4 STEPS TO DATA-DRIVEN BID AND TENDER MANAGEMENT
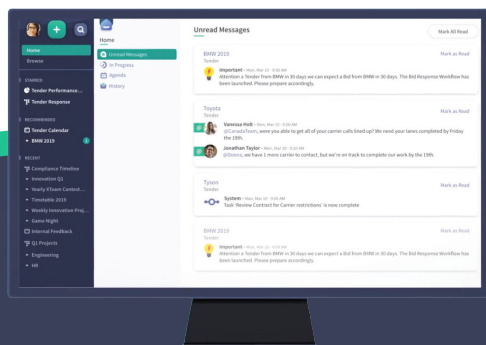
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*"Every logistics leader understands the importance
of evolving from a relationship-based business
to a data-driven organization."*

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INTRODUCTION

At the 2018 Trans-Pacific Maritime Conference held at the Long Beach Convention Center, Jochen Thewes, CEO of the logistics multinational DB Schenker, confidently walked across the stage as thousands of supply chain and logistics professionals waited to hear his keynote address.

Thewes spoke deliberately and clearly, "The logistics industry has been shielded from the disruption that has impacted virtually every other industry in our economy." He paused, surveyed the audience representing hundreds of billions of dollars of logistics and transportation services, and then leaned into the microphone, "Times up!"

Indeed, some argue that time has been up for years; others —those forward-thinking logistics leaders— have been eagerly anticipating the groundswell of technology change currently sweeping the transportation industry. Many of them focus on the root cause of the disruption: is it the consumer demand for same-day delivery fueled by Amazon Prime or Walmart's on-time-or-it's-free delivery policy? A few insist that technological change in the logistics is long overdue and those who fail to embrace and apply technological innovation in their functions are at risk of obsolescence, without a chair when the proverbial music stops.

So, how does a logistics leader reframe his or her responsibilities to lead the transition to tomorrow's world of a "data-driven logistics business"? For starters, **what does it mean to be a "data-driven logistics business"?**
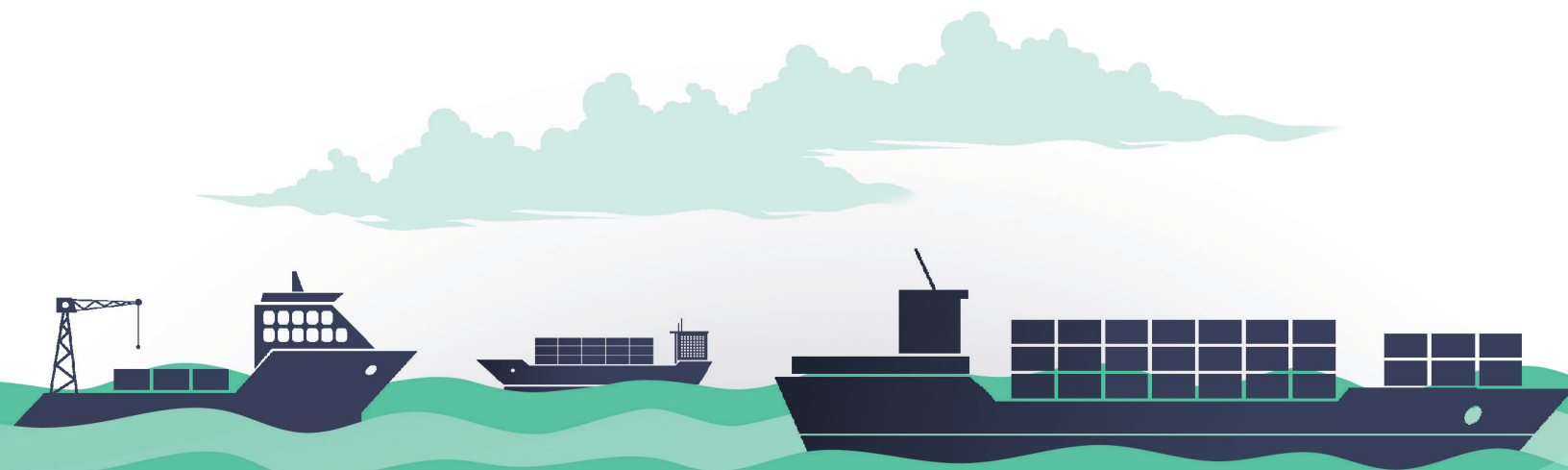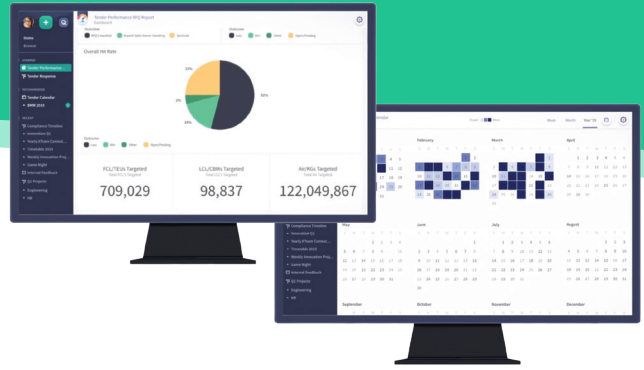
Great Relationships Are No Longer Enough

