

Keelvar >

2024 Transport Sourcing Guide

Strategies for agility, resilience and a competitive advantage





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Introduction

In the rapidly evolving world of transport and logistics, every year brings its own set of challenges and opportunities, demanding constant adaptability and strategic planning from logistics teams worldwide. The industry is characterized by volatility, influenced by factors such as global economic trends, evolving consumer behaviors, and geopolitical issues.

These elements consistently shape the landscape, ensuring that the industry remains in a state of perpetual motion and adaptation. As such, logistics professionals must be ever-vigilant and flexible, ready to navigate the complexities of a market that is as unpredictable as it is vital to global commerce.

A Supply Chain Pulse Survey revealed over 40% of respondents needed to alter their processes in the past 12 months due to significant supply chain challenges. Post-pandemic, the focus has shifted back to cost and capital competitiveness.

The pivotal role of technology in staying competitive is clear, with optimization and automation solutions at the forefront of efficient procurement operations. For many Keelvar customers, technology is more than an enabler; it's a strategic partner, helping to forge effective sourcing strategies that save time and reduce costs.

This guide will reveal strategies our clients use to excel in a global market that demands agility and resilience. You'll learn why traditional sourcing methods are becoming less effective and what innovative strategies can replace them.

We'll showcase real-life examples, like CJ Logistics America's sourcing overhaul, which led to significant cost and time savings in decision-making.

“ We figured out a better way to do these larger sourcing events. And because the bids weren't so painful, we were able to go to market more frequently.

- Basil Weaver, Director of Supply Chain Solutions and Analytics



Let's first explore the current logistics landscape and the challenges that keep sourcing teams up at night.



Navigating the transportation sourcing landscape

If COVID-19 introduced unprecedented volatility, leading to significant year-over-year price increases and stressing supply chain resilience, more recent challenges for transportation sourcing teams are as varied as they are daunting.

As sourcing teams continue to navigate the post-pandemic world, the focus shifts from broad challenges to specific trends in key logistics categories. Each segment, from Less Than Truckload (LTL) to ocean freight, faces unique pressures and opportunities, reflecting the complex and ever-evolving nature of global logistics.

Category-specific changes

Let's look at these categories in turn to understand their current state and the strategic responses they necessitate:



Truckload: This category is currently experiencing a softening, with notable reductions in spot market rates. Recent trends indicate a potential bottoming out of the market. Many shippers have successfully negotiated reduced rates, reflecting a more competitive rate environment.



LTL: The LTL market, while less volatile than truckload, is experiencing shifts due to factors like bankruptcies and strikes. There's an increasing emphasis on avoiding extra length, bulky freight and a shift towards cleaner, more manageable shipments.



Air freight: Rates in the air freight category have drastically reduced in some markets, up to 80-90% from the pandemic peak. This reduction is not uniform across all markets but indicates a general trend of decreasing costs.



Ocean freight: Ocean freight rates have significantly dropped, returning to pre-pandemic levels on specific routes, particularly on the Trans-Pacific Eastbound. Shippers are now considering shorter-term contracts, such as three to six-month rate refreshes, to adapt to the dynamic market conditions and ensure consistent service.



Disruptions, cost fluctuations and shifting market dynamics

Four years ago, container costs, especially on routes from Asia to the US, reached unprecedented highs, with rates reaching as high as 30,000 USD per container. Today, costs have substantially decreased to pre-pandemic levels.

However, the sector grapples with rapidly fluctuating powers between shippers and carriers based on capacity, demand, and market conditions in a logistics market that is constantly changing.

For example, a surge in demand or a shortage in capacity can give carriers an upper hand, allowing them to command higher rates and be more selective in their partnerships. Conversely, in situations where capacity outstrips demand, shippers gain more negotiating power, potentially leading to lower transportation costs and more favorable terms.

Other challenging factors for transportation sourcing include:

➤ **Supply chain disruptions:**

Frequent disruptions due to geopolitical tensions, natural disasters, and economic uncertainty cause delays and unpredictability. This forces logistics companies to rethink their strategies and adapt to a constantly changing marketplace.

