Flock Freight

The enterprise shipper's guide to building a smarter truckload RFP

Learn the secret to booking more efficient, affordable, and sustainable TL freight service

Certified B Corporation

Overview

According to research by Flock Freight, North American businesses spend an estimated $7 billion on truckload (TL) freight that ships with unused trailer space every year. That's equivalent to five out of every 100 truckloads moving empty.

Furthermore, the average utilization of TL trailers is only 66%. That means 1/3 of all North American TL expenditure pays to ship air! Flock Freight has found a solution to the industry's empty-truck problem that unlocks a financial arbitrage. We call it "Instant Prebate".

In this guide, we'll propose Flock Freight's Instant Prebate program as an alternative to the standard TL RFP process. We'll also give larger shippers the strategies they need to conduct smarter TL RFPs, while increasing service levels, securing capacity, and reducing costs.

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The current RFP process

Focus areas

Price

Not only is price the backbone of any enterprise freight agreement, it's the primary purpose behind RFPs. While shippers conduct RFPs for several reasons, finding better pricing is the most common goal. Enterprise shippers simply don't award contracts to carriers that can't offer competitive rates.

Service performance

For TL RFPs, shippers expect carriers to satisfy an on-time delivery service rate of at least 98%. Enterprise shippers are big brands with large customer bases and can't afford poor service performance.

Another service condition for trucking providers to meet is the "delta of acceptance", the amount of times an award (the freight contract that's up for grabs) allows a carrier to decline loads on a routing guide. For example, if an award includes a 5% delta of acceptance for 100 loads per month, the carrier can reject five loads without penalty. A carrier that rejects more than five loads per month with a 5% delta of acceptance incurs a penalty.

Financial stability

Enterprise shippers search for well-funded trucking providers because strong financial backing suggests a carrier will stay in business for a long time.

Compliance

Compliance is extremely important to enterprise shippers. Because these companies move thousands of shipments per month, they have intensive technical and business requirements. Enterprise shippers choose carriers with system integrations — including application programming interface (API) and electronic data interchange (EDI) integrations — because automating load tenders is much more efficient than dedicating 50 people to manually perform the same job. If a trucking provider can't integrate with a shipper's system, the carrier must be able to jump into the customer's web portal to update shipping data. Ultimately, complying with customer requirements saves time and money.

Expertise

Enterprise shippers look for carriers with industry expertise and a keen awareness of market trends. With a firm understanding of the shipper's business model, a carrier can provide forecasts, make the customer smarter, and, ultimately, offer more value.

Traditional TL RFP

Now, an overview of the traditional TL RFP process. At a high level, carriers bid on a shipper's freight with the goal of being the most cost-competitive service provider. Then, the shipper decides which carrier is the most qualified to service the freight and awards that trucking provider with the contract.

How it works

1. As many as 50-100 carriers will take part in a macro-level pricing exercise. The majority of the time, a shipper is seeking point-to-point service, down to the three-digit zip code.

2. The shipper requests a fixed rate for a specified period of time, which can range from one to 12 months. Typically, this rate excludes the price of fuel. Because the price of diesel changes on a weekly basis, the industry breaks out a separate fuel surcharge to align with U.S. Energy Information Administration (EIA)

guidelines. Once a shipper gives the carrier a fuel surcharge schedule, the trucking provider provides a point-to-point linehaul rate. The carrier commits to holding this price constant throughout the entire term.

3. Usually, the shipper provides load volume so carriers know what to predict. Then, carriers bid on lanes in two rounds. Generally, carriers are most aggressive on high-volume lanes (because of network density and large revenue potential) and more conservative on low-volume lanes (due to lack of freight consistency and predictability).

4. The shipper advances the most cost-competitive carriers to the second round and makes a decision. Here are the two most common ways that shippers award volume:

The shipper awards a primary carrier, a secondary carrier, and a tertiary carrier on a routing guide. The primary carrier has the opportunity to move every load. If the primary carrier declines a load, the secondary carrier gets a chance at it. If the secondary carrier declines the load, the tertiary carrier can secure it. If the tertiary carrier rejects it, then the load goes to the spot board.