Years before *The Economist* boldly proclaimed that "data is the new oil," the logistics industry relied on relationships as a source of differentiation. Top-performing transportation reps — and their books of business that followed them carrier to carrier, forwarder to forwarder, brokerage to brokerage — were valued based on the orders for shipping services that surreptitiously followed their client golf outings, expensive steak dinners and charitable donations. Back then, pricing was transmitted in days, not seconds and as closely as guarded as a company's M&A strategy.

Lynn Fritz, founder of freight forwarding pioneer Fritz Forwarding which was acquired by UPS for $450 million in 2001, remembers the high growth, relationship-based selling days of the 1980s. "At the time, we had 400 offices in 120 countries around the world," Fritz recalls. "It was all about hiring the most outgoing, well-connected, social and gregarious sales people we could find." Bill Aldridge, a career logistics professional and former Kuehne + Nagel executive who now runs Allport Cargo Services USA adds, "If he or she was smart, it was an added bonus."

DATA-DRIVEN BID MANAGEMENT

How things have changed. Today, logistics professionals are expected to navigate complex pricing models, discuss global and regional economic outlook on logistic spend, run comparable pricing analysis based on prior years, and articulate the impact of tariffs on fuel pricing.

Yet, nowhere is the change more apparent than today's logistics and transportation RFP and tender bid desks. Operations is tasked with qualifying and responding to shipper bids that drive a majority of the revenue and, in many cases, leads to downstream (and often, quite profitable) spot market business.

Here, the stakes are higher as bid desks struggle to manage an increasing volume of RFPs, higher volume of revisions, and an influx of partial awards. To compound the situation, analysts estimate that 22% of RFPs are actually price checks intended to drive down the price of incumbent logistics service providers.

"The RFP process can be something of a black hole," explained Professor C. John Langley of Penn State's Center for Supply Chain Research CSCR. "Logistics companies do their best to prepare

"Analysts estimate that 22% of RFPs are actually price checks intended to drive down the price of incumbent logistics service providers."

thoughtful, comprehensive responses, yet there's not much oversight to the process. Not everyone knows what's expected of them to finish the RFP on-time. This leads to confusion, poor quality and delays that can directly impact a 3PL's reputation and even impact payment."

In fact, the 2019 23rd Annual Third-Party Logistics Study noted that only 65% of shippers agreed that 3PL responses to RFPs and tenders are consistently prepared on-time and in full. "This tells us there's an opportunity to improve the way we're responding to requests," Professor Langley added.

With the lack of process visibility, Langley noted the root cause of incomplete or ineffective data hand-offs between Sales and Pricing.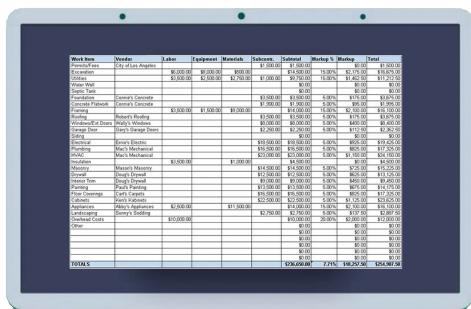 "Sales wants to get the deal at any cost, but Pricing and Product want to make sure it's a profitable business. The majority of shippers (61%) and 3PLs (54%) said issues with data-sharing between the two parties contributed to customer satisfaction issues. Other consequences include late payments, not renewing a contract and negative word-of-mouth."

