WHITEPAPER

Gaining pricing confidence

How to leverage data in your strategy

SHIPWELL®

Gaining pricing confidence:

How to leverage data in your strategy

Supply chain managers face tremendous pressures these days. The cost of shipping a container of goods has nearly tripled during the pandemic, **rising by 80%** between November and March, while spot rates across the board have been steadily increasing almost daily. Rates are increasing as quickly as demand for rapid service, while driver shortages and tight capacity make it difficult to establish a pricing strategy that can quickly adapt in order to ensure that you are getting the best available rates.

This is exactly why shippers devote an incredible amount of time and resources to establishing their pricing strategies. Yet despite their best efforts, many providers miss the mark. Whether they pay too much, go in too low, miss out on rate drops, or end up taking too long to submit, an effective pricing strategy requires a complex balance of constantly shifting variables to work effectively.

In order to price effectively, your strategy needs to include ranges, forecasts, what-if scenarios, nuanced modeling, benchmarks, and a slew of additional information to which most companies simply don't have access. And without access to all the data behind those variables, determining the right price remains a struggle for many.

Even before the rollercoaster ride that prices have been taking since the pandemic, supply chains are subject to dramatic and unpredictable swings, and customer expectations are high. The fact is, while many traditional shipping departments still rely on conventional methods of pricing, this approach simply isn't enough in the digital era.

While it's true that it's not always possible to control external factors, it is certainly possible to mitigate the impact they have on your pricing strategy, and to optimize operations to better position yourself to handle market volatility. In this guide, we'll explore some of the popular traditional strategies that have been employed by many in the industry, and the benefit that can be gained from a more data-driven approach.

Spreadsheet software

Versatile, but limited

Spreadsheet software like Excel and Google Sheets continue to be the application of choice for supply chain and logistics management at companies large and small, around the world. And it's not hard to understand why. It's low cost, easy to use, versatile, universally available, and passably functional.

It gets the job done.

However, with their limited capabilities, spreadsheets are not without their flaws. And as businesses scale, the lack of more advanced capabilities can have compounding effects on costs that are hard to ignore.

Reasons you may want to upgrade:

Spreadsheets are prone to errors: Various studies over the years have shown that nearly **90% of all spreadsheets contain errors**. Many view this as a reasonable tradeoff, however, large or small, these miscalculations can compound into significant losses to your supply chain over time.

Insights are limited to internal data: Gathering and organizing sufficient historic information on each mode, lane and other variable needed to generate accurate benchmarks can be a challenge for even the largest company — and that's assuming that they have access to historic data at all. Besides this, no amount of internal data can provide a wider view into what others in the market are paying for similar shipments.

Uncertainties are difficult to manage: Spreadsheets were made for calculations, not analysis. With the siloed access to data provided by a spreadsheet, supply chain managers are left making assumptions on market trends with the limited evidence available, making it nearly impossible to account for unanticipated disruptions with confidence.

> ***"Spreadsheets were made for calculations, not analysis."***

Auction

Let the market decide

More sophisticated than spreadsheets, we see many shippers adopting the auction approach in their pricing strategy. In this strategy, the shipping manager doesn't need to set their own prices — the market does it for them. By putting the question of price to the carriers of their choice, the shipper is able to simply examine the prices provided and select the best fit.

As with Excel however, this strategy isn't without its limitations.

Limits shipments to carriers in your portfolio: With thousands of carriers in the US market alone, most shippers have a strong relationship with only a very small sampling of those available. Without access to prices from those outside of this circle, it can be difficult to determine whether the prices provided are competitive with the general market.

Creates barriers to bringing in new carriers: Bringing more carriers into the fold is a long and complex process, with little guarantee that they will be a good fit. And no matter how thorough your research, without insights into pricing history, there is little to no way to gauge how a new carrier will react to shifts in the market.

Makes pushing prices down challenging: There are many occasions when external circumstances cause it to make sense to tactically push for lower prices. For example during a general market downturn, seasonal fluctuations, or when you'd like to customize the price to reflect the particularities of a load, like long lead times. However, due to the inherently passive nature of an auction strategy, it doesn't allow for much nuance in pricing, and you typically receive little to no guidance or interaction with the requesting shipper.

> ***"Most shippers have a strong relationship with only a very small sampling of [the carriers] available."***

What's in a good pricing strategy?

