CASE STUDY

SONAR SUPPLY CHAIN INTELLIGENCE

How a CPG Shipper Stayed Out of the Spot Market and Achieved a 20x ROI

FREIGHTWAVES SONAR

Executive Summary

Tricky freight, short lead times, and inflexible delivery windows meant that one consumer packaged goods shipper was punished when its core carriers fell off and it had to put its freight into the spot market. By raising contract rates in certain volatile key lanes identified by FreightWaves Supply Chain Intelligence (SCI), the same shipper slashed its spot market exposure in half and cut its truckload spend by 10% on the lanes it put out to bid.

The CPG shipper is one of the leading providers of specialized supplies, including personal care items, clothing and electronics, for an array of facilities across the United States. Two years ago, the company added a new director of transportation, who had previously spent several years at a top food and beverage company.

As the new Director of Transportation, he was tasked with addressing the company's overexposure in the spot arena. The CPG shipper maintains strict requirements for its carriers, as well as guaranteeing in-stock, next-day delivery to all of its destination facilities across the country. Immediately, the new director understood that they would have to continue paying a premium for transportation, due to their strict requirements and short lead times.

These persistent issues led them to FreightWaves SCI platform, which helped identify the highest-spend lanes across the company's network. The CPG shipper ultimately let 95 lanes out to bid during the summer, which went live in August 2021. The summer of 2021 will be remembered as a period of exceptional volatility in trucking rates and capacity, as average truckload spot rates on Truckstop.com's load boards exceeded $3/mile and the national tender rejection rate remained elevated above 20%. It was in that business environment that the CPG shipper sought to firm up relationships with core carriers and stay out of the spot market.

The initial results were better than expected, generating a 10% savings in transportation spend. The company was also able to cut its overall exposure to the spot market roughly in half, from 20% to 11%.

The savings on those 95 lanes alone will generate an approximately 20x return on investment in SCI in the first year, but this CPG shipper plans to optimize its network even further. With SCI's ability to benchmark risk and performance against the market on every lane utilized, this team has designs on running their entire contracted truckload network through the platform.

Moving forward, they also plan to use SCI to measure and better understand the premium to market rates the company has to pay due to the nature of its freight.

Key Results

Company Profile
CPG shipper with guaranteed in-stock, next-day delivery at all facilities across the country

$150M+
Revenue CPG shipper with strict OTD requirements

95
Lanes put out for rebid

45%
Decrease in spot market exposure (20% → 11%)