➤ **Environmental concerns:**

There is a growing emphasis and regulatory pressure on reducing carbon footprints and implementing sustainable sourcing practices. Logistics companies are challenged to find eco-friendly solutions without compromising efficiency.

➤ **Increased demand for transparency:**

Customers and stakeholders demand greater transparency in the supply chain. This includes the need for real-time tracking and ethical sourcing, adding layers of complexity.

➤ **Labor shortages and skill gaps:**

The industry faces a widespread shortage of skilled professionals, particularly in areas like data analysis, which is crucial for modern logistics operations.



Why traditional sourcing **no longer works**

Success in transportation sourcing demands a shift away from traditional methods of sourcing to an agile approach that balances cost-effectiveness with adaptability to market fluctuations.

Here's what historically businesses have relied on:

- Hosting annual events that encompass all known lanes with prices fixed for 1–3 years
- Taking 1–2 months for event setup and an additional month to deploy new rates across systems
- Using legacy technologies or desktop tools that make it difficult to maintain consistency in rate and award structures
- Relying on pricing that becomes quickly outdated as the year progresses

By relying on basic RFPs or e-auctions, companies miss out on dynamic market opportunities, as these tools fail to capture rapid shifts in the logistics sector.

This is because annual RFPs, while structured, are static and fail to reflect the fast-changing market landscape, often causing companies to overlook emerging opportunities. As markets evolve quickly, a more agile and responsive strategy is required, combining dynamic market sourcing with strong supplier relationships.

Embrace dynamic market sourcing

Dynamic Market Sourcing (DMS) is the answer to the limitations of traditional cycle sourcing. It's an efficient sourcing strategy that speeds up the sourcing process, strengthens supplier relationships, and adapts quickly to market changes, making supply chains more flexible and cost-effective.

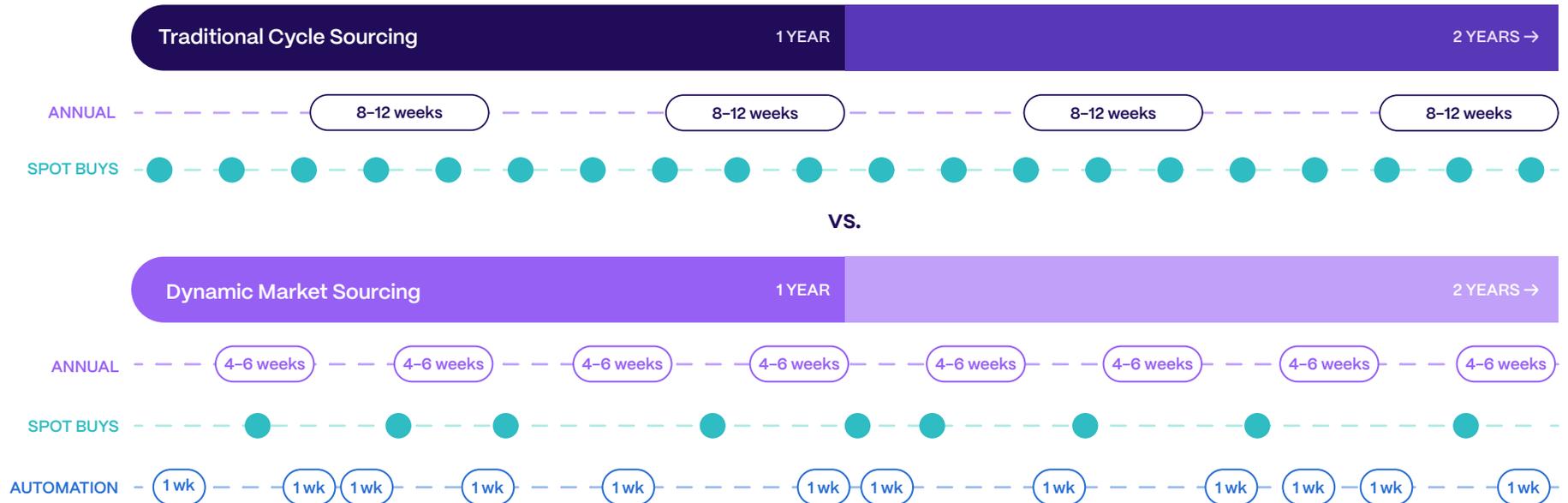
It addresses the shortcomings of traditional cycle sourcing by integrating annual and off-cycle events into a unified, collaborative process. By leveraging automation for spot buys, it ensures that sourcing events are not only efficient and repeatable but also standardized, maintaining alignment with business requirements while being responsive to rate changes.

