



The rise of mini tenders

Redefining freight procurement

Traditional tenders occur once a year, or every couple of years. Yet as market conditions constantly evolve, this approach has become inflexible and out of date. The solution to changing conditions? Mini tenders offer a more agile and responsive approach to procurement, whether on the shipper's side, the carrier's side, or in the market itself. Mini tenders enable shippers to quickly access the market and obtain accurate pricing, ensuring they stay competitive in a dynamic environment.

Mini tenders are particularly valuable for industries with project-based logistics, such as building materials, FMCG or retail. For example, a solar panel manufacturer may need to deliver panels to a construction site for

a few months, but requires contracted agreements rather than relying on the spot market or navigating complex strategic tenders. Mini tenders bridge this gap by offering a flexible, fast and effective solution tailored to these unique requirements.

Despite numerous benefits, many shippers in Europe are still not familiar with the concept of mini tenders. This blog explores why adopting a mini-tender strategy provides a more efficient way to understand market dynamics and pricing in the transport industry.

ADAPTING TO AN EVOLVING FREIGHT MARKET: GAINING A STRATEGIC ADVANTAGE

The current challenges in freight procurement stem from the highly dynamic nature of the industry, characterised by a range of factors that contribute to market fluctuations. These fluctuations can come from varying economic demands, such as shifts in consumer behaviour, trade patterns and industry trends. Additionally, external factors like weather events, natural disasters, labour disputes, or restrictions on equipment availability can significantly impact the transportation industry. These unstable conditions require procurement teams to have to quickly adapt and respond to unforeseen disruptions. Mini tenders enable this adaptability.

ADAPTING TO DYNAMIC MARKETS: WHY TRADITIONAL PROCUREMENT STRATEGIES FALL SHORT

Supply chain disruptions have become the norm rather than the exception. It is clear that a long-term, highly balanced freight ecosystem without disruptions is more of a fairy tale than a reality. Traditional procurement strategies that rely solely on annual tenders often struggle to address these challenges effectively. Shippers face difficulties when service providers reject loads, forcing them to resort in haste to the spot market.

For smaller shippers, fully-fledged procurement tools or dedicated freight procurement platforms can be too complex and costly for conducting procurement events. Meanwhile, these businesses still need a digital, efficient way to run tenders – (multi) lane requests, or mini tenders, offer a simpler and cost-effective solution.

THE POTENTIAL OF MINI TENDERS: HOW TO THRIVE IN DYNAMIC MARKETS WITH A MORE AGILE PROCUREMENT

Reshaping the freight procurement landscape, the mini tender strategy has gained popularity in recent years. Driven by global crises, soaring shipping rates and port congestion, this innovative approach has become a go-to strategy for forward-thinking shippers navigating the complexities of the market. Departing from traditional large annual tenders, the mini-tender strategy offers agility and responsiveness, providing a more efficient way to understand market dynamics and pricing in the transport industry.

One of the key advantages of mini tenders is how they can fill the gap between spot tenders and strategic tenders. For enterprise shippers, integrating all three tender types into their freight strategies allows them to address a wider variety of needs very effectively. For smaller shippers, using tools like digital freight marketplaces enables them to manage mini tenders easily, without requiring large budgets or extensive resources.

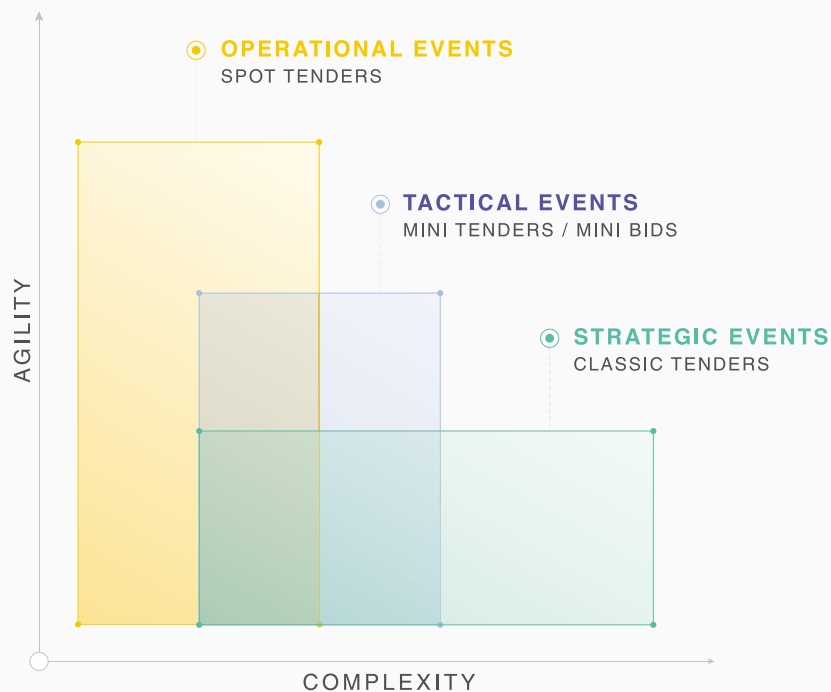
UNDERSTANDING THE DIFFERENT TYPES OF PROCUREMENT EVENTS IN FREIGHT LOGISTICS

First, we need to better understand the different types of procurement events that happen throughout the year. There are different options, and each option serves different purposes in specific situations. Understanding the main differences between these options is crucial for effective procurement strategy.

