Send an RFQ today

Freight and logistics rates are beaten down and surplus capacity is so painfully obvious that most equipment owners are asking themselves what they were smoking when they placed their orders. From a shippers' perspective, there are only four really high-leverage purchasing strategies: aggregate volume to gain economies of scale; engineer out waste in the supply chain network; integrate with supply chain partners to eliminate overhead cost; and leverage competition to make sure your rates are the lowest. When demand and prices are falling - like today - it's all about leveraging competition.

The oldest tool in the box is the request for quotation (RFQ). For some time after the Internet boom, RFQs were belittled as a host of other, better, tools began to replace them. E-RFQs made the process more traceable. Intelligent negotiation allowed for better deals. Combinatorial bidding allowed bidders and carriers to realize the best of both economies of scale and economies of scope. And portals allowed shippers and carriers to transact effortlessly and at lower cost. But these are all fancy solutions. When you see a man drowning, you reach for the first thing that floats and toss it to him, or jump in and rescue him if needed. This is no time to over-engineer a solution.

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The RFQ is so quick and easy that it's hard to figure out why not to send one out today. Some ocean freight rates have dropped more than 80%. Charter rates have been hit hardest, especially in bulk trades, but even liner rates are bargains. Carriers are laying up hundreds of ships. Whenever the industry goes into a tailspin like this, the divergence between rates widens. Those who signed contracts a year ago may be paying much more than those that signed them a month ago.

Even those that signed them at the same time may have substantial different rates simply because during periods of rapid change everybody has different perceptions of their buying power and of when the market will turn around. At times like these, RFQs are the only way to find the true market price.

If you are working on a sizeable expenditure, however, the RFQ is just the beginning. You will need to negotiate many aspects of the service, such as the bundling of lanes and/or services, surcharges, and contract length. You should also make sure you don't negotiate rates below the cost of the service that would jeopardize the provider's ability to execute the contract. For this it helps to have market intelligence. Boston Strategies International develops weekly market intelligence on over 50 industries worldwide.

We recently helped a shipper cut its cost of small package service by over 50%, before the elimination of fuel surcharges. We helped another client forecast capacity, utilization, and prices, and negotiate long-term partnership agreements based on a fact-based and mutual understanding of realistic market conditions that came from our market intelligence.

Send an RFQ today. You may be surprised at what you achieve. Even the action of a competitive event may cause some providers to lower their rates rather than see the business go out to competitive bid in today's ferocious market. And if you are prepared to talk knowledgeably about your providers' economics, chances are you will get an even better, win-win, deal.

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