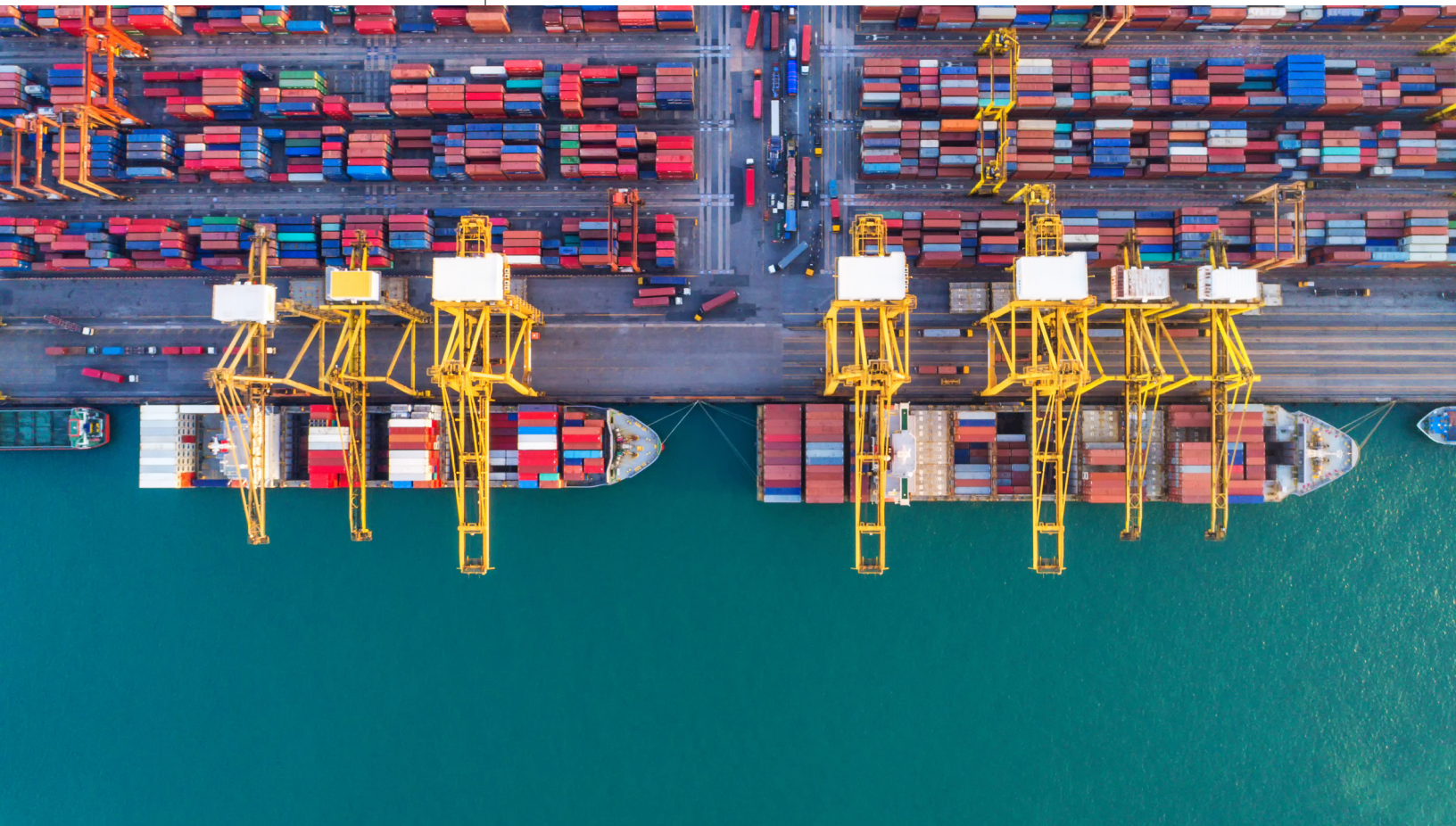FLEXPORT

Running a Value-Driven RFP Process

If you are running a Request for Proposal (RFP) process to find the freight forwarder that is right for you, spend time evaluating your vendors as a whole to gain a comprehensive understanding of the potential value they can add to both your business and process. RFPs allow you to quantify total cost, evaluate trade-offs between price and service quality, and find the best freight forwarder for your company's specific needs.

But it's not as easy to design an RFP as you might think - RFPs often encourage thousands of forwarders to compete for your business by offering low rates, sometimes in exchange for poor, low-quality services. To choose a freight forwarder that will be the best partner to your business, run a value-driven RFP.

