



## Transport tendering – potential for savings or price trap?

Over the course of the last few years and particularly during the first half of 2008, it has been possible to observe a remarkable turnaround in connection with transport tendering. Many tenders have been announced with a great fanfare only to be cancelled at short notice. In other cases, agreements with transport companies have been tacitly extended beyond their original planned duration. What this signifies is that it is no longer freight rates per se that are the main criterion but rather background considerations of sourcing and/or distribution.

It almost seems as if the practice of looking at a transport from A to B in isolation and the age of 'simply' cutting costs by means of a periodic round of tendering are well and truly over.

The well-known direct and indirect cost pushers such as fuel prices, road tolls, permitted driving hours, staff shortages, traffic hold-ups etc are causing freight rates to shoot up astronomic-ally, irrespective of the volumes being carried. Technical requirements peculiar to the sector and seasonal factors are also accentuating this development and increasing cost pressures on the haulage business.

However, focusing solely on the cost element of transportation leads only to a one-dimensional view of a multi-dimensional situation. The biggest scope for savings lies far more in the relationship between strategic planning and operational control of sourcing, production, warehousing and associated transport processes. This provides an opportunity to analyse the existing flow of goods and simulate this into the future, thus bringing to light the actual cost drivers, so that these can then be eliminated.

Alongside the widespread use of trip planning software, more and more companies are using an extensive range of simulation software in order to plan and fine-tune their transport networks. By doing so, they are able to considerably reduce contract award horizons and, by implication, the simulation horizons as well, and to turn transport networks into ever more flexible systems.

So the way forward is not simply 'tender - award - job done' but has instead to be based on a strategic planning of the transport network.

Yours  
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