Additionally, DMS offers a more agile approach to sourcing, enabling businesses to stay ahead of market fluctuations in real-time without the need for additional headcount.



Some key benefits of dynamic market sourcing are:

- Cut the sourcing cycle time by about 50% for larger tenders and even more for smaller events, with new rates being implemented across systems much faster.
- Enhance supplier relationships through frequent discussions on pricing and capacity, replacing often outdated annual price fixing.
- Off-cycle bids and spot quotes can be automated with a competitive bid process for improved visibility and cost control, reducing the reliance on inefficient communication methods like email, Excel, and phone.
- Improved agility and supply chain resilience with the ability to act fast to unexpected changes.



In essence, dynamic market sourcing empowers sourcing teams to respond quicker to market changes and reduces the time it takes to run a sourcing event.



Become a customer of choice

Embracing dynamic market sourcing empowers organizations to respond swiftly and strategically to the unpredictable tides of the logistics industry. This strategy not only keeps businesses at the forefront of market shifts, but it also sets the stage for enhancing supplier relationships and giving you a more competitive edge in the market.

Enhance your supplier relationships

Effective supplier relationships are crucial for long-term success in transportation sourcing. An overly aggressive focus on cost-cutting can deter suppliers from fully engaging or offering their best terms. In contrast, a balanced sourcing approach that respects both parties' needs and capabilities fosters stronger partnerships.

Modern sourcing technology is key to enhancing these relationships. Advanced tools with intuitive interfaces make the sourcing process more efficient for both teams and suppliers. They promote clear communication, streamline processes, and encourage collaborative environments.

This synergy between strategic relationship-building and technological advancement is essential for a robust, efficient, and adaptable transportation sourcing network.

Gain a competitive edge

Agility in transportation sourcing is a key competitive differentiator. By responding rapidly to market changes, businesses can secure better rates and ensure capacity, staying ahead of competitors. This agility stems from an efficient, dynamic sourcing strategy that leverages both technological advancements and strong supplier relationships.

In summary, become a customer of choice through:

- **Supplier expressiveness:** Encourage your suppliers to be expressive and innovative in their offerings. This approach not only garners better terms but also drives creative solutions tailored to your specific needs.
- **Strategic partnerships:** By fostering a collaborative environment, you position your business as a preferred partner, making suppliers more inclined to offer favorable terms and prioritize your needs.
- **Leveraging technology for quick adaptation:** Utilize modern sourcing tools to quickly adapt to market changes. This ability to pivot swiftly ensures you are not left behind in a rapidly evolving industry.



The role of intelligent sourcing technology

In a market where agility and responsiveness are paramount, it's not just about using technology in sourcing; it's about using the right kind of technology. Many businesses are already technologically equipped, but often these tools are either too basic, overly complex, or not specifically designed for the nuanced demands of procurement. This can lead to inefficiencies and underutilization.

How traditional technology falls short



Limited flexibility: Conventional tools are slow and cumbersome, with long setup and run times for events. This lack of flexibility and user-friendliness means you can't react quickly to market changes.



Inefficient data analysis: Handling large data volumes for strategic decision-making is a struggle. The main challenge lies in the inability to swiftly and easily analyze various scenarios, delaying informed decision-making.



Scalability limitations: Traditional systems can't efficiently run both large, complex events and smaller, ad-hoc events because they lack automation capabilities.

Where intelligent sourcing technology fills the gap



Enhanced flexibility: These tools can handle all levels of complexity, all categories across strategic, tactical, and tail spend, and are easy to use.



Real-time data analysis: Enable quick, effortless decision-making with automatic scenario analysis to enable you to make fast, informed decisions to deliver the best outcome for your organization.



Optimization capabilities: Capable of handling a wide range of events, from spot bids to large RFPs, constantly evaluating different scenarios to help you make better, faster decisions. Events can be automated, significantly cutting down on preparation time and manual work.