While the previous strategies can yield manageable results, they often fall short in the long run. And for businesses that are scaling — especially in today's volatile market — those seemingly minor shortcomings can quickly add up. This is why we are seeing more and more shipping and logistics departments seeking methods to modernize their operations.

The number one method for doing so? **Big data.**

In fact, in a 2020 survey, **81% of shippers** said that using big data effectively will become "a core competency of their supply chain organizations". Yet, with only 2% of shippers currently utilizing it, they're lagging far behind many other industries. And it's not that data is easier to uncover in industries like finance. Shippers have plenty of data. However, data alone isn't enough to benefit anyone. In order to begin a successful evolution, you need **the right kind of data, delivered at the right time.**

As anyone who has dealt with sprawling spreadsheets can attest, too much data can be worse than none at all. What's needed is specific, highly organized guidance that is tailored to what you are trying to accomplish in the moment, delivered at the moment it's needed. Because if accessing the relevant information means manually searching for it while switching back and forth between multiple tabs or platforms, it might as well not be there at all.

Big data usage, by industry

Around the world and across industries, advancements in technology are enabling companies to take advantage of the benefits that Big Data provides. But the shipping industry still has a long way to go.

- Financial services: 22%
- Technology: 16%
- Telecommunications: 14%
- Retail: 9%
- Government: 7%
- Health Care: 7%
- Advertising & Entertainment: 6%
- Gaming: 6%
- Data Services: 3%
- Energy and Utilities: 3%
- **Shipping: 2%**
- Transportation: 2%

Survey by Datameer

Top 5 data types & models to include in your strategy

Past insights

As Winston Churchill famously wrote, “Those that fail to learn from history are doomed to repeat it.” If you want to know where you stand today, or where the market will go tomorrow, you need to be able to examine the past.

- **Historical lane information**: To examine past shipment price trends and carrier performance, a data solution should not only collect — but organize — all relevant past data to reveal historical rates and allow focused interrogation of individual past shipments.
- **Historical market trends**: Internal data alone is rarely sufficient to set an accurate scenario-specific benchmark. In order to gain a broader market context, historical data must be aggregated from hundreds or even thousands of sources in order to allow for an industry-wide comparison of rates.

Pricing trends

Prices fluctuate constantly, and no simple algorithm is capable of calculating for shifts that take place due to changing weather patterns, holiday schedules, and other considerations. For example, after the recent power outages caused widespread food spoilage across Texas, the demand for reefer trailers in the state exploded. This left a vacuum in other parts of the country and caused prices to **rise over 60% higher** than at the same time last year. An effective data solution should be capable of analyzing impact from events like that, as well as predicting trends and fluctuations around day-of-week trends and fluctuations.

Current market rates

When it’s all said and done, what most shippers are looking for when setting their prices is, “what are the market rates for this shipment, **right now**?” Finding real-time scenario-specific benchmarks for prices on individual lanes, cargo types, and time frames is a lot more complex than a simple Google search. In order to provide these, your system needs to be capable of looking at the going rate for thousands of shipments, and distilling that down to an accurate and reliable benchmark, tailored for your specific shipment.

Future expectations

An effective strategy needs to be able to plan and adapt around future fluctuations in pricing. To get a view into that, a fully-fledged solution needs to be capable of considering all carriers--past and present--as well as market rates already collected, and interpreting them holistically to compute accurate forecasts into the future.

Embedded insights

This is less of a data type, and more of a delivery method, but a vital consideration for any insights you can glean in establishing an improved pricing strategy is how and when they are presented. To be fully effective, information and guidance gleaned from this data should be embedded directly within the appropriate stage of the pricing process so that it is contextualized and immediately accessible.

How can you use them?

So you have all the data and models you need, embedded directly into your workflows so that you can utilize them effectively. Now what?

Below we've outlined some of the key benefits that this capability has brought to those who have implemented them into their pricing strategy.

Re-balancing carrier portfolio

Through access to information on historical and current rates being provided, you can evaluate which carriers are best suited for your business case in terms of volume and stability. This can help in discovering underutilized but high performing carriers to shift more business to. Paired with data on performance and reliability, much of the guesswork and stress involved in carrier selection and contracts can be removed.

Empower negotiations

Many supply chain managers have spent considerable time and effort in building strong relationships with the carriers they work with, and as such, seeking new options isn't a strong priority. In that case, having access to pricing benchmarks and forecasts can be utilized as a tool to empower fair and effective negotiations with existing carriers.

