

CSCMP hottopics

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Want to lower freight costs? Look to your routing guide.

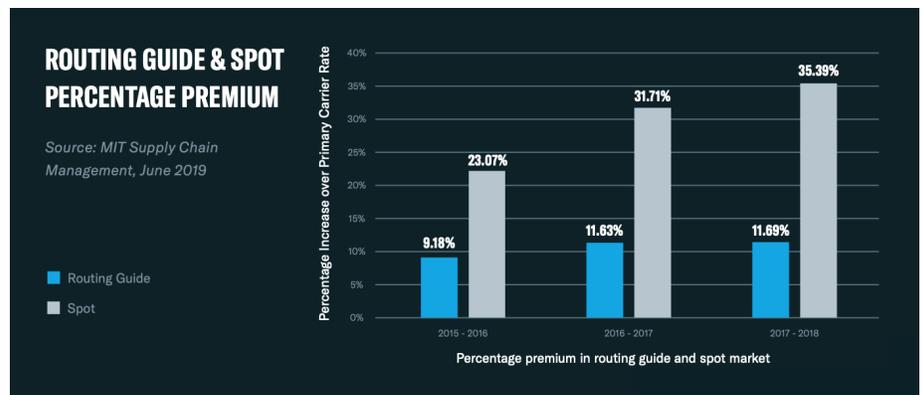
By Convoy

After a volatile spring, the summer saw a tightening freight market. This has led to a spike in truckload prices and a rise in contract tender rejection rates.

When a primary tender rejection occurs, transportation planners typically activate their routing guides, running through their list of backup carriers. However, backup rates can quickly become outdated in a market defined by reduced supply and elevated spot prices. Often backup carriers reject loads for the same reasons primary carriers reject loads: current trucking rates exceed their original contract bid.

If your backup carriers fall through, your load will likely go to the spot market. This drives up prices even further.

A [2019 study](#) from MIT's Supply Chain Management program evaluated the prices between backup and spot over a four year time frame, capturing both tight and soft markets.



In the soft market of 2015 and 2016, backup prices in a routing guide were 9% higher than contract rates. Spot prices were 23% higher.

In the tight market of 2017 to 2018, backup prices increased slightly to 11.69% higher than contract rates. Spot rates spiked to 35.39% higher. That means that your load priced \$1,000 for a contract rate would now \$1,353.90 on the spot market.

This quickly adds up if you're moving hundreds or thousands of contract loads per month and 20% of them are getting rejected and going to spot. The takeaway from this data is clear: *getting reliable coverage from backup carriers can lower your overall freight spend significantly.*



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Issues of *CSCMP Hot Topics* may include early results from ongoing research being conducted for CSCMP or other organizations; new supply chain practices, thought-provoking ideas, or emerging trends; discussions of changes in the broader business and regulatory environment that may impact the supply chain and logistics field.



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HOW TO GET 100% GUARANTEED TENDER ACCEPTANCE FROM A BACKUP CARRIER

Convoy offers a way to get guaranteed coverage within your routing guide to reduce your reliance on the spot market. We call this service [dynamic pricing](#).

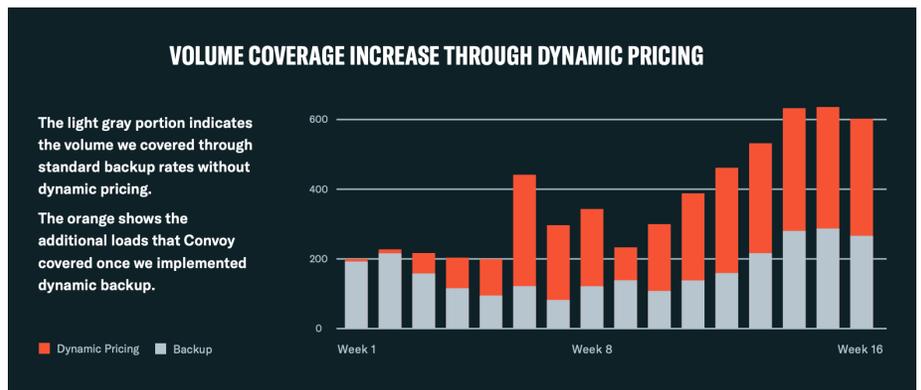
Unlike traditional static rates, Convoy's dynamic pricing surfaces instant backup rates in your routing guide that reflect current market conditions. Convoy is able to guarantee coverage with our massive carrier network and machine learning models that find the best truck available at a competitive rate. By quoting far in advance of when you'd normally go to the spot market, this service saves substantial time and cost.

HOW CONVOY LOWERED A CUSTOMER'S FREIGHT COSTS BY AN ESTIMATED \$168K IN FOUR MONTHS

Since the launch of our dynamic backup service in 2018, Convoy has priced nearly half a million backup loads using the capability. Recently, we implemented dynamic backup with one of our food and beverage customers and measured the initial results over the first four months.

Prior to the launch of dynamic backup, Convoy covered approximately 200 backup loads per week for this company. This volume increased dramatically when we implemented dynamic backup in their TMS.

Relative to our average shipments per week, Convoy covered 3,000 additional loads in the first four months.



When analyzing the price paid per load relative to the industry benchmark, we saved our customer 6% compared to their backup alternatives and nearly 10% in comparison to the spot market. By calculating the premiums our customer would have otherwise paid, we estimate that Convoy's dynamic backup offering saved our customer \$168,000 in freight spend.

Convoy integrates with 12 of the leading TMS providers, making this the most widely available dynamic pricing capability nationwide. Logistics teams interested in adopting dynamic pricing can [sign up with Convoy](#) today.

This article is adapted from "A Safety Net for Tender Rejection," a white paper published by Convoy in August 2020. [Download the white paper.](#)

Convoy is a nationwide digital freight network founded with the mission of transporting the world with endless capacity and zero waste. [Learn more at \[convoy.com/shippers\]\(https://convoy.com/shippers\).](#)