10%
Transportation spend saving

20x
ROI in year 1 with SONAR SCI

FREIGHTWAVES SONAR

Introduction

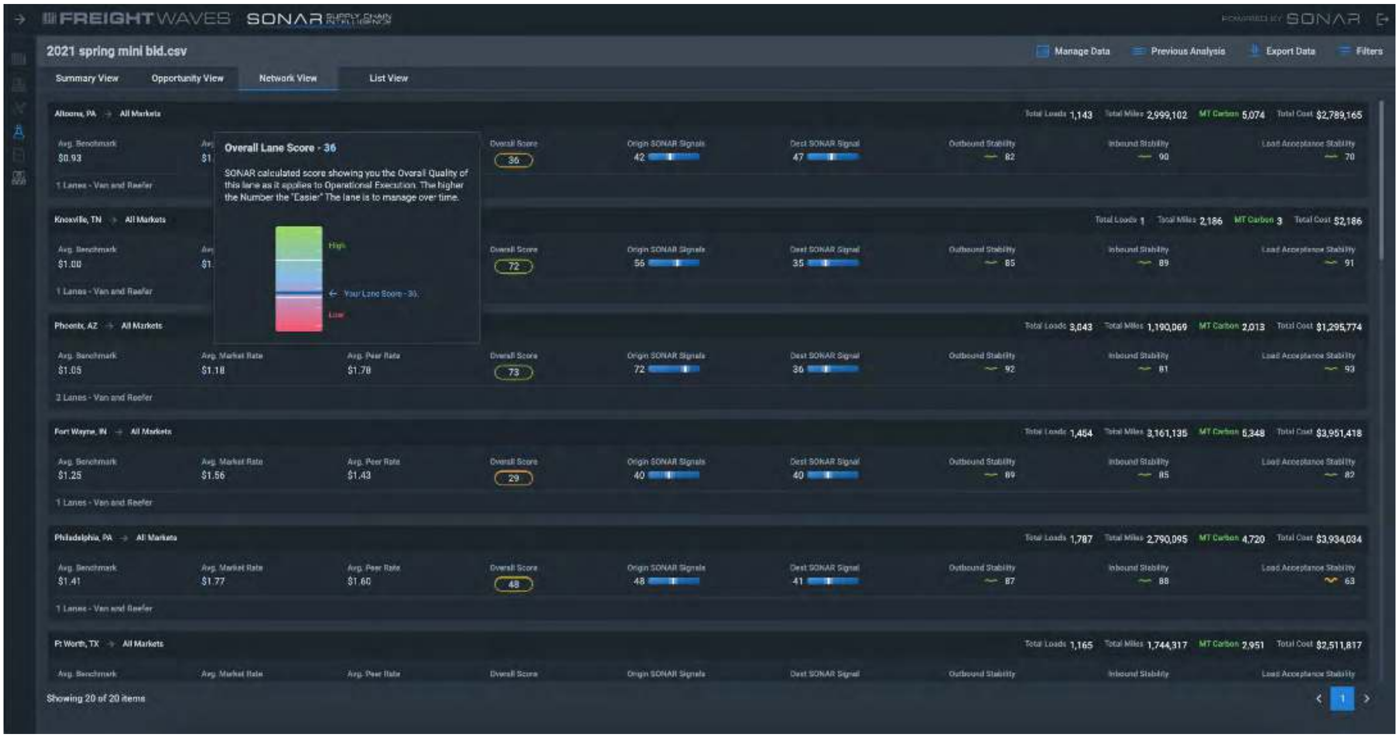
Since the mid 1970's, this CPG shipper has been a leading provider of food, personal care items, clothing and electronics to multiple unique facilities across the nation.

Whether it is a small office receiving a parcel, or an intricate facility receiving multiple truckloads every week, they are positioned to accommodate any receiver, regardless of facility size and scope.

The success and growth of the company has been fueled by their dedication to 100% customer satisfaction, which is achieved by offering premier customer service, an expansive portfolio of products, and a nationwide distribution network with next-day delivery capabilities.

Operating out of an extensive national network of 24 distribution centers, this CPG shipper is well-positioned to service facilities in every state, adhering to all federal, state and local regulations. Maintaining product stock and inventory levels is a focal point of the company's operations, with accommodations being made to support this mission at all times.

Due to the nature of its freight requirements, the CPG shipper often experiences difficulty with carrier compliance, and often falls victim to a volatile spot market. After being exposed to FreightWaves SCI, their new Director of Transportation was quick to re-evaluate current transportation practices, attempting to reverse the company's recent market-induced expenses. Using SCI's unique ability to identify "trouble" lanes, the team was able to earn an immediate return on investment, translating to truckload spend savings of 10% on those lanes.



Mission: Avoid the Spot Market

A major retailer may face some negative customer reviews and some missed sales if goods aren't received within their required window. But at this company, a missed shipment or an out-of-stock product can have major consequences.. That's why delivering on time is of the utmost importance to their storied reputation for rock-solid reliability.

When one of the CPG shipper's warehouses receives an order before noon, it makes a commitment to make that delivery tomorrow. Those rigid commitments often put them in a bind when it comes to securing capacity. Short lead times and tight delivery windows cause issues in the routing guide.

> We're very constrained and have very little flexibility to adjust delivery windows, or transit days, noted the Director. As a result of such compliance issues resulting from the nature of their freight requirements, the company found itself overexposed to an extremely volatile and inflated spot market, substantially elevating its transportation spend in 2020 and 2021.

The task of reducing that spot exposure was given to the new Director of Transportation, who was brought in to help resolve the company's network issues. The leadership team knew the company was paying more than the market rate on a majority of its lanes. They also knew that was to be expected given the nature of the company's freight. While the most obvious choice would be to issue a new network RFP, they knew that doing so would only yield numerous and significant price increases given the current market conditions.

