



# Finding The Path To Data-Driven Freight Procurement

Learn how to obtain actionable data to make stronger freight procurement decisions.



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## Introduction

The logistics industry-- and freight procurement, specifically-- is as complex and competitive as ever before. From navigating the ebb and flow of available capacity, to adapting to the real-time environment that the logistics world has become, the world of freight procurement is a far cry from where it was even just a few short years ago.

This has resulted in a massive push among shippers to adopt more sophisticated technologies-- such as the cloud, machine learning and AI-- to overhaul their operations, make their decision-making smarter and their organizations more agile and prepared for the freight procurement landscape of tomorrow. The problem is that embracing these tools-- especially when an organization has long-standing traditional processes in place-- can be overwhelming. Moreover, jumping in blindly and choosing the wrong tools and infrastructure can have devastating financial consequences.

In addition, several well-established barriers stand in the way of shippers receiving access to the actionable intelligence needed for modern freight procurement success.

**This paper will lay out key considerations, benefits and hurdles for shippers who are looking to revamp their data operations and push their freight procurement results to the next level.**



## Setting the Scene: Why Now for Data?

According to [TransportationInsight](#), truckload costs will increase another 5-7% in 2022 due to a barrage of ongoing supply chain disruptions, which include worker shortages, port congestion, and rising gas prices. Knowing transportation costs can account for roughly 10% of a company's cost of goods sold (COGS), now is the time to uncover opportunities to reduce logistics costs. Optimizing freight procurement has become essential for business efficiency. And leaving freight procurement unchecked may result in far-reaching consequences on a company's overall financial health.



Transportation  
can account for  
10% of COGS.

For many shippers, optimizing freight procurement has been challenging. Known for its deliberate and slow-moving approach to technology, many logistics professionals are still relying on outdated methods-- such as Excel spreadsheets and historical data tables-- to facilitate their freight procurement operations. In addition, those who have started to embrace more dynamic data still often times only have a partial view of their truckload activity due to lack of data transparency and sharing from third-party partners.

This has created an environment where it's virtually impossible for shippers to make data-driven decisions that are reflective of real-time, unfolding freight market conditions. However, as a result of COVID-fueled digital transformation efforts throughout the business world, shippers have become increasingly aware of the data gap they've long endured, and how it's wreaking havoc on their operations. Given how stressed margins are as a result of the pandemic, shippers are rapidly looking for ways to close their data gaps and embrace strategies and tools that drive both performance and value.



And in logistics, this requires procurement teams to lean into data science, intelligent automation and real-time data to lock in value-driven capacity and make decisions grounded in fact, not just instinct.

## Where to Begin: Asking the Right Questions

Recognizing that you're ready for a data operations overhaul is only part of the equation. Once shippers believe they're set to embark on this new strategy, it's imperative that they begin their journey by asking the right questions to assess their needs and desired outcomes. Having a data infrastructure in place that tackles all the needs that each business department has is a must to help shippers build the most effective data infrastructure possible.

With that in mind, here's a brief snapshot of some of the key questions that each business arm and department head should be asking as they look to ramp-up their freight procurement data operations:

### C-Suite Execs

1. How big of an impact does transportation costs have on company COGS?
2. Is transportation fully optimized to maintain competitive advantage?
3. Do transportation efforts support sustainability goals?

### Procurement Team

1. Are transportation costs inline with the market?
2. Does transportation have solutions to perform job successfully?
3. How much revenue are we losing due to transportation issues?



## Customer Team

1. Are we losing accounts due to late deliveries (poor OTD)?
2. Which customers cost too much to service?
3. Why do some customers cost more than others?

## Operations Team

1. How does transportation impact the production line?
2. When is transportation most likely to cause production bottlenecks so we can best prepare?

## Transportation Team

1. How can I beat my budget and deliver product on time?
2. How do I optimize my carrier network by knowing who to keep, add or drop?
3. Which lanes am I overpaying and underpaying on?

Many of these questions might seem like no-brainers. But history is littered with shippers who've jumped into major strategic decisions without the proper preparation and planning, and it's cost them a great deal of time and money.





## Understanding Where the Data Issues Begin

Large shippers have become accustomed to their way of doing business. But for too long, this has meant “operating in the dark.” While virtually every other industry from financial services to retail has seen a dramatic boost in overall efficiency as a result of data innovation, the logistics industry by-and-large still relies heavily on rudimentary insights. But trying to assess exactly which hurdles hinder shippers is easier said than done, given it’s very hard to *know what you don’t know* in the data world.

Here are common data hurdles every shipper should keep in mind:

### Transparency

Transparency is arguably the foremost issue that shippers encounter relating to procurement data -- particularly when it comes to alternate procurement. And in an industry with multiple moving pieces, it is important for shippers to see the complete picture so they avoid poor decision-making which could negatively impact supply chain efficiency.