So, how does a logistics service provider transition from manual to automated processes, from subjective influences to data-driven decisions? The following white paper presents a framework for a gradual crawl-walk-run approach to developing data-driven bid and tender management competencies.

"Sales wants to get the deal at any cost, but Pricing and Product want to make sure it's a profitable business."

STEP 1
Get by with Personal Productivity Spreadsheets and Email

Most 3PLs have taken the first step to instituting a data-driven RFP, bid and tender management platform using individual personal productivity tools such as Microsoft Excel for small groups of knowledge workers.

Some commercial leaders have even developed spreadsheet-based scoring models to determine the strategic fit of incoming RFPs and tenders. "This is a powerful approach in concept," explained Steve Smith, former commercial leader of DHL Global Forwarding San Francisco station. "The challenge lies in getting two dozen people to input data into an Excel file and for someone offshore to consolidate the inputs into a master Excel that can be used to make a decision. Not easily said and done."

"Spreadsheets were not designed to help teams make a collective decision"

Excel has its limitations, so does email and other individually-focused personal productivity software. Yet, these rudimentary tools are the core pillars of the Bid and Tender Management teams around the world.

"Excel helps individuals make better decisions," continued Smith, drawing attention to the origins of the modern spreadsheet. "But at the end of the day, it's a list, a ledger, for an individual to make sure the numbers add up. Spreadsheets were not designed to help teams make a collective decision or evaluate the advantages and disadvantages of various approaches."

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STEP 2
Upgrade to Digital Platforms with Standardized Workflows

While most logistics service providers depend on personal productivity software such as Excel (largely because of the low cost and they're often included in the price of enterprise operating systems), a rising trend of forward-thinking logistics leaders are investing in digital platforms to facilitate collaboration, share insights across distributed teams and communicate more securely than text messaging. These new digital platforms challenge traditional email by bringing a dynamic and informal form of engagement into the office, from any device in any location.

"You can think of these collaboration platforms as private chat services, like the text messages you get on your cell phone, only secure and available on your laptop, tablet and mobile phone," explained Michael Lutjann, Chief Information Officer of Imperial Logistics, a logistics service provider based in Germany. "It's a new way of working and doing business."

Best of all, an increasing number of digital collaboration platforms embed standardized workflows in their collaboration hubs. The standardized workflows may represent, for example, the best way to respond to a CPG tender

or the best practices when qualifying a contracted rate RFP between Mexico and the United States.

With these workflows integrated into the collaboration platforms, this new breed of software brings the best of unstructured collaboration (i.e., free-form text messages) together with the process and oversight for completing a task, such as onboarding a new account or adjusting an invoice. This allows team members to read through comments from their peers, while completing tasks to get their job done, in a user interface that feels more like a social media platform than email.

"I can't underestimate the impact of these new platforms," stated Mike Simon, former Chief Information Officer of Yusen Logistics and President of Defined Logic, a NJ-based digital transformation consultancy. "They fundamentally change the way logistics providers work, compete and differentiate themselves by bringing people together in ways they never imagined."

Indeed, the power of structured collaboration is especially potent to today's logistics bid desk operations. "You absolutely need the structure to ensure

the bid will be submitted on time and the field can share the comments about what's really going on," explained Smith.

Industry leaders such as DHL Global Forwarding and regional transportation companies like GenPro deployed structured collaboration platforms across their bid desk commercial operations with three goals in mind:

RFP Qualification. By combining a quantitative approach to collectively score each RFP and tender opportunity, logistics providers can prioritize opportunities that drive the most margin, represent the lowest risk and have the highest

likelihood of a win. "Why waste your time on the bids that you know are bad for your business?" asked Brad Douglas, VP of Sales Governance and Operations at Neovia Logistics.

