



Executive Guide for Non-Logistics Decision Makers

Understanding Freight Procurement Pitfalls
And How To Overcome Them

This guide helps non-logistics executives understand freight procurement challenges, and how forward-thinking shippers have advanced the process to gain competitive advantage.



Introduction: What is Freight Procurement?

Also referred to as transportation management, freight procurement is the process of selecting and securing trucks & drivers (also known as carriers) to move company goods (also known as loads, shipments or freight) from one location to another.

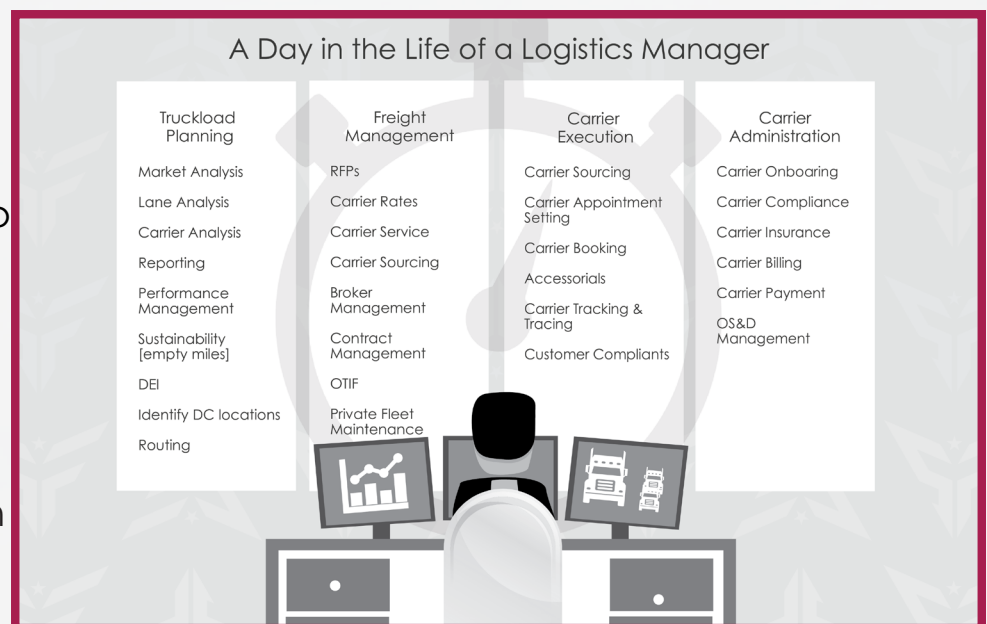
This critical supply chain process is usually managed by the logistics department. Success metrics include OTD % (on time delivery) and managing truckload cost. This may

sound easy, but most teams lack dynamic tools and real-time insights. They are also understaffed which means they can not keep up with the plethora of daily tasks they are assigned. Some of these tasks are identified in image 1.

Simply put, transportation teams are on overload. They are trying to keep their heads above water

to stay afloat. Unfortunately, this leaves very little time and energy to think about and improve upon freight procurement processes. Lack of resources is one of the key reasons why transportation is forced to restrict the number of carriers they interact with. They place all their eggs in one basket by relying on less than 6% of the total truck universe. This makes it impossible to achieve their goals of delivering goods on time at fair market cost.

IMAGE 1



Quick Fact

Transportation teams are buried in mundane tasks. For example, it takes hours to on-board a new carrier partner, when it should take minutes.



The Freight Market Fluctuates Like The Stock Market

Before we dive into pitfalls, one must understand that the freight market is similar to the stock market. Pricing is dictated by supply and demand.

- **Supply** is defined as the number of carriers available.
- **Demand** is defined as the amount of freight that needs to move.

The balance between supply and demand can change at any moment due to a variety of factors, including but not limited to the economy, natural disasters, labor strikes and seasonality.

Remaining static isn't sustainable because freight supply and demand hardly come into equilibrium.

Quick Fact

Constant shifts in supply and demand cause freight market dynamics to change instantly... leading to massive swings in truckload cost.

