



Executive Brief

**A Quick Read: The
Executive's Guide to OTS
(Optimal Transportation
Spend)**

August 2020

The Single Source
of Truth in Truckload
Cost

Executive Summary

Over 70% of TL freight is contracted to primary carriers. Research now shows that shippers are leaving savings on the table by strictly adhering to contracted commitments. Learn how OTS (Optimal Transportation Spend) can provide immediate savings back to shippers.

Through seasonal changes and pandemics, only one thing remains certain in truckload transportation-- the uncertainty of capacity. According to an MIT article titled "Elephants or Goldfish?: An Empirical Analysis of Carrier Reciprocity in Dynamic Freight Markets", a shipper's key performance indicator is often times their *primary carrier's acceptance ratio*, also called PAR.

PAR is defined as the number of loads the carrier accepts compared to the number of loads the carrier won as primary. When a primary carrier's acceptance rate declines, which is common place in tight markets, shippers leverage non-contracted carriers to move their freight. Using non-contracted



carriers usually equates to higher than planned transportation costs which impacts overall business performance. This ebb and flow of carrier availability manifests itself on multiple lines in the P&L, including anything from Cost of Goods Sold (COGS), to revenue per employee, and EBITDA. The uncertain capacity dilemma is one of the biggest triggers to cost overruns within the transportation budget. **This brief will examine how a shipper can obtain a single source of truth in truckload transportation cost.**



Capacity And Cost Implications

Capacity is not only impacted by the elements listed above, it is also impacted by internal processes that are systemic or manual. As the truckload tender process takes place, the average acceptance rate usually sits around 1.6 tenders before a load is accepted. Loads over 125 miles increase dramatically to roughly 2.9 tenders before acceptance (*81% increase*). As the load moves down the waterfall tender process the cost increases on average **15% for the second carrier** and **25% for the third carrier**. For example, a load that should have cost \$1,000 costs the shipper \$1,250. These costs are established in the routing guide; therefore, it is transparent how the cost is derived.

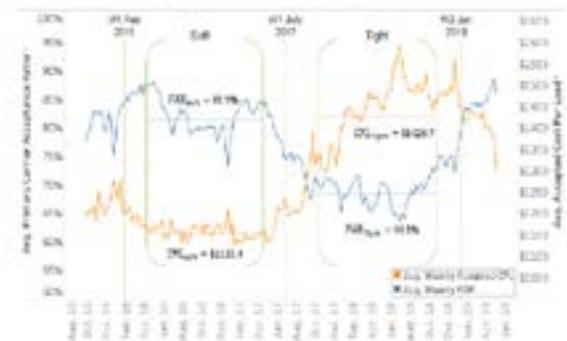


OTS (Optimal Transportation Spend)

Typically, the above scenario is setup as a systemic approach in the TMS that drives the waterfall tender, configured to follow the shipper's routing guide. During times of tight capacity, carriers (even primary ones) are accepting loads that generate the highest revenue. This is when primary tender acceptance rates drop below normal levels. A load that takes longer to move through the waterfall process typically results in:

- Higher costs
- Delays in delivery time
- Manual intervention
- Entering costly spot market

Figure 1: Validated Break Dates, Market Periods, Aggregated Primary Carrier Acceptance Rate (PAR) (left axis), and Accepted Cost Per Load (right axis)



OTS was developed to enhance a shipper's TMS. As the TMS works through tendering, via the routing guide, OTS dynamically opens up additional capacity and matches loads to carriers that comply with the shipper's specific load attributes, such as but not limited to: insurance, size of conveyance, drop versus live load, on-time %, etc.

Setting A Desired Lane Price

Based on the shipper's customized configuration, each route contains a predefined price set by the shipper. *The shipper has*



complete control and visibility to true market cost when establishing a lane's desired price. So now, when primary carriers with contracted rates reject freight, shippers can leverage OTS and determine their desired price to avoid price gouging.

Check out the example below:

Contracted Rate	\$1,000
Shipper's Configured/ Desired Price	\$800
Sleek OTS Carrier Bid	\$750
Shipper Savings	\$250

In Closing

OTS provides a single source of truth in truckload spend. Shippers can leverage OTS to remove silos and roadblocks associated with the TMS tendering process. Shippers have control when setting truckload price, and gain 100% rate transparency so they no longer need to deal with the opaqueness of brokers. Lane specific data collected can also be integrated into supply chain visibility solutions, control towers, and ERP's, providing load location, pickup/delivery times, and tender acceptance rates. Running freight through OTS will help a shipper control costs and access additional capacity to ensure goods arrive on time.





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