

The Secret of Our LTL Bid Success

How MeadWestvaco used a strategic LTL bid tool to streamline the bidding process and cut their overall LTL spend



With operations in more than 29 countries, MeadWestvaco provides high-value packaging solutions and products to the world's most recognized companies in the food and beverage, entertainment, personal care, cosmetic and healthcare industries. The company also has market-leading brands like AT-A-GLANCE®, Cambridge®, Columbian®, Five Star® and Mead® in its Consumer and Office Products, Specialty Chemicals and Specialty Papers businesses. MeadWestvaco spends over \$400 million per year in logistics costs moving all of these products through its global supply chain.

Challenge: Relieving the Pain of a Large LTL Bid

In 2005, MeadWestvaco's corporate logistics group needed to conduct an LTL bid that represented approximately \$20 million in annual transportation costs and leveraged the company's total purchasing power by encompassing 140,000 shipments across all four of its operating divisions. As a first step in the bid process, the centralized transportation group in Richmond, Va., created a project team of six members representing stakeholders from each division. The team then outlined several strategic goals for the bid, including reducing the number of carriers, lowering freight costs, reviewing payment terms and accessorial charges, and improving operating efficiencies while continuing to strengthen relationships with their carriers.

The project team's challenges were many. The sheer volume of freight data was massive, representing 58 origins including plants, converters and warehouses, with 59 lanes out of each origin. What's more, the company needed to convert from a 13-year-old rate base and move from multiple fuel programs, all in order to streamline the transportation operations that were brought together during the 2002 merger of Mead and Westvaco.

It was obvious to the team that a tool with more horsepower than a spreadsheet limited to 65,000 records would be required to ensure success.

At first the team considered conducting a reverse auction via Procuri, the company's supply management solution. "We use reverse auctions for purchasing a lot of commodities, but an auction just wasn't going to handle the complexity of our LTL bid," commented John Purcell, Director of Transportation, at MeadWestvaco.

The group also considered using a tool that had been applied successfully in a truckload bid the year before. "But we realized that LTL is a different monster, so we needed a different tool," concluded Bobby Joyner, the MeadWestvaco transportation analyst who was leading