Many third-party providers tend to offer only meager reporting, so shippers are often left with little actionable data they can use to assess market developments and make intelligent freight procurement decisions.

### Internal Infrastructure

Despite innovations, such as cloud computing and data science, many shippers still operate on-premise and without dynamic data science tools. This means they lack the ability to effectively collaborate with other employees, making it impossible to share insights and build more holistic strategies.

Smart collaboration tools centralize communications, making it possible for non-transportation teams, such as operations or customer success, to elevate and report on important transportation matters for quick resolve.

### Silos

Having your finger on the pulse of COGS is second nature to all successful business leaders today. However, for all the attention paid to traditional COGS components, like materials and labor costs, transportation costs may be separated out and not considered in COGS analysis and decision-making.

If transportation costs are not part of the COGS framework, they may not be on leadership’s radar. This could signal that transportation is not seen as a priority, or an area for cost reduction opportunities.

### Data Volume

According to SG Analytics, 2.5 quintillion bytes of data are generated each day. And as the world becomes more connected, data creation will soar. This is a problem for logistics teams who are just beginning to embark on digital transformation.

With hundreds of different freight procurement data points such as price, tender acceptance and rejection, load information, regional data, carrier insights, on-time delivery, fuel usage and many more. This all creates a deluge of insights that can be challenging to not just gather, but also parse through and synthesize.



## Building an Actionable Data Foundation

There's no denying that tackling all these hurdles to glean the data that shippers need can be overwhelming. But with the right strategy in place, it's not just absolutely doable, but can be accomplished very quickly.

Here are a few fundamentals that shippers can put in place to transform themselves into actionable data-driven freight procurement powerhouses.



### Shift to the Cloud

Spending on the cloud in 2021 is set to hit a record \$332.8 billion, according to [Gartner](#). And for good reason. Opening a whole new level of operational flexibility and collaboration, the cloud makes it possible for shippers to establish a constantly evolving, non-siloed computing infrastructure. For decades, organizations have been hemmed in by the limits of their on-premises infrastructure. But this doesn't have to be the case anymore. With the cloud, organizations have the power to scale up and down as needed, process limitless amounts of data and power a whole new set of sophisticated tools uniquely built to capitalize on the computing power of cloud-based capabilities.



### Break Up With Brokers

In many cases, actionable data and brokers are oxymorons. It's true that brokers have played a significant part to help facilitate loads that are rejected by primary carriers. Unfortunately, given how dynamic the freight procurement industry has become, and how imperative it is that shippers have uninhibited access to real-time insights, brokers have become a huge impediment to shippers' abilities to achieve their actionable data ideal. Brokers have forever operated in a black box where reporting on areas such as cost per load, carrier performance and other pivotal factors are either obfuscated or unreported. This simply isn't conducive to running a modern freight procurement system that delivers both optimal performance and value. Two examples come to mind: #1. Brokers don't share what the carrier is getting paid. The shipper only receives an inflated truckload cost which contains a hidden broker margin, making it difficult to understand true market cost. #2. Brokers don't share carrier names, which makes it difficult for shippers to know which out-of-network carriers should be added, or avoided, when looking to optimize their carrier network.





## Integrate AI

Arguably nothing makes data more “actionable” than real-time. Therefore, shippers need to ground their data infrastructures in cutting edge technology that can deliver and react to new insights as they occur. And that means artificial intelligence (AI) adoption is a must. With the amount of data flowing into and out of shipper’s organizations on a daily basis, it’s simply impossible for logistics and procurement teams to manually collect, analyze and synthesize all the insights coming their way without automation. In addition, without automation, it’s impossible to make strategy tweaks and predictions based on real-time market movements. AI solves this problem immediately, and frees teams from endless painstaking data processing work so they can focus on other pressing business issues. By adopting AI, it’s now possible for shippers to dynamically source compliant, out-of-network carriers themselves in minutes, and take back control of their freight procurement operations.



## Rethink Top-Level Strategy

The time has come for overarching shipper business strategies to get a revamp. Gone are the days when resilient and forward-thinking companies think about business decisions on a silo-by-silo basis. Instead, with tools that allow for shippers to get a 360-degree view of their operations, the time has come for shippers to embrace a more comprehensive style of decision-making. Transportation has a major impact on a company’s bottom line, while also having far-reaching impacts on the way other business arms operate. But by having transportation cordoned-off, it makes it challenging for shippers to get a comprehensive sense of how their overall strategy is truly shaping up. By pulling transportation into company-wide planning and analysis, decision-making becomes much more thorough, and also opens up new avenues of collaboration between an organization’s financial and logistics departments -- allowing them to become more inline and uncover sustainability and cost reduction opportunities.







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