

Uber Freight

Procurement planning for 2023

How shippers
can build
more agile
strategies to
navigate market
disruption



→ **After more than two years of freight industry volatility**, shippers are finally seeing signs of stability. Freight rates are decreasing, capacity is expanding, and shipping demand is tapering off headed into Q4. While there is still some disruption, sparked by factors like driver shortages and fluctuating supply levels influenced by inflation, the new normal for shippers is no longer defined by a daily grind of having to react to an unpredictable freight market.

Heading into 2023, shippers have an opportunity to refine their supply chain operations so they're well equipped to navigate any future disruption. And a key factor to building a robust supply chain network design is establishing an agile procurement strategy—one that's cost effective and unrestricted, and allows shippers to toggle their resources to address freight market issues (current and potential) impacting their network.

All procurement roads lead to automation

When it comes to sourcing and hauling freight, the traditional procurement process of using RFPs and signing annual contracts for rates can be time consuming and fragmented. Shippers have found it nearly impossible to scale the process and don't have enough visibility into data on factors like supplier and carrier performance and shipping lanes—making it all the more difficult to gauge last-minute adjustments to procurement tactics. RFPs and bidding will still have a place in the future of procurement, but the execution will evolve as the market shifts to more automated approaches.

Automating as much of the process as possible is critical—it unlocks flexibility, helping shippers better address market disruptions and achieve the scale and visibility the traditional process has historically lacked. Larger shippers may still opt for traditional bids in the future, but can also use automated models when necessary (such as needing a new lane) during the contract term. And for smaller shippers or those with inconsistent freight volumes, opting for completely automated solutions could help them make the most strategic and cost-effective procurement decisions.

The long-term goal for the industry will be widespread automated procurement which, in turn, will free up supply chain executives and transportation planners to put their time and resources into other shipping needs (like expanding carrier relationships and warehouse networks).

Achieving **agile procurement** in the short term, however, requires a multifaceted approach that allows shippers to effectively deploy different types of procurement when needed. In 2023, shippers can think of an agile strategy as a layer cake model—one that consists of real-time, spot, contract and dedicated procurement, where shippers choose which approach to use based on their business needs, customers' needs and the state of the market. Knowing when to leverage each, and how to strategically manage the overall mix, is the key to agile procurement. Achieving agile procurement will involve embracing technology solutions that provide flexibility, investing in data-driven decision making and focusing on procurement segmentation for numerous transportation scenarios.

Agile procurement is the ability to know when and how to leverage any type of procurement—from real-time and spot to contract and dedicated—depending on business needs and the state of the market.

Tech solutions enable access to capacity and dynamic procurement

Opting to use marketplaces with on-the-spot access to capacity and services to manage and execute procurement inherently leads to more agility. But shippers have been slow to adopt modern tactics due to factors like the cost of technology, complexities of integration and commitment to legacy strategies.

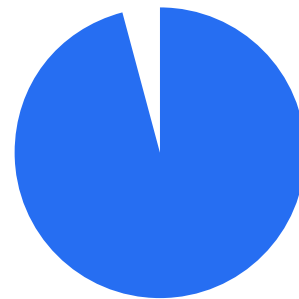
New research, however, points to a gradual uptick in adoption of instant pricing and sourcing capabilities among shippers in response to supply chain challenges and a competitive freight market. A [2022 survey of logistics leaders](#) found that 96% of shippers have invested in new technology and strategies to power freight procurement performance because of the pandemic, while 66% said that automating procurement has become a high priority.

Marketplaces that offer immediate access to capacity through an expansive network of truck drivers, and also enable real-time procurement

and cost transparency, are key to helping shippers evolve their procurement strategies. Shippers can also benefit from using platforms that provide real-time pricing quotes, help them competitively source capacity using APIs, and seamlessly carry out shipments. Additionally, the ability to place parameters on pricing and make adjustments to pricing priority for specific loads will help shippers achieve the best business outcomes.

While traditional brokerage services might not be equipped to keep up with market shifts, instant and real-time solutions help shippers navigate procurement as efficiently as possible, no matter the state of the market.