The other method for awarding volume is known as a "waterfall". There can be 10-15 carriers in the waterfall, ranked in order of cost. If the carrier in the number-one position rejects a load, the carrier in the second position can win it. As carriers refuse the load one by one, the trucking provider in the next-highest position gets a chance at the freight, down to the very last one.

While we give the customary TL RFP process credit for advancing the industry to this point, we can't ignore the shortcomings of its fixed-cost model.

Why pay for a whole truck if the freight doesn't fill it out all the way?

To describe why the fixed-cost model is a weakness of TL RFPs, we got insight from Justin Turner, Flock Freight's senior vice president of sales.

According to Turner, enterprise shippers would benefit from TL RFPs that account for point-to-point rates and pallet count or linear feet.

"Allocating for per-pallet and/or linear-foot breaks allows the shipper to optimize for the many instances when purchase orders do not fully cube or weigh out a trailer. It provides a means for the customer to guarantee the best price on every transaction," he explains.

So, how can enterprise shippers leverage smarter and more sustainable TL RFPs for partials? Flock Freight's Instant Prebate program — which bases TL rates on load size — is the answer.

> *At Flock Freight, we believe the fixed-cost model is one of the most inefficient parts of today's TL RFP process. Basing TL RFPs on fixed costs alone for point-to-point service doesn't promote cost savings. Including pallet count or linear feet, however, does."*
>
> *—Justin Turner*

Instant prebate

With Instant prebate, Flock Freight gives shippers money back on contracted TL rates

Flock Freight's Instant Prebate program allows enterprise shippers to lock in a fixed rate for TL service (like they're used to) with the added benefits of flexibility and cost savings. Instant Prebate is a variable program for shippers with four to 22 pallet positions, accommodating freight that measures 10-44 linear feet and weighs up to 36,000 pounds.

While TL RFPs for point-to-point service give shippers with, say, two, five, and 25 pallets the same rate (exclusive of fuel and linehaul), Flock Freight's Instant Prebate program allows customers to optimize freight that doesn't fill an entire truck and charges them only for the space they need.

Here's how it works

Shippers lock in contracted TL rates based on lanes.

Shippers tender a load to Flock Freight 24 hours before pickup, telling us the dimensions and weight of the freight.

If the shipment is less than a full truck, Flock Freight gives the shipper an Instant Prebate off the contracted TL rate that's based on the load's percentage of trailer utilization. We also move the shipment via shared truckload service if possible.

To determine Instant Prebate savings, Flock Freight uses a tiered discounting system that accounts for load size. Shipments that take up fewer linear feet yield higher discounts; shipments that take up more linear feet yield lower discounts.

Up to **28 linear feet**	Up to **36 linear feet**	Up to **44 linear feet**
Up to **24k lbs**	Up to **30k lbs**	Up to **36k lbs**
20-50% savings	**15-35%** savings	**10-20%** savings

Instant Prebate savings depend on lane, commodity, and time of shipment. Shippers can estimate the amount they'd save with this program by using our Instant Prebate Savings calculator.

Instant Prebate is Flock Freight's way of giving enterprise shippers a better option than paying to ship air. The shipper doesn't take on any risk because we never charge more than the contracted rate, regardless of load size.

"As a B Corporation," Turner says, "Flock Freight is thinking about the economic value of using shared truckload service to pool shipments. Building this efficiency into supply chains lowers costs across the board — even down to the consumer level."

Here's how: Given that trucks and trains move everything around us, the prevailing RFP process and year-overyear inflation cause the cost of goods to increase.

“We pay for the industry’s inefficiency as consumers,” Turner affirms.

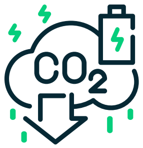
Flock Freight feels that the industry deserves a more sophisticated level of cost savings than the current RFP process can offer.

Turner goes on, “It’s common practice for trucking providers to request general rate increases (GRIs), but very rare for carriers to give shippers money back on TL freight. That’s why Instant Prebate is so attractive. For the first time ever, shippers can pay half the rate if they’re shipping half the truck.”

Lowers freight-shipping costs for shippers

Pays carriers more for freight transportation

Reduces the cost of goods for consumers



Emits fewer greenhouse gases

Instant Prebate unlocks a financial arbitrage that:
But what if you’re a shipper who typically doesn’t know pallet count until you load the trailer? Never fear. Flock Freight can help you create an estimated pallet calculation. We’ve built a volume/ cube-to-pallet calculator that shippers can use to drive the Instant Prebate standardized pricing program.