Soft freight market conditions are expected to continue through 2H 2023 as inventory levels normalize post pandemic. But as small carriers idle trucks due to higher operational/ fuel costs, and if there is a healthy seasonal spike with Spring produce, supply and demand could tighten sooner. *It's anyone's guess.*



Freight Procurement Mindsets, Processes And Tools Have Not Advanced

Successful leaders know that continuous improvement is needed to reduce waste and increase profitability. Understanding the latest technological advancements and embracing the need for change are key ingredients. Logistics has been slow to embrace change because of the level of complexity and intricacy involved. And transportation teams, being on overload, continue to use the same old processes to feed the “monster”. This cycle is risky, especially knowing that transportation can account for 10-15% of a company's total expenses.

If the transportation team's mindset, processes, and/or tools have not evolved in recent years they are handcuffing the company. With heightened customer demands, more competition, and unprecedented disruption, traditional freight procurement processes can no longer keep up. Now more than ever, these processes need to evolve and shift from static to dynamic.

Quick Fact

Departments with mindsets, processes, and/or tools that have gone unchanged in recent years are high potential cost reduction opportunities.

Antiquated Freight Market Processes Still in Use

Even though new tools exist, there are many decade's old freight procurement processes still in use today by transportation teams to find, vet and transact with carriers. Each of the following procedures should be on the continuous improvement radar for 2023. Let's dive into each process to better understand what it is and why it is out-dated.

- Process 1: Tender Waterfall
- Process 2: Transportation RFPs
- Process 3: Freight Brokers
- Process 4: Private Fleets
- Process 5: Carrier Management