The solution lies in adopting intuitive, user-friendly, intelligent sourcing technology that can transform your transport sourcing strategy, making it more adaptable, efficient, and capable of leveraging dynamic market opportunities.



A unified solution

Keelvar's Intelligent Sourcing platform, combining the strengths of both Sourcing Optimization and Autonomous Sourcing, is the ideal solution for businesses seeking to get started on a dynamic market sourcing strategy. It offers a seamless, efficient approach to managing both strategic and routine sourcing needs, ensuring companies like yours are equipped to navigate the complexities of the modern transportation sourcing market.

While [Sourcing Optimizer](#) lays the groundwork for dynamic, responsive sourcing strategies, [Autonomous Sourcing](#) takes this a step further by automating the sourcing process from start to finish, reducing manual steps and streamlining decision-making:

Sourcing optimization for strategic tenders: Tailored for large, complex, and unique tenders, this tool facilitates in-depth scenario analysis, Sourcing Optimizer is ideal for nuanced, strategic sourcing decisions.

Autonomous Sourcing for routine spend: Perfect for repeatable, lower-value, and less complex tasks like spot buys. By reducing the number of manual steps involved in executing an RFP by approximately 93%, Autonomous Sourcing significantly enhances overall efficiency, making it a game-changer in time and resource management.

Combined, here's how Keelvar can revolutionize your transportation sourcing:

Streamline the sourcing process: Automate key steps, reducing manual effort and enabling more frequent, efficient sourcing events, crucial for quick market adaptation.

Integrate data analysis and scenario planning: The platform facilitates detailed scenario analysis, helping logistics teams evaluate potential outcomes against strategic goals for informed decision-making.

Enhance supplier engagement: A user-friendly interface streamlines shipper-supplier interactions, improving communication and collaboration for smoother transactions.

Real-time market insights: Keelvar provides immediate market insights, crucial for swiftly responding to market changes and adapting sourcing strategies accordingly.

Advanced real-time bid feedback: The platform incorporates variables such as benchmark rates, the lowest rate currently captured, and your shipper target rates. This can be presented through intuitive traffic light feedback or customized text "popups" on the carrier's bid sheet, giving clear visibility into each bid's competitiveness.



Through this unique combination of features, Keelvar not only streamlines the transportation sourcing process but also ensures that businesses like yours can effectively navigate the complexities of the market and stay ahead of the competition.

Unlock hard dollar savings

The outcome of utilizing Keelvar for transportation sourcing is evident through proven price compression that is impossible to achieve using traditional spreadsheets or basic e-sourcing tools. This is because sourcing optimization can find savings that are impossible to achieve using Excel or a basic e-sourcing solution—in many cases, millions of dollars.

To help you visualize the impact, take a look at our graph detailing our traffic light and text feedback system that segments organic savings versus Keelvar-generated savings:

> Organic Savings vs. Keelvar generated savings

Mode	Organic market decline		Organic savings	Min. additional saving using Keelvar vs. Excel or basic eSourcing tools	
	Summer 2022 cost	Fall 2023 cost	Fall 2023 savings	Total savings with Keelvar	Likely minimum Keelvar ROI
Truckload	\$100M	\$75M	\$25M	\$25M + \$5M	\$5M
Ocean	\$100M	\$60M	\$40M	\$40M + \$5M	\$5M
Air	\$100M	\$85M	\$15M	\$15M + \$5M	\$5M



Real-world transportation sourcing success

Keelvar's intuitive solutions have supported hundreds of transport events for companies across all industries, all transport modes, and all geographies to meet sourcing challenges.

“ *We now have standard elements that can be followed for road transportation events, making it much more efficient for the team, and for leadership.*

- Koteswara Rao Malipeddi, Group Senior Category Manager for Logistics



A notable example of how switching to a dynamic market sourcing strategy involves a [major tech company](#). This customer enhanced their process for major global air and ocean RFQs by integrating Keelvar's solutions, enabling more frequent market engagement.

The result was \$60 million in cost avoidance, achieved by shifting from air charters to commercial flights. Additionally, the company managed to execute 17 sourcing events within a single year without increasing resources, demonstrating the efficiency of Keelvar's approach in transportation sourcing.



