A spring tender season in turbulent times

by Fitzwilliam Scott

Rising diesel prices, driver shortages, closed borders, blocked trade lanes – by and large, shippers cannot complain about the lack of challenges. Although not every one of these can be resolved immediately, logistics service providers are working hard on solutions. A digital approach can help secure capacities and handle fluctuating fuel prices in this difficult tender season.

Since the pandemic, the story has been making news headlines: shippers are struggling to secure production processes and deliver their products. Global turbulences stand behind this precarious situation, including the most recent one: Russia's aggression on Ukraine. They are affecting entire economies and thus also the worldwide logistics chain. Meanwhile, the coronavirus hasn't gone anywhere, still capable of closing down cities the size of Shanghai. Additionally, the European Commission's Mobility Package will bring about new labour regulations in a region that has been struggling with a truck driver shortage for a long time.

All of the above affects the availability of raw materials, building components, cargo space, fuel, personnel, and transport capacities, forcing companies across the board to incur costs and trickle them down to consumers. Even before the turn of 2019/2020, organising shipments successfully had often been a delicate equation in terms of efficient running times, freight rates, and the best transport modes used. However, many of the most popular trade lanes are currently disrupted due to geopolitical turmoil, with COVID-19 continuing to curtail cargo space.

It is not easy for shippers to manage their logistics efficiently in such circumstances. One of the possibilities to get regular demands fulfilled is a tender, as the strategic development of a diverse carrier network is becoming increasingly important to secure capacities in the long term.

Keeping the chain unbroken

No truck, no shipment – it doesn't get any simpler. In general, obtaining capacity at a competitive price is one of the biggest advantages for shippers when tendering business. This factor is becoming ever more crucial due to the growing driver shortage, the pandemic, regulations on CO_2 taxation and cabotage, and political instabilities affecting the usually finely balanced global division of labour and the supporting logistics industry. But even with a closed tender, the agreed capacities cannot always be guaranteed, e.g., in the event of driver scarcity or the closure of mainstream trade routes.

To minimise the risk, it makes sense to commission contractual partners with a diversified, extensive carrier network. This is where digital logistics platforms come into play. "InstaFreight offers its customers an extensive network of transport partners through its cooperation with over 25,000 carriers. In addition, we are expanding our charter offer by managing freight capacity on a growing trade lane network. That way, capacities can be secured in the long term," says Philipp Ortwein, the company's Co-Founder & Managing Director.

Another factor that affects the efficiency of transport logistics is the accessibility of trade lanes. Current geopolitical disputes are impairing international routes and thus hinder the transport of goods. One can have the proverbial truck, but now the wisdom goes no road, no shipment. InstaFreight offers alternative intermodal solutions for such cases. Shifting volumes from road to rail is a way to secure the supply chain in crisis times, along with saving CO_2 and reducing freight costs. Especially if the cargo is heavy, transported over a long distance, and not time-critical, companies benefit financially from intermodal transportation.



Photo: InstaFreight

Fuel prices and freight rates: in check

"Money makes the world go round," states the character starred by Liza Minnelli in the musical *Cabaret*. In addition to securing capacities, the optimisation or flexibilisation of freight costs also plays a significant role in the tendering business.

Due to the rising diesel prices since the outbreak of COVID-19 and their recent explosive increase when armed conflict came back onto European soil, shippers are trying to hold onto their old tender agreements to avoid freight cost increases. This approach makes sense strategically. That said, even the existing tender contracts are renegotiated again and again due to the rising diesel prices – a time-consuming and resource-intensive undertaking.

One solution is the so-called "fuel floater cost model," used for recurring business. Within it, diesel prices are automatically adjusted to the current market value at any given time – without the need to renegotiate contracts. "Our transport partners are thus protected against rising fuel costs, while shippers benefit from falling fuel costs – a fair and transparent model for both sides," explains Ortwein. "As a digital service provider, we have the technology to quickly roll out this model across our customers' entire carrier base – saving them a lot of administrative work," he adds.

With freight rates fluctuating even stronger over the last months, it becomes increasingly difficult to keep an overview of the current market prices. Tendering business is an effective way to benchmark freight costs and check if the current agreed freight rates are still competitive. With securing capacities being the most pressing challenge for many shippers, getting the best price might be second-listed. Still, it remains an important factor – especially for large companies with considerable volumes to move.

Getting past the wall

The current situation in the transport business illustrates that stable supply chains cannot be taken for granted. Transport prices are record high in many regions, and capacities are very scarce. Yet, there were many empty runs in European land transport: roughly 30% before the events that shook the world. Furthermore, with more than 770,000 transport companies, the market is very fragmented.

Through platform technology, InstaFreight makes this capacity more accessible to shippers looking for reliable transport partners, proficiently organising their supply chain management. InstaFreight successfully closed its Series B funding round at the beginning of this year. More than $40m will help the Berlin-based log-tech company continue its way to digitise the road freight market to, from, and within Europe. Heliad and the European Investment Bank led the financing round, with all previous investors of InstaFreight also participating. This commitment underlines the necessity to maintain a resilient, efficient, and sustainable shaping of overland transportation. "Land transport is still highly inefficient, and we as InstaFreight provide more sustainability and efficiency through a technological approach, thereby contributing our share to secure global supply chains," underlines Ortwein.

It was once said that "If you run into a wall, don't turn around and give up. Figure out how to climb it, go through it, or work around it." Even in turbulent times, shippers can turn the tender season into a strategic advantage by utilising the digital processes of logistics service providers. They help achieve flexibility in ever-changing situations through their broad and diverse carrier network, adaptable freight cost models, and alternative transport solutions like intermodal. ■

INSTAFREIGHT InstaFreight offers digital B2B transportation services that enable fast and easy processing of freight transportation. For shippers, the company's fully digital process (from quotation and order placement to track & trace and freight documents) allows for increasing efficiency while cutting costs. For carriers, InstaFreight finds suitable transports according to one's vehicle fleet, helping to optimise capacity utilisation and pay in a fast and reliable manner. Visit **www.instafreight.de/en** to learn more.