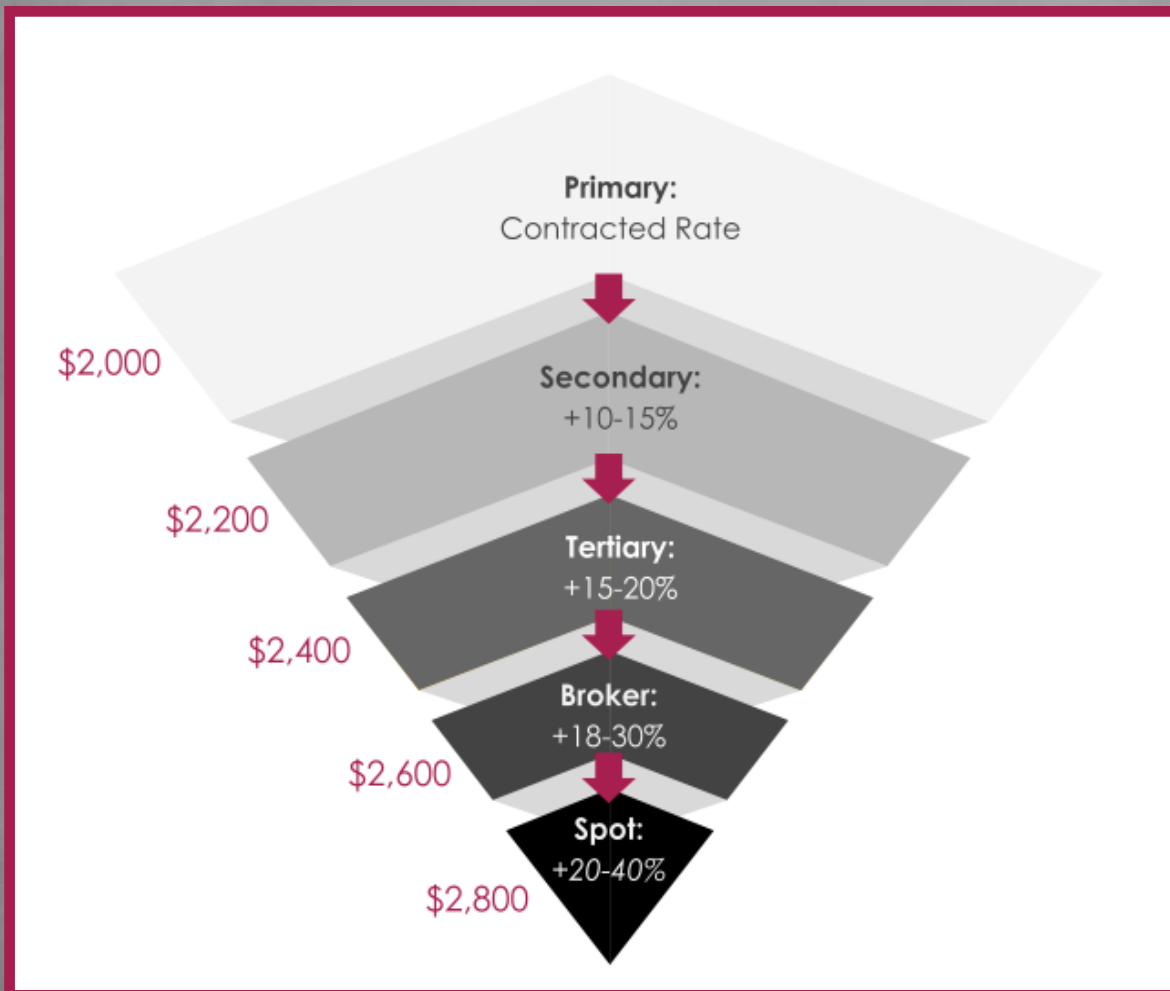


Process 1: Tender Waterfall

Defined as a predetermined order of how freight is offered (tendered) to carriers. Shippers usually offer freight to contracted carriers first (also known as primary, protected or preferred carriers). If they reject the load, the load is then offered to the next tier of carriers. The process goes on until the freight is accepted.

Quick Fact:

This process is linear. As time passes, price goes up and service (on time delivery) goes down. It can take hours or days to complete, when it should take seconds.



Process 2: Transportation RFPs

A transportation request for proposal (RFP) invites carriers to submit pricing for transportation services. If agreed upon, pricing is locked in for a specific period of time (annually, semi-annually or quarterly). Some shippers have added mini bids which lock in rates for shorter periods of time.

Quick Fact:

Here's the caveat, contracted carriers are not obligated to accept loads. They can reject loads at contracted pricing, and then later pick up the same load in spot at a much higher price. When loads are accepted, it is a tell-tale sign the shipper is overpaying.

Process 3: Freight Brokers

Freight brokers act as intermediaries between a shipper and a carrier, arranging the transport of goods. They are often used as a safety net when contracted carriers reject loads.

Quick Fact:

The best carrier should be matched to every load, but brokers accept loads without assets in hand-- with the end goal to earn the biggest hidden margin possible-- resulting in increased truckload cost and poor service levels (on time delivery).

Process 4: Private Fleets

Private fleets are company-owned drivers and trucks used to ship goods that offer guaranteed freight capacity and end-to-end visibility.

Quick Fact:

Private fleets are great for high, recurring load volume. However, they are expensive to maintain, come with added risk (accidents) and take time and energy away from core business.



Process 5: Carrier/Supplier Management

Defined as the process of managing carrier relationships with a goal to ensure the company is getting the best value for its money and that carriers are meeting their contractual obligations. The more carriers a shipper relies on, the more difficult it becomes to manage them.

Quick Fact:

It should take minutes to pull a report that uncovers which carriers are under and over performing, but most shippers don't have the right technology, data, or insights.

Freight Procurement Innovations

Technological innovations have helped most industries advance. The \$800 billion dollar trucking industry should be no different. Here are recent advancements that have helped large shippers uncover:

resilience sustainability cost reduction
opportunities within their supply chain.

Innovative 1: Freight Procurement Automation



Forward-thinking shippers have supplemented RFPs, and brokers, with [AI-powered SaaS technology](#) that dynamically matches loads to the right carrier... at the right time... and at the right price.

By doing so, shippers have reduced labor cost by 30%, reduced truckload cost up to 20%, and strengthened on-time delivery (OTD) to 98%+.

Check out these two case studies...



A Sleek Success Story: Milk Specialties Global

MSG is a \$725M manufacturer of hydrolysates, milk, and specialty protein products headquartered in Eden Prairie, Minnesota.

The Challenge

MSG was struggling with fluctuating truckload costs. They did not have tools to properly identify true market cost, and therefore did not know when/if they were over or under paying to ship goods. .

The Solution

MSG seamlessly integrated freight procurement automation software into their TMS. By dynamically sourcing the right carrier, at the right time, and the right price, MSG was empowered to deliver goods on time, and at fair market cost- no matter freight market conditions. Plus, they advanced sustainability efforts by reducing carbon emissions which is a top company initiative.

