



Improving Your RFP Process as a Shipper

Learn how to prepare for RFPs and discover best practices to make the process smoother



Introduction

While finding a new carrier for every load on the spot market is possible, that isn't always an ideal way for shippers to find carriers. If you have regular, high-volume lanes, it's worth sending out requests for proposals (RFPs) to start lasting working relationships with reliable carriers. Instead of constantly renegotiating rates as you might on the spot market, RFPs let you set annual contracts that establish predictable rates and guarantee quality service from carriers with the right equipment.

However, navigating the RFP process is its own challenge — and you want to be sure to do it right the first time. The wrong RFP could waste carriers' time, leaving them with more questions than answers, and making it unlikely that you find the perfect carrier partner. On the other hand, an effective RFP can give you competitive prices, help protect your business from rate fluctuations, simplify budgeting, and even create a sense of trust to set your partnership off on the right track.



How to prepare for RFPs

If you want to create an RFP that will ensure the right lanes are put out to bid and that can attract reliable carriers with the right equipment, rates, and quality of service, a little preparation can go a long way. You'll want to:

- **Review internal data**

Looking at historical data for your existing lanes can tell you a lot about your current needs and costs, so don't be afraid to dive into volumes and rates from the past year or two. Also, take a peek at data on a monthly and weekly scale to identify trends, understand seasonality, and get a complete picture of your needs.

- **Decide which lanes should be included in the RFP process**

Only some routes are ideal for RFPs. Generally, if you notice any high-impact lanes with higher volumes and predictable round-trip schedules during your internal data review, it's worth including them in the RFP process. On the other hand, you don't necessarily need an ongoing partnership with a carrier for irregular lanes with inconsistent volumes. In those cases, using a freight broker or turning to the spot market to find carriers likely makes more sense.

- **Analyze your carriers and research new ones**

Determine which carriers are doing well, which ones can be better utilized, and which ones should be replaced. Then, you can start researching new options using data sources and filtering through candidates based on their [load board](#) activity, equipment type, and certifications.

By using the techniques above to segment and understand your network and your business' carrier needs, you can create RFPs that effectively fill capacity gaps.



RFP best practices for shippers

**Pay attention
to the past**

**Think about
to the present**

**Look to
the future**

Account for seasonality



RFP best practices for shippers

After you've created the perfect RFP and received bids, it's time to evaluate them — but what exactly should you look at when choosing carriers or brokers? You'll want to compare bids to your rate and performance analytics and consider your current and future capacity before awarding any contracts. More specifically, you'll want to:

- **Pay attention to the past:** Evaluating incoming bids against historical rates is one of the first things you'll want to do, as this will give you a clear and objective idea of how they stack up against the market. Using data from a trusted provider can give you instant insights into past prices, helping you better contextualize current bids.
- **Think about the present:** Looking to the past can help, but you can't forget about the present — and that means evaluating bids against the current market. After all, the current market significantly impacts rates, so you need to stay up-to-date on what's happening. Otherwise, you may end up overspending or having difficulty attracting carriers, forcing you to turn to the spot market.
- **Look to the future:** Checking accurate rate forecasts can help you understand seasonal fluctuations, improve your negotiations, and mitigate tender rejections. Plus, viewing forecast rates will enable you to know whether a bid rate is too high or low for the entire life of the contract.
- **Account for seasonality:** By combining historical data and rate forecasts, you can plan for seasonal trends and fluctuations in supply and demand. As a result, you'll be able to reduce cost management risks and ensure that you make the best decision possible when evaluating bids. For example, if there is a significant difference between peak and low seasons, you might award carriers different rates for each season.