Discover underperformance

With access to information on pricing by lane, carrier and rep, it becomes significantly easier to adapt your strategy to address underperformance. For example, if operations in a certain area are impacting your margins, you can create a strategy for shifting business to other lanes. Likewise, if you notice that you are overpaying on a particular lane, you can open up to explore other carriers on the market. You can even determine when a particular representative is outperforming another in sourcing in order to guide training initiatives.

Guide your budget

Through access to future price forecasts, supply chain managers are able to better gauge upcoming shipping costs and can create more accurate projections to guide improved budget allocation and spending.

Plan ahead

Having insights into upcoming fluctuations in pricing also allows for improved coordination with other departments like sales, guiding when to push for increased shipments, and when prices and availability will be tight. Likewise, for shipments that are not on a rigid delivery schedule, and/or for quarterly regimens that enjoy timing laxity, you can take advantage of forecasted price drops by rescheduling for a later date, or pushing the shipment forward to avoid impending increases. Even for shipments that do not have much flexibility, foresight into the quantitative impact of holidays on rates or even day-of-week pricing fluctuations can enable small timing adjustments that may yield appreciable dividends.

Save time and resources

A typical bidding process can take up to two days to complete — collecting bids via email, putting them into Excel, finding the best rate, emailing back and forth to confirm information. All of this can be avoided with the right insights. By collecting accurate, real-time information on the prices available on the market and embedding that information directly into existing workflows, you can expect to see not only improved price performance, but a considerable reduction in the time spent pricing.

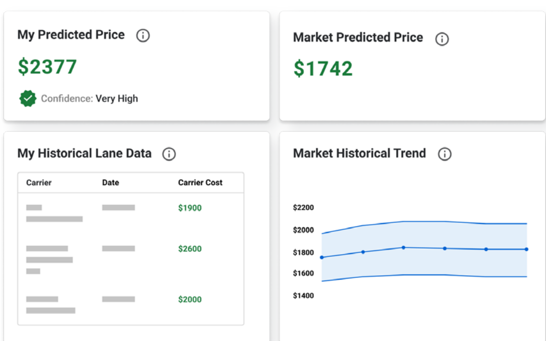
Conclusion

Gaining an advantage in your pricing strategy in a post-COVID world is a priority for supply chain managers across the country right now, and every tool helps. Finding the right tool for the job, however, can be a challenge. This is why Shipwell has developed our latest **Pricing Intelligence Platform**.

Take the guesswork out of your pricing strategy with accurate price forecasts, tailored market benchmarks, and other valuable data — all built directly into your existing workflows.

14-day price forecasting

- Assess rating patterns and tendencies based on day-of-week, holiday and other considerations.
- Compute company-personalized rate forecasts based on internal data
- Extrapolate market rate forecasts based on current trends



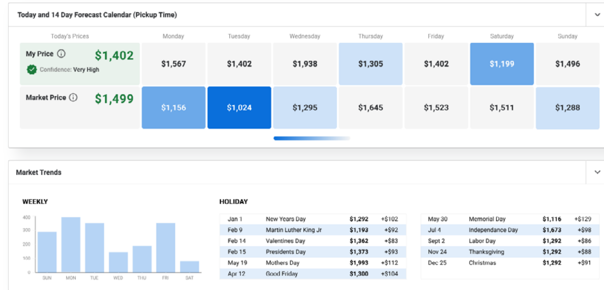
Embedded Pricing Intelligence Tool

Personalized price targets

- Compare rates industry-wide by establishing market benchmarks that aggregate data across hundreds, even thousands of sources, and bring your own data together to unearth valuable insights.
- Reveal historical rates, shipment details, and carrier performance
- Set accurate scenario-specific benchmarks

Embedded pricing intelligence

- Manage complex variables, including specialized cargo types and shipping methods, with tailored data and guidance built directly into your existing workflows.
- Receive contextualized rating guidance when booking shipments, viewing bids, and executing routing guides
- Check the confidence score of price targets and forecasts, which provides a rating based on quality and granularity of available data



14 Day Forecast & Market Trends

Ready to upgrade your pricing strategy?

If you're still struggling to create your pricing strategy through traditional methods, it may be time to consider a better way. Request a personalized demo today to see how Shipwell's tools can help you develop a pricing strategy that scales.

Request a demo