> **Strategic tenders:** These are typically long-term procurement events, which occur at predefined intervals, such as annually or even every few years. These events involve comprehensive processes to establish contracts with selected carriers for an extended period. Strategic tenders or request for quotations (RFQs) are commonly employed for high-volume, repetitive lanes or when strategic partnerships are desired.

> **Spot tenders or spot tendering:** In total contrast, spot tenders are more of an operational tactic and include tenders or using spot market rates for ad-hoc transportation needs outside of regular, strategic sourcing events. Spot tenders are often employed for urgent shipments, peak periods, or unforeseen changes in demand.

> **Mini tenders or tactical tenders:** These sit in between strategic tendering and operational spot tendering. They focus on establishing contracts with carriers, but for a shorter period of around one to three months. These contracts encompass single or multiple laneways, or more complex transportation requirements and unique business needs. These events often involve detailed analysis, negotiations and multi-modal solutions.



MINI TENDERS: A TACTICAL APPROACH TO TRANSPORTATION PROCUREMENT

Conducting mini tenders works well for shippers when their freight requirements undergo changes, driven by internal or external factors. These factors include:

- › When new lanes emerge that were not included in the original RFQ, conducting mini tenders allows shippers to **align their transportation needs accordingly**.
- › When an increase in volume outpaces the supply provided through the initial RFQ, **mini tenders can help meet growing demand**.
- › Service failures on a particular lane that drive the need to explore **alternative providers** (through mini tenders).
- › Instances when the tender rejection rate is excessively high on specific freight lanes; **conducting mini tenders becomes crucial to reduce reliance on the spot market**.
- › Shippers opting for a more focused approach by selectively retendering key shipping lanes to better match evolving market conditions, thereby **avoiding the need to open the entire listing of lanes for tendering**.
- › When overall freight market conditions change, raising concerns over pricing and capacity in critical freight lanes, **conducting mini tenders allows shippers to assess the market** and secure the best possible rates and services.

Mini tenders offer the **flexibility and responsiveness necessary for shippers** to adapt their procurement strategies in response to various condition changes in the market, ensuring they stay aligned with their evolving freight requirements. However, it is important to point out that mini tenders are not only a viable strategy when freight capacity is tight, **they can also be used when markets are more balanced and enough freight capacity is available on the market**. Shippers can use a mini tender approach to check for lower priced options on freight lanes, where service providers choose not to lower their pricing expectations.

Another advantage of the mini-tender strategy is its ability to **strengthen relationships with key carriers**. With traditional tenders, shippers often struggle to maintain strong connections with carriers throughout the year. However, a mini-tender strategy enables continuous engagement and involvement of preferred carriers, fostering better collaboration. This leads to more reliable and consistent transport capacity, enhancing supply chain operations. Finally, mini tenders provide an opportunity for shippers to diversify their carrier base. Relying on a limited set of carriers can introduce risks to the supply chain. By using mini-tenders, shippers can explore new carrier options, expand their network, and mitigate risks associated with over-dependence on a few key providers.



FROM THEORY TO PRACTICE: IMPLEMENTING MINI TENDERS AND MAXIMISING RESULTS

Digital freight procurement tools play a pivotal role in implementing mini-tender strategies. Advanced tools enhance efficiency, productivity and decision-making throughout the procurement process. By automating tasks, such as carrier selection, tender data collection, award recommendations and tenderer notifications, these tools streamline the entire process.

While advanced platforms and tools exist for both spot tenders and strategic tenders, technical options specifically tailored for mini tenders are often limited. However, there are tools available that seek to address this gap. These tools provide enterprise shippers with solutions for integrating mini tenders into their overall strategies and enable smaller shippers to digitise lane requests efficiently without a significant investment.

Intelligent freight sourcing platforms, powered by AI automation, enable a **greater number of smaller scale and urgent tendering events, without overwhelming the workforce.** This empowers buyers to focus on higher-value projects that require human reasoning and strategic evaluation. The traceability and record keeping capabilities of these platforms provide valuable insights for future forecasting and improvement.

As the freight procurement landscape evolves, a hybrid approach combining annual tender events with mini tenders, on intelligent platforms, has gained traction. This strategy offers **ease of use, seamless carrier participation and increased competition.** Furthermore, factoring in carrier performance metrics at the lane level, such as on-time delivery, shippers can make informed decisions and drive substantial price compression.

The rise of the mini-tender strategy is **revolutionising freight procurement by delivering efficiency, responsiveness and collaboration.** Shippers who embrace this trend, leveraging digital tools and intelligent marketplace platforms, position themselves for success in an ever-changing market. With capacity fluctuations and ongoing disruptions, the ability to adapt swiftly and secure the best rates and services becomes paramount. The mini-tender strategy, supported by technology and market insights, empowers shippers to optimise their sourcing strategies, enhance carrier relationships and achieve remarkable outcomes for their logistics operations.