How [Carlsberg](#) optimized €600 million in logistics by moving from resource and time-intensive spreadsheets and email for managing market-specific sourcing strategies to Keelvar Sourcing Optimizer.



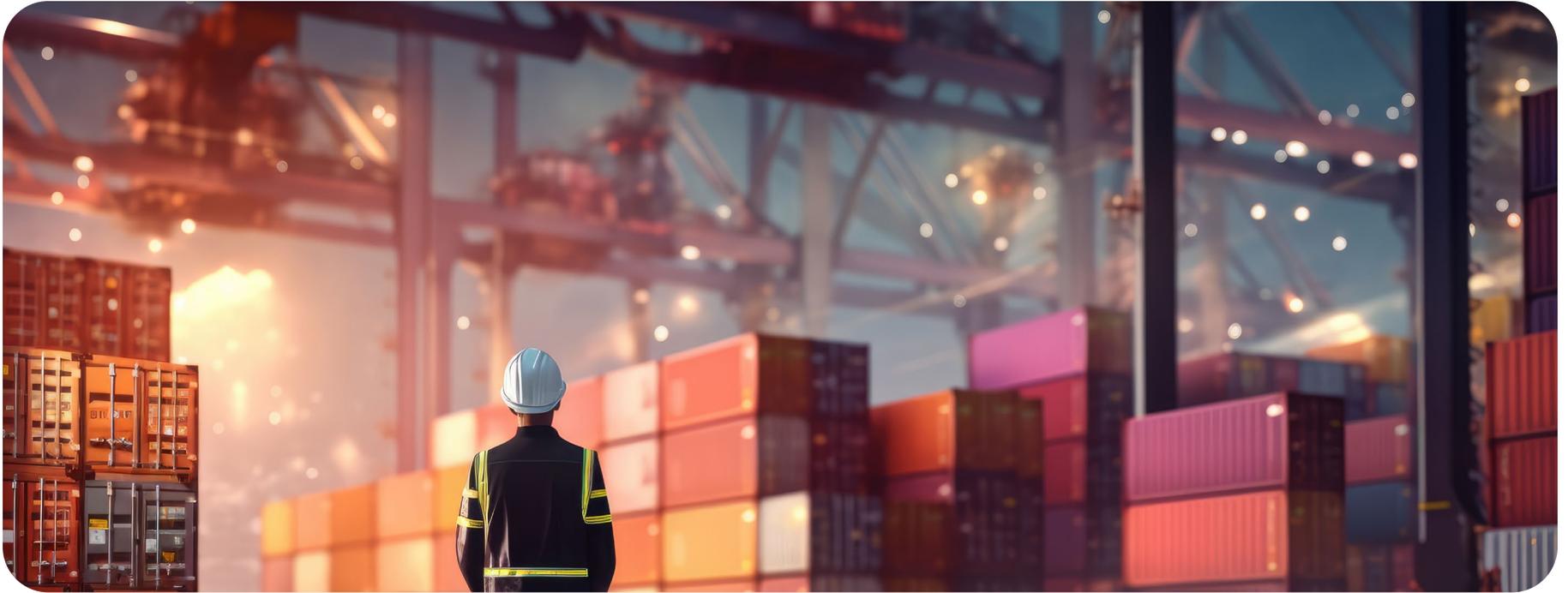
How [CJ Logistics America](#) partnered with Keelvar to replace time-consuming and slow manual sourcing processes with an agile approach powered by Keelvar.



How [Schneider Electric](#) streamlined their ocean freight operations, showcasing the efficiency in manufacturing logistics.



You can read more of our success stories at www.keelvar.com/success-stories



Ready to transform your transportation sourcing strategy?

The journey to efficient, dynamic, and cost-effective transportation sourcing begins with the right tools and insights. Keelvar's advanced sourcing solutions offer the agility, intelligence, and efficiency you need to stay ahead in a fast-evolving market.

Explore new horizons in your sourcing and discover how you can enhance your strategy for the upcoming year. Connect with one of our transport sourcing experts today.

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To learn more about how Keelvar can help you embrace complexity and drive better sourcing outcomes, visit: www.keelvar.com