Accountability. Then, when the logistics service providers decide to respond to a tender, task assignment and notifications ensure that everyone knows what's expected when. "This creates a heightened level of accountability," continued Lutjann. "If my colleague can monitor my progress with a deliverable, I will be more diligent in meeting my commitments."

Process Oversight. Finally, commercial leaders can monitor the progress of responding to tenders, quickly identify bottlenecks and anticipate when a response is likely to fall behind. "These flashing yellow signs are critical in helping teams work together," added Smith. "I can get ahead of the delay and anticipate what might happen."

Indeed, **logistics companies that have successfully deployed structured collaboration platforms are experiencing an increase in RFP and tender win rates, an increase of up to 18% in responses with a consistently higher quality deliverable.**

STEP 3
Leverage TMS Historicals in your Bid Archive
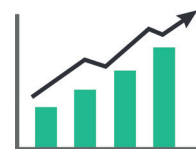
While aligning teams through structured workflows and enabling team collaboration are major steps forward for most logistics service providers, some go further by integrating historical pricing and operational data from their TMS software into their bid desk operations.

This starts with compiling a library of the logistics service provider's historical bids, both won and lost by shipper. "Getting all of that information in one place is hard enough," Smith clarified. "You need to check hard drives, email Sent folders and SharePoint sites across teams literally around the world." The task is exacerbated by the fact that the components of bids, i.e., the various sections, are owned by different stakeholders. Finding a firm's "final version" submitted to the shipper may be more difficult than it seems.

Nonetheless, once a company has corralled bids from their sales, finance, pricing and account teams, finding a suitable and cost-effective digital library can be a challenge. For example, many assume that their CRM software platform is an obvious repository for their bid library without considering the impact on data storage fees. "CRM administrators are often shocked to learn that as soon as they exceed data storage limits, they're

assessed fees which can be quite high. Storing all those spreadsheets and Word documents can get expensive quickly."

Document storage services such as SharePoint offer a lower cost alternative, but they lack the intuitive user interface required by employees to quickly sort and locate versions.

Assuming a logistics service provider has organized and published a digital library of bids submitted to shippers over a multi-year period, for instance, the next step is to reconcile "bids submitted" with "bids awarded" and that often requires integration with TMS software.

By exporting historical data from the TMS and reconciling it with bids submitted and won, a logistics service provider can develop an accurate and insightful perspective on pricing, profitability and most importantly, strategies for increasing shipper accountability.

However, integrating data between the TMS and the bid library is not as easy as it sounds. Many TMS software vendors have incomplete or obsolete application programming interfaces (APIs). TMS software developed in-house for an LSP's unique requirements can also be

a challenge to integrate, especially if the original software developers are no longer with the company.

Moreover, integrating bid libraries with TMS software often exposes one of the most significant trade-offs in modern software. Cloud-based software provides businesses with Internet browser-based access to software that can be updated on a regular basis. Yet, when businesses buy cloud-based software subscriptions, they often lose the ability to access their data, since its stored on the same servers in the cloud with hundreds or thousands of other businesses. The data is secure, backed up and partitioned, but it is often difficult to analyze and integrate.

As a result, it is critical that if logistics service providers consider subscribing to a cloud-based software-as-a-service subscription for their bid and tender management platform and are interested in integrating bid data with TMS historicals (or invoicing, financial ledger software, etc.), they would be well-served to insist that the cloud-software provider offer a hosted data mart for your data. It provides each business with a secure, accessible version of just their data, which can then be integrated and analyzed extensively.

With bid archives and TMS data integrated and analyzed through leading business intelligence tools such as Microsoft Power BI, Tableau and others, logistics service providers can chart pricing trends by shipper and vertical, evaluate quotes and awards with actuals, and conduct sensitivity analysis to look at pricing changes over time and run comps by sector. "The point-and-click nature and intuitive visual design of today's business intelligence tools give knowledge workers a powerful arsenal to do better work, make faster decisions and derive greater insight," added Mike Simon, former Chief Information Officer at Yusen Logistics and CEO of DefinedLogic.