Learn More About Instant Prebate

TL freight playbook

Other strategies in the TL freight playbook

Besides joining Flock Freight's Instant Prebate program, enterprise shippers can increase service levels, reduce costs, and secure capacity with other tactics, including:

- Honoring volume commitments and making better, smarter business decisions by leveraging data.
- Forecasting freight volumes by taking a look at trailing data, making the most accurate predictions possible, and sharing projections with carriers.
- Finding reliable trucking providers by doing market research and speaking to carrier references. Dependable carriers have proven track records of operational excellence.
- Identifying carriers that use strategic thinking to scale and prepare for the future. Does the company innovate with technology or rely on 20-year-old processes?
- Improving processes by collaborating with carriers. The shipper knows its business better than anyone else and can see better outcomes by passing that knowledge along.
- Boosting the possibility of long-term partnerships by working with well-funded carriers that don't show any signs of going out of business.
- Pinpointing trucking providers that share similar core values by determining if the carriers' value propositions align with the customer's corporate message.

Besides implementing the strategies above, enterprise shippers can analyze COVID-19's impact on the freight space for better TL shipping.

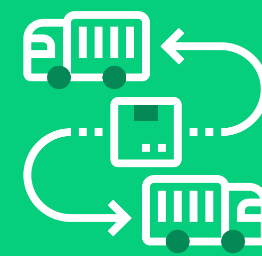
What we learned when the tables turned in 2020

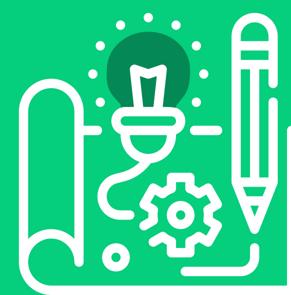
In the everchanging months of 2020, market conditions exacerbated the inefficiencies of TL RFPs with 12-month terms and shippers started switching to quarterly RFPs. While terms of TL RFPs shortened, their fundamental purpose didn't change: to find the carrier that can meet a shipper's business targets for requirements like service performance and compliance at the lowest cost.

Coronavirus' impact on global markets showed the freight industry the benefits of quarterly RFPs. By changing the marketplace so severely, the pandemic gave carriers more power in rate negotiations.

Throughout 2020, routing guides from the top of the year became irrelevant and carriers faced a dilemma: make more revenue by running higher-paying relief loads for the government or try to keep customers happy by honoring the pricing of previous market conditions.

When trucking providers started rejecting old commitments and destroying existing RFPs, shippers realized collaborating with carriers for shorter time frames was a surer path to securing freight service.





What has the industry learned from the impact of COVID-19?

- For shippers to receive the consistent service they need, they must pay carriers fair rates as markets, prices, and capacity change. This is how everyone wins.
- Brokers and shippers must do the best they can to manage the ebbs and flows of market volatility. When markets shift drastically, RFPs should reflect updated shipping prices.

Successful RFPs and mutual partnerships between shippers and carriers are testaments to true collaboration. When in doubt, we must remember the purpose of RFPs for enterprise shippers: to get the most attractive price and the highest service level from the best, most educated carriers. Coronavirus reminded the industry of that purpose.

Instant Prebate is the best way for enterprise shippers to move TL freight

Enterprise shippers don't need to sacrifice their standards for service performance, compliance, expertise, financial stability, or price to receive a high-quality TL experience. By recognizing and rejecting the faults of today's TL RFP process, they can realize the benefits of Flock Freight's Instant Prebate program and implement other best practices — including lessons from the pandemic — to increase service levels, reduce costs, and secure capacity. Instant Prebate doesn't just provide the shipping industry with a better way to move TL freight, it helps solve the macroeconomic problem of ever-increasing cost of goods.

Flock Freight

Flock Freight exists to make the freight industry a better place for shippers, carriers, and the environment. Our goal is to end the tug of war between shippers and carriers by giving shippers top-tier shared truckload service and helping carriers maximize revenue with multi-stop loads.

The environment wins as well, with our guaranteed carbon neutral service: FlockDirect. We offset the emissions of all FlockDirect shipments at no extra cost to our customers. Why? Because it's the right thing to do.

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