CHAPTER 14: Case Studies in Bid Response Analysis

The focus of this chapter is on the application of the one-way and dedicated pricing techniques presented throughout this book. Each case study will present a variety of challenges for the carrier in the design of a competitive and accurate bid response. While every carrier participating in a bid will have a unique strategy, these case studies provide a basic overview of the general thought process and analysis an average carrier might use in each bid response design. The cases cover a variety of common topics including one-way bids, packaged bids, and dedicated bids.[1]

Case 1: Traditional One-Way Bid

The Case

A small industrial parts manufacturer operates a production facility in Atlanta, GA. The facility ships industrial parts to a network of distribution centers across the county. Shipments to some customers are seasonal due to product types or customer demand patterns. All loads are drop-and-hook pick-ups and deliveries, so no delivery appointments are required. The shipper considers loads to be on-time as long as shipments are delivered on or before the scheduled delivery date. The shipper will operate under the fuel surcharge agreement for each carrier. Therefore, no adjustments to the proposed rates are necessary to accommodate any fuel surcharge differences.

The bid includes the shipper's high volume lanes to major customers. These lanes are shown in the table below. The shipper has also provided a breakdown of shipments by quarter to quantify the seasonality associated with each customer destination. The miles as shown are based on the shipper's internal mileage system. All per-mile loads will be paid based on these miles as defined by the shipper.

Primary Bid Lanes

Destination		Annual	One-Way	Loads by Quarter			
City	ST	Loads	Miles	Q1	Q2	Q3	Q4
Miami	FL	194	665	42	51	53	48
Memphis	TN	453	385	88	109	125	131
Los Angeles	CA	217	2,184	41	35	58	83
Abilene	TX	313	971	70	85	90	68
Denver	CO	126	1,406	42	16	47	21
Chicago	IL	209	721	51	53	48	57
Newark	NJ	337	868	75	93	81	88

[1] All costs, rates and prices shown are fictional and do not represent actual pricing recommendations.

In addition to these primary lanes, the shipper has asked each carrier to provide a backup pricing matrix from Atlanta, GA to the states of GA, FL, TN, OH, LA, WV, TX, WI and MI. The shipper has additional customers in these states that receive occasional random shipments. Also, the majority of the manufacturer's inbound materials are delivered by rail, so no inbound truckload shipments are included in the shipper's network.

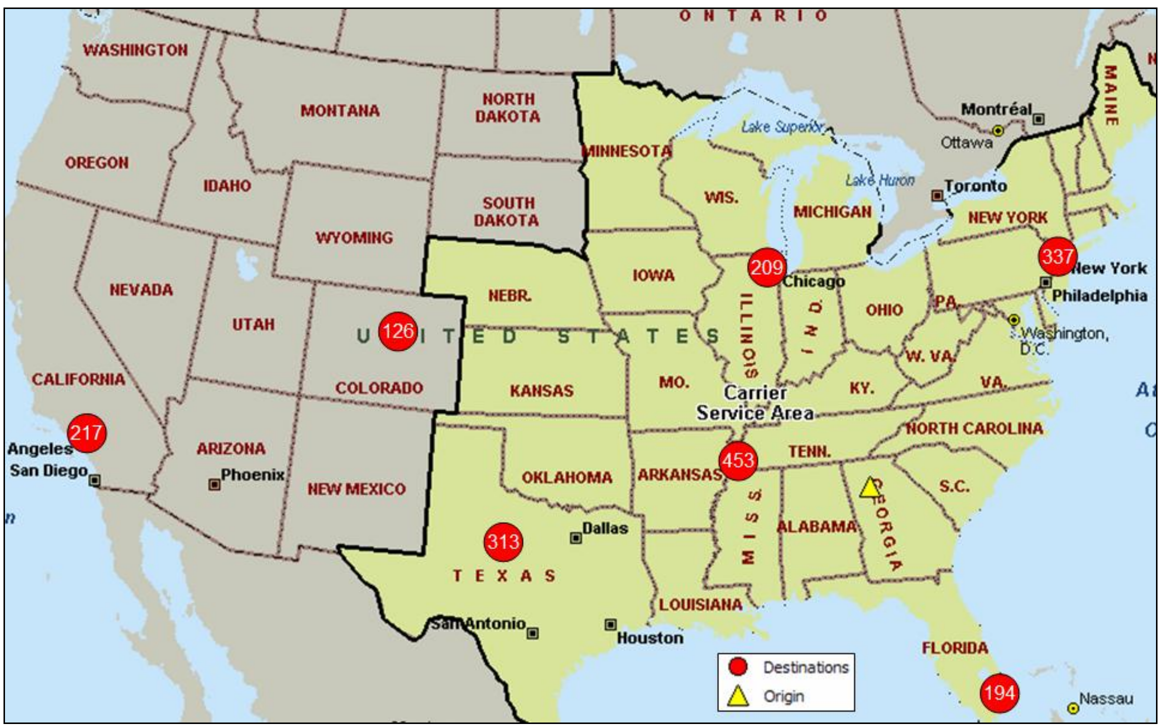
The carrier in this case is a medium-size carrier based in Nashville, TN. The carrier only serves the eastern two-thirds of the United States. The carrier operates a 400 truck linehaul fleet with an average utilization of 2,350 miles per week and an empty mile percentage of approximately 11.0%. The most common length of haul for the carrier is between 500 and 800 miles.

Carrier Analysis

Lane Review

The first step in the carrier analysis process is to determine which lanes provide a fit with the carrier's network. The map below shows each destination point in the bid by annual load volume, along with the carrier's current area of service.

Primary Bid Destinations and Annual Load Volumes



The shaded area of the map represents the carrier's primary service area. Since the lanes to Denver, CO and Los Angeles, CA fall outside the service area, the carrier will decline to provide a bid on these destinations. The remaining destinations fall within the carrier's service area, so each of these lanes will be reviewed closely for potential pricing.

These pages are a sample from the 464-page book:

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By Leo J. Lazarus

For additional samples, more information, or to purchase the book, please visit:

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