The Results

A complimentary lane assessment, which used a year's worth of MSG data across 6k loads, revealed that freight procurement automation would reduce truckload cost by 17%+.

The pilot went live on 9/9/22, and for the month of September, MSG generated 12.3% in truckload savings, while delivering 100% OTD. As AI learned, and as carriers became familiar with the cargo, October's savings jumped to 17.9%, and OTD still remained at 100%.

Automation has generated a 4X ROI in as little as 30 days, which will pay their SaaS licensing fee for the entire year.

SEPTEMBER		OCTOBER	
Loads Moved	48	Loads Moved	87
Truckload Savings	12.3%	Truckload Savings	17.9%
OTD	100%	OTD	100%

"Implementation was easy and the impact on time savings has been huge."
- Randy Klein, Transportation Director at Milk Specialties Global

A Sleek Success Story: AdvanSix [ASIX NYSE]

AdvanSix is a \$1.1B manufacturer of nylon 6 resin, chemical intermediates and ammonium sulfate fertilizer, headquartered in New Jersey.

The Challenge

Over the last 12 months, manufacturers have struggled with unprecedented supply chain disruption. They are expected to do more, with less people. AdvanSix has struggled to balance fluctuating transportation costs & capacity, while meeting customer service levels.

The Solution

AdvanSix seamlessly integrated freight procurement automation software into their TMS. By replacing outdated freight procurement procedures, AdvanSix dynamically sourced compliant asset-based capacity eliminating the need for time-consuming RFPs and money hungry brokers. And with 100% data transparency, AdvanSix obtained actionable freight data to level-set contracted rates.

The Results

Automation successfully moved loads in both tight & soft markets providing both **truckload savings [11% & 24%]** & **industry-best OTD [98%]**.

As time went on, and more data was collected/ analyzed, AI grew more intelligent honing in on the right carrier, at the right time, the right place & the right price resulting in increased savings.

"At AdvanSix, we are keenly focused on disciplined execution to meet the needs of our customers, and leveraging best-in-class tools like Sleek Technologies to navigate an increasingly challenging logistical environment." - Michael Preston, SVP & CFO at AdvanSix

Tight Market [Nov 2021 - Feb 2022]

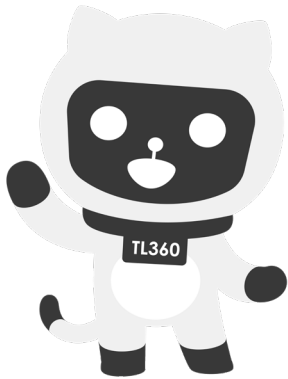
Loads Moved	76
Freight Under Mgmt	\$193K
Dollars Saved	\$22K
% Savings	11%
% On Time Delivery	98%
% Repeat Carriers	50%

Soft Market [Mar 2022 - June 2022]

Loads Moved	92
Freight Under Mgmt	\$224K
Dollars Saved	\$53K
% Savings	24%
% On Time Delivery	98%
% Repeat Carriers	60%



Innovative 2: Advanced Freight Procurement Data



Gaps exist in transportation reporting. Most shippers rely on historical 1st party data, and/or market averages to make important transportation decisions. Without actionable, real-time data, teams can not respond quickly to unexpected changes in supply and demand.

With the onset of automation, data collection and centralization has occurred. Shippers can now obtain 100% data transparency to make informed, data-driven decisions. Reports can be filtered to effectively report up and out.



Quick Fact

Transportation teams do not have data which instantly identifies which carriers, lanes, or locations need to be optimized.

Conclusion

When freight procurement is optimized, company goods are always delivered on time, at a fair market price. Transportation can account for 10% -15% of a company's total cost, this is why it is imperative that all key decision makers—especially non-logistics executives- understand why and how to continuously improve upon freight procurement processes. A lack of understanding will continue to lead to inefficient supply chain operations, excessive costs, missed delivery dates, and customer dissatisfaction.

For more information on how to automate freight procurement and obtain 100% data transparency, visit www.sleek-technologies.com.





We are the leader in freight procurement
automation.

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