When the market is tight, shippers are still able to operate efficiently by automatically sourcing capacity and having access to a vast carrier network—which they wouldn't get from traditional brokers—that drives competition for their freight loads. And when the market is soft, shippers can take advantage of decreasing rates by easily sourcing carriers in their marketplace network instead of taking tedious approaches like RFPs. This type of versatility will be especially important for shippers to develop now in order to navigate potential market disruption in the future.



96%

of shippers have invested in new freight procurement technology and strategies during the pandemic

SOURCE:
SLEEK TECHNOLOGIES

Developing a comprehensive data strategy informs procurement approaches

Access to reliable, real-time performance data is essential for shippers to make procurement decisions that will benefit their businesses. But factors that have disrupted supply chain networks since 2020, such as out-of-region shipments and unique demand patterns, have created unreliable data for shippers. In a volatile market, shipping trends can change drastically from quarter to quarter, making it more difficult for shippers to decide what performance data will be the most useful to inform future tweaks to their procurement process.

Shippers can improve upon their existing procurement data management and analytics strategies by working with third-party logistics partners—who have access to vast amounts of performance data and tools like predictive analytics—to gather the most useful information in order to understand what is and isn't working in their current process.

By leveraging partners that understand the nuances of freight procurement, shippers can

use live shipment data to analyze carrier bids and better measure the effectiveness of carrier performance to determine the best carriers and procurement types for their operations.

As an example, many shippers use contract procurement because it offers capacity and price security, as well as the benefit of better service born from long-term relationships with carriers. But having access to accurate and recent data could reveal situations such as fluctuating increases in freight volume or inconsistent shipment timing that don't align with contract terms, which could inform the need to use spot procurement as the rates are driven by the market and ideal for accommodating last-minute shipment needs.

Being able to accurately and efficiently measure KPIs such as on-time pickups and deliveries, carrier availability and approved routes helps shippers make more informed decisions about what tweaks to procurement execution and costs will pay off for their business—which, in turn, will lead to better ROI for shippers navigating the market well into 2023.

Prioritizing segmentation will augment a flexible approach to procurement

Not all carriers are created equally, and this is where **segmentation** comes in. It is important to an agile procurement strategy. The more granular shippers get with defining the different modes of transport available, as well as their customer and carrier types, the more tactical their procurement process becomes.

Factors like lanes, volumes and service requirements can entail a different carrier type, and establishing what works best for each scenario leads to a more performance-driven strategy. For example, based on the attributes of their load, a shipper determines they need to use drop-and-hook freight. In this case, securing an asset-based carrier that owns their equipment, via contract procurement, would be the best decision to ensure efficient transport.

In another scenario for when the market is tight, shippers could have a plan in place to deploy dedicated procurement where truck assets such as equipment and drivers are provided to them. Opting for a dedicated fleet would provide shippers with more control over their shipments, from being able to customize their equipment to having guaranteed capacity and full visibility into shipping operations.

Segmentation helps shippers arm themselves with knowledge on the transportation factors that require certain carriers—and this knowledge is critical to support an agile and digitized procurement approach.

Shippers that focus on enhancing their bid data with robust classification (lane, customer and carrier) and performance data (network, lane, customer and carrier KPIs)—which can be accomplished internally and with the help of a third-party logistics partner—within their portfolio will ultimately have better knowledge of their network requirements and more options in their procurement transportation scenarios, which will inform their future bid strategy. And segmentation is ultimately anchored by a flexible and creative approach to procurement—one that is rooted in adaptation, where shippers are in tune with how the market fluctuates, how those changes impact customer needs and operational needs, and how specific procurement types will perform under certain conditions.

Overall, the ability to skillfully navigate future market disruption will depend on shippers' willingness to embrace more instant procurement solutions and to use any procurement type when necessary. By collaborating with trusted partners that can prove the effectiveness of modern approaches such as automated bidding, access to market benchmarks and industry best practices—and that can support a strategy where all procurement types are available to use efficiently—shippers will establish a foundation for a more agile procurement process in 2023 and beyond.