Leaving the RFP idea behind, the CPG shipper instead asked its incumbent carriers to extend their rates and dive into the network on a regional and lane basis. What the leadership team didn't know was what they should truly be benchmarking against on a lane level. Despite a few subscriptions through the company's 3PL and other data providers that generated aggregated baskets of rates, the transportation team could not quantify and justify the increased spend to senior leadership. While taking into account average rates for national and lane-level profiles, the existing platforms had no way of discerning market rates for the CPG shippers in the same industry vertical.

Enter FreightWaves SCI

The FreightWaves SCI platform was able to differentiate itself from other data providers by the lane-level granularity it provided. The company had previously used other sources to gather information about the market, including DAT, but did not have the data density to reliably benchmark on a lane level.

The leadership team, especially the new Director of Transportation, had a desire to take things further. That led to more conversations with data providers, and reaching out to FreightWaves about the SCI platform. The company's interest was piqued by SCI's lane-level benchmarking capabilities, which were more robust than other offerings he had seen.

> Referring to other platforms, the CPG shipper's Director of Transportation said, "We just had a top-down view, which is helpful to know that we're not alone when our budget goes out the window, but there was definitely a desire to take a next step, and we didn't have the granularity or lane level view.

That's just one of the reasons why the CPG shipper decided that SCI was the best platform to reduce the company's spot exposure.

The key reason why they chose FreightWaves' SCI platform over other data sources was SCI's breadth of data. FreightWaves captures lane-level activity through both shipment tender and freight payments data, compared to other providers that rely on self-reported spot rates.

The cross-pollination of SCI's tender data and payments data is crucial to the platform's value proposition, because information about volumes and tender rejections helps the CPG shipper zero in on unstable, volatile lanes.

This CPG shipper was looking for a data source that provided dense data at a reasonable cost.

During their initial discovery process, the company's leaders ultimately realized that the other options provided services that were unlikely to provide value. FreightWaves' SCI platform checked the boxes of reasonable costs and customization – and yielded nearly immediate results.

The CPG shipper cited SCI's assistance in building use-cases and the demo process as examples of SCI's ease of use. The additional support that FreightWaves customer success managers provide with the SCI subscription gives them assistance throughout the process, helping clean up the data and answer any questions that arise.

Ultimately, this CPG shipper decided to add SCI to the company's repertoire in March 2021, and in just a few months the results were undeniable.

FreightWaves SCI Yields Immediate Results

The CPG shipper's new Director of Transportation was able to take a report from its 3PL that flagged the lanes with the highest spot market exposure. After receiving the report, he formatted the data for SCI, removed the small volumes and focused on a single region. Initially, the focus on these lanes was to ensure the input was formatted correctly to provide results.

Following these results, the team ran the full network through SCI, flagging lanes based on volume. The largest spend on an annualized basis helped to identify the largest opportunities. These opportunities allowed cut-offs to be established, but along some of these lanes, the longer-term relationships with carriers were more important to the CPG shipper than pricing control. This led to two entire regions of the network being removed because the value of running pop-up bids wasn't there.

Following the omissions, the team took the remaining 95 lanes back to the 3PL to generate bids from carriers.

While the process was longer than most RFP processes, that is understandable given the strict requirements that are required by the company.

The CPG shipper requires a pre-review, a post-review and an additional pre-implementation review. The initial analysis began in April and May before ultimately taking the 95 lanes out to bid in May 2021. The bid process concluded in June before implementation in July. Ultimately, the bid went live in August 2021.

The initial value that was captured from the data-backed RFP was just shy of the 10% savings rate on an annualized basis. The first data review showed that the initial savings was 3%, so SCI was providing value. After a re-review in August, the savings rate turned out to be a much better number than expected.

Not only were the savings better across the 95 lanes, but the CPG shipper's spot exposure was also cut nearly in half during the month, from 20% to 11%.

