

HOW TO CREATE AN EFFECTIVE TRANSPORTATION RFP

WHAT IS A REQUEST FOR PROPOSAL (RFP) IN TRANSPORTATION?

A request for proposal (RFP) is the formal call for a carrier to answer a shipper's business needs once the shipper has chosen a select group to consider. When a shipper receives carriers' completed proposals, it provides the opportunity to compare and contrast information on an equal level across all submissions. During the process, shippers are able to narrow down the potential carriers to those who will best execute the work.

To get the most accurate and effective bid from carriers, it's important to have a user-friendly and informative RFP. Thoroughly creating and detailing the RFP at the onset of the process will save shippers time once the proposals are returned for consideration. With clear expectations set up front, it will be easier to both eliminate carriers who do not meet the basic requirements of the RFP and spot the ones that are indeed viable candidates.

Below are key steps and concepts to keep in mind when compiling a two-part transportation RFP.

PROPOSAL PREPARATIONS

Before compiling the necessary questions and statistics to create an RFP, make sure the following decisions are made in advance. These components will affect the final proposal and impact how a carrier crafts its response.

- Determine the number of bid rounds
- If packaging or bundling lanes, determine in advance how this will be evaluated in the bid process
- Decide the bid/price duration — best practice is a two-year bid term with annual escalation
 - If splitting bids, implement annual price-adjustment processes for the freight on which your carriers are about to bid
- Establish whether bid rates will be adjusted to value incumbency

TWO FORMATS ARE BETTER THAN ONE

After these decisions have been made, it's time to create the RFP. The RFP should ask for information that is both qualitative and quantitative. This two-part format allows a carrier to provide the most accurate and comprehensive overview of its capabilities.

1) QUALITATIVE

This portion of an RFP allows carriers to report the details of their expertise and business, oftentimes in fill-in-the-blank or short-answer formats. When providing questions for carriers to answer, keep these guidelines in mind:

- Create clear, streamlined questions and avoid repetition
- Include adequate space for respondents to provide context or add additional information to a numerical answer — numbers don't always tell a complete story
- Format the RFP so requested scores and data are provided accurately — outdated formats may inhibit correct reporting of data (e.g., CSA, SVI-CTPAT, SmartWay)
- Limit financial questions, as most carriers are unable to answer them due to privacy restrictions
- Consider creating the RFP in Excel for easy data input and tracking

2) QUANTITATIVE

For the quantitative portion of the RFP, it's important to provide as many details as possible. The more the carrier knows, the more accurate the proposed solution will be. Additionally, more up-front information will help the carrier determine whether the potential business will be the correct fit, mitigating the risk of winning the business and later realizing it's not the right opportunity.

When assembling the quantitative component of an RFP:

- Provide details regarding origin-destination (O-D) pairings
 - ZIP/Postal codes
 - States/Provinces
 - Regions
 - Freight volume between destination points on each lane
- Include detailed freight characteristics (e.g., drop and hook)
- Describe any seasonality / variability
 - Take into account whether there will first be negotiations with incumbents, or if it will be a one-bid round, with key lane negotiations among incumbents
- List any required accessorials (e.g., top-off, trailer detention)
- Identify who is the shipper and who is the consignee
- Include bid-to-implementation duration and objectives between the shipper and carrier
- Be prepared to select 2–5 alternative carriers as a backup to the primary carrier
- Consider creating the RFP in Excel for easy and consistent data input and tracking

THE DEVIL IS IN THE DETAILS

The effectiveness of an RFP comes down to the details. To award a carrier the business, a shipper needs to see a clear and accurate picture of the carrier's capabilities. A great fit goes beyond the price of the quote. A carrier's expertise in the industry, portfolio of services, cultural fit, network and use of technology are just a few components to help shippers make the right choice.