Referring to the *23rd Annual 2019 Third-Party Logistics Study* based on a survey of thousands of supply professionals, Professor John Langley of Penn State's School of Supply Chain Management, added, "This year's study highlighted the risks of looking at logistics data through the lens of one function, like just invoicing or sales or RFPs/tenders. Logistics providers that don't recognize, explore and invest in information-sharing and hand-off strategies between departments simply won't be able to respond as quickly to market changes."

STEP 4
Integrate External Data (PIERS Data and DAT Load Boards)

While integrating and analyzing bid data from *within* the logistics and transportation enterprise can be transformational, what happens when bid data is integrated with data from outside the company?

PIERS, a brand of the JOC Group headquartered in Newark, NJ, was founded in the mid-1970s as one of the first ventures into digital global trade intelligence. It gathers raw import Bills of Lading for all waterborne cargo vessels that enter and exit ports in the United States, sourced by U.S. Customs and Border Protection.

Additionally, its staff reporters manually collect export Bills of Lading from each port in the United States. These import and export records account for 17 million Bills of Lading collected per year. The raw data is subsequently verified, analyzed, and synthesized with supplementary data sourced from The United Nations, United States Census, Dun & Bradstreet, and direct international country sources. The synthesis of these multiple data sources

forms the foundation for PIERS trade intelligence resources. The company also provides historical records from 1950 to the present.

"Bringing PIERS data into your tender pricing operations side-by-side with your TMS historicals is like the Holy Grail for any freight forwarder or carrier," added Aldridge. "That provides a level of accuracy and insight that is unmatched, in my opinion."

For domestic freight providers and carriers, the same holds true with aggregate data from DAT Load Boards and other services. "We tend to think of these load boards as quick-access services. What's the latest rate for this type of freight between these two points?" observed Langley. "But stop for a second and think about what the historical data of these boards over the course of a year, a decade…overlapped with fuel prices and commodity pricing. We're talking about data analytics that can play a vital role to get the price right the first time."

CONCLUSION

It doesn't take much to notice how bid and tender management has evolved from a manual data entry process to a collaborative, data-driven endeavor. How far is the logistics industry from the future? When will a pricing analyst at a freight broker swipe a credit card and log in to a digital collaboration software platform, overlaid with structured workflows that represent the transportation industry's best practices? Will he or she browse a dynamic bid archive with your TMS, bringing years' worth of historical bids submitted, awarded and shipped to deliver the best price the first time? When can a freight forwarder log in and delegate tasks across the network, access PIERS shipping data to ensure the tender pricing is competitive and flag risks for fall-downs?

As DB Schenker CEO Jochen Thewes warned us at TPM, technological disruption is underway and one of the few sure-fire strategies for weathering the storm is to be a catalyst of change.

What can a logistics provider do today to transform ad hoc RFP responses into a data-driven bid and tender management endeavor?

Let's summarize the steps:

1 Recognize spreadsheets and email for what they are: personal productivity tools. Don't confuse them with platforms that help your bid and tender teams work smarter and more efficiently as a team.

2 Move from personal productivity tools to digital platforms that combine best-in-class workflows for the logistics industry (such as "How to qualify CPG Tenders" and "Best Ways to Qualify Contracted Rate RFPs") with unstructured collaboration that bring people together in a more intuitive, modern and social media-like forum.

3 Apply your analytics and business intelligence expertise to integrate your TMS with your digital platform to provide deeper insight on bids submitted, awarded and activated. If your digital platform is offered as SaaS or cloud-based software, insist that your vendor provide you with access to your data through a hosted, secure data mart.

4 Think outside your four walls. More and more data are becoming available through services such as PIERS and DAT, so partner with companies that have a vision for integrating this insight into their platforms.
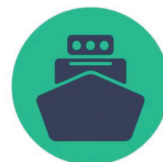
About the Author

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John Golob is the Chief Marketing Officer of Winmore, the leading provider of bid and tender management software for the global logistics industry.

He works closely with executives at many of the world's largest logistics and transportation companies, including DHL, Kuehne + Nagel and CH Robinson. John started his career in logistics, working in film distribution for the Walt Disney Company before graduating from Harvard Business School in 2000.

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