate automation technology behind Catapult's QMS™ Rate Management Platform. Users can quickly calculate and apply the same accurate rates on entire bid packages, in the correct bid format. It's freight rate automation on a massive scale.



Visit www.gocatapult.com

Interested in learning more about how the Spring Board platform technology can help you? Contact us today for a free demo on this game-changing tool.

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