The power of data in the RFP process

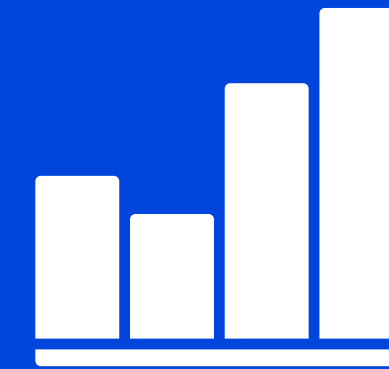
You can't just go with your gut when choosing bids from carriers or brokers. Instead, you need to look at their proposals in the larger context of current and future market conditions and your current carrier network to identify areas where you can improve. This will give you a leg up when negotiating, help you determine appropriate award rates that will hold up throughout the contract lifecycle without blowing up your budget, save your time and resources, and even strengthen carrier relationships.

Data doesn't just come into play during the selection process, though. You also need to rely on data while preparing your RFP. Otherwise, you'll end up with an unfocused or out-of-touch RFP for which no carriers will submit proposals. In short, data should be a driving force throughout every step of the RFP process.

Creating and prioritizing RFP objectives is extremely important and extraordinarily difficult without data. How will you know where to focus your energy if you can't see your performance, the market rates, and how everything compares? You need data to provide insights into market inflation trends and performance, which can then guide your RFP objectives.

For example, if your rates are under market, you might concentrate your RFP objectives on strengthening your incumbent/primary carrier relationships and securing current rates. On the other hand, if your rates are significantly over market and your current lineup of carriers is underperforming, you might prioritize finding new primary carriers or renegotiating with incumbent partners for better rates.

You'll also want to analyze lanes, which, again, means looking at data. With the help of lane-by-lane rate performance metrics, you can quickly identify which routes you should focus your RFP efforts on. You'll be able to use your time effectively and discover cost management opportunities, even as your network's complexity increases.



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Likewise, data comes into play when dealing with carriers. You can benchmark your carriers' performance against the overall market to identify anyone who is underperforming and strengthen your negotiating power. Even if all your carriers are performing well, you may need to peek at their capacity if you plan on adding new lanes, increasing volume, or launching new products. If there is no additional capacity, you must prepare an RFP and establish cost expectations for those lanes. Either way, you'll need data to ensure everything is as cost-efficient as possible.

Having access to accurate historical data and future predictions will also allow you to incorporate seasonality into your award decisions. Annual volumes can only tell you so much, so you should look at weekly and monthly lane volumes, too. By thinking about seasonality and incorporating it into your RFP, you can better manage your costs, provide carriers with a more realistic sense of the capacity they'll need throughout your contract,

and ultimately encourage better bids. In cases with extreme rate differences between peak and low seasons, you might award your carrier with two rates: one with the going rate for the low season and one that reflects the peak rate.

With insights into past and present rates, you can create a more effective RFP strategy that concentrates on critical lanes and carriers. You'll be able to quickly compare bids to the average rates and evaluate which ones are best suited for your needs.

Similarly, with rate forecasts, you can account for market volatility, meaning you'll be less likely to deal with overpaying carriers or, on the opposite side of the spectrum, to end up paying so little that your partners decide to dedicate their assets to more profitable loads, forcing you to turn to the spot market and pay the premiums. Rate forecasts can also help you determine when it's worth negotiating with carriers versus when it isn't.

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Get the data you need to improve your RFPs with DAT



Data is essential for all shippers, but cleansing and centralizing it is often challenging. After all, there are countless data sources, and reviewing and validating data from each source takes time. Plus, you have to aggregate everything together. It's a time-consuming and tedious process that can take weeks or even months.

Enter [DAT iQ](#) Rate Analytics Solutions. With these solutions, you can quickly compare your rates to the overall market, set realistic cost expectations, and know where to focus your RFP efforts. With [Benchmark Analytics](#), [RateView Analytics](#), and [Ratecast](#), you can understand the rates of yesterday, today, and tomorrow, allowing you to create and evaluate RFPs with confidence. Additionally, DAT iQ's newest [Capacity Analytics solution](#) can analyze your network costs against benchmarks, allowing you to choose alternative carriers that meet your budget, capacity, and service level requirements. So, say goodbye to the days (or weeks and months) of collecting, validating, and aggregating data from disparate sources, and hello to DAT iQ's solutions!

Ready to see what DAT iQ can do for you? [Request a consultation](#) today!