Prepare for the RFP

Be selective and intentional about who you invite to the bid. Do your research ahead of time to get a sense of who your options are, and what you're looking for in a freight forwarder.

Look for areas of improvement in your supply chain that you want to focus on so you are prepared to point them out as a service requirement. For example, if your business needs to improve inventory management, look for freight forwarders that offer warehousing solutions.

Know how much volume you ship in each trade lane and how it shifts throughout the year, so you can ask potential vendors how rates will fluctuate.

Seek Out Transparent Pricing

Pricing is what many forwarders will try to sell you on. But quoted prices are not always as they seem; vendors tend to present unreliable services that will show you a good price, so clarify what the provided rates are actually getting you.

If you select the cheapest option you risk being unprepared for variables like unforeseen market conditions (weather delays, trade wars), hidden fees and variable surcharges, or space protection upcharges. Space protection is not always included in the offered rates, which can be risky if providers are more focused on loading cargo with high revenue generation. Your cargo may be more likely to be rolled as a result, so make sure rates are inclusive of your space needs. Also take note of whether rates are inclusive of a premium for a direct service, how long transit times are, or if service involves a transshipment.

Highlight your service requirements and ask potential freight forwarders to provide rates for the services your business actually needs. Provide a comprehensive rate template so all possible additional fees are laid out in advance and you can see the true cost of any given proposal. Using a template also mitigates confusion; with rate transparency, you can compare providers more directly. Read all the fine print before you agree to any rates. You may also want to consider asking potential providers questions like:

> Are your rates subject to change under any conditions?
>
> Are rates dependent on a minimum total volume or shipment specifications (dimensions, etc)?
>
> What rate structures can you offer? How would you implement them? For example, how might the different structures address seasonal allocation challenges?

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Invest in Software

Consider what software capabilities each freight forwarder has to offer, and what would be most beneficial for your business. Freight forwarding is an antiquated industry that has been slow to modernize, so inquire into what unique capabilities differentiate them from their competitors.

Ask what visibility they provide into tracking shipments, containers, and SKUs-in-transit, and think about what your business will require. Have them describe their billing process, and if the platform is able to reconcile invoices against quotes and shipment activity.

Think about their long-term solutions. If you need API or EDI integrations or are thinking about using them in the future, ask forwarders what support their platform can provide. Ask them to describe how their platform can scale with your company's needs, and what their approach to data security is.

Dive deeper with questions like:

> Describe your reporting & analytics capabilities. What data fields can a client report on? Can I export my data from the platform?
>
> Does your platform support messaging and collaboration between my team and your company?
>
> Does your platform have an exception management view? How many unique user logins can I associate to my account? What user permissions can I control?
>
> Describe the system you use to manage your allocations with ocean carriers.

Look for High-Quality Service

Your freight forwarder will be a partner to your business, so you want to find a reliable and accommodating provider.

Run scenario analyses during the RFP process and ask how they would react to potential market disruptions like carrier bankruptcies, trucking consolidations, fuel fluctuations, etc. Have them talk you through these potential market events, how they would help you, and what alternative solutions they would provide.

Find out whether they run a third-party-administered Net Promoter Score (NPS) survey, who their provider is, and what their score is. Running NPS surveys is a good indication that the forwarder is invested in receiving and taking action on feedback. But if they do not use NPS scores, ask for a list of client references so you can find out what kind of experiences other businesses have had with them.

Also ask:

> How are your operations teams structured?
>
> Who will be assigned to my account? Who will be responsible for managing my shipments?
>
> Will I have a single point of contact for all services globally?
>
> Do all your offices operate out of the same unified software platform?
>
> Do your offices operate on a global P&L or does each office have its own P&L?

If you're running an RFP process to look for the freight forwarder right for your business, don't just compare rates. Evaluate their quality of service, and view your partnership as an investment in your business. The top forwarder owns less than 4% of ocean market share, and there are thousands of forwarders to choose from, so narrow down your options by doing your research and preparing a value-driven RFP.

About Flexport

Flexport is The Modern Freight Forwarder

Only Flexport delivers a combination of advanced technology, physical logistics infrastructure and human expertise, providing fast and predictable transit times, visibility and control, and low and predictable supply chain costs to logistics and supply chain professionals across the globe.

First to market in 2013 with a purpose-built cloud software and data analytics platform, Flexport today serves more than 10,000 clients in over 110 countries, offering a full range of services, including ocean, air, truck and rail freight, drayage & cartage, warehousing, customs & compliance, financing and insurance — all informed and powered by our software platform. Flexport is the trusted standard for technology-powered global freight forwarding and logistics.

Learn more at flexport.com