Using SCI Moving Forward

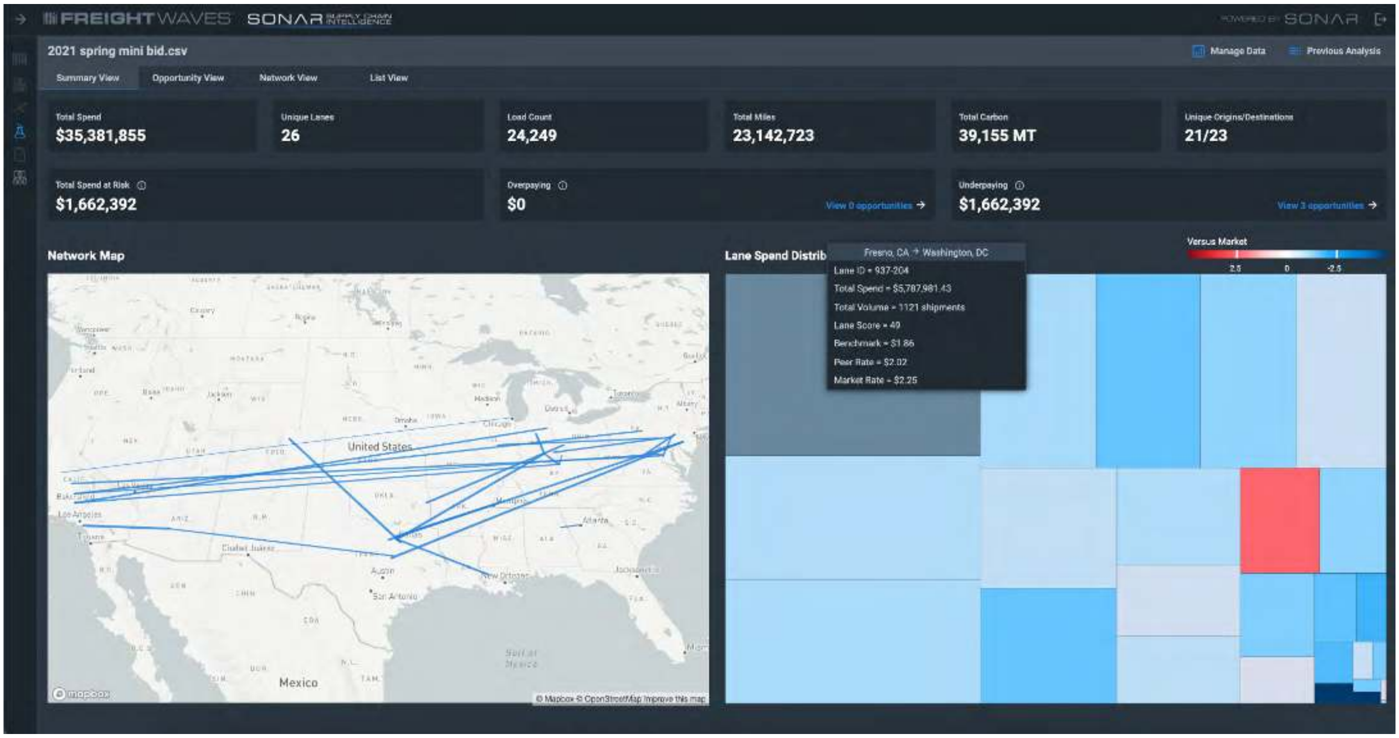
Following the immediate success with FreightWaves SCI, the Director of Transportation and his team needed to devise an implementation strategy to utilize the platform with its 3PL. While the company still plans to issue a new network RFP through the 3PL later this year, FreightWaves SCI provides the resources to monitor and enforce accountability across the network.

When allocating carriers to its RFP, the CPG shipper can measure their compliance and performance levels against their agreed-upon rates. Over the life cycle of the bid, they will take two or three snapshots with SCI in order to identify a series of lanes that are either too far in excess of the market and their peers, or lanes in which compliance is too low. Using SCI, the transportation team at the CPG shipper can easily identify those lanes that need easy remedies and quantify the annualized spend at risk.

Armed with that knowledge, they will then take those lanes out and issue them to the 3PL for re-bid to the desired levels. SCI also allows the CPG shipper to leverage its negotiations in an inverted direction, showing customers how altering operational requirements and delivery windows could be beneficial to their overall rate profile, and just how much of an added cost those requirements carry.

FreightWaves SCI rapidly helped this CPG shipper lower its transportation spend. Moreover, SCI's data has given the company's transportation team insights it never had into the transportation network and its costs on a lane-by-lane basis.

Going forward, the team can monitor its carrier network more effectively, while also controlling its transportation spend more efficiently.



Learn how to utilize SONAR SCI insights
and get a demo at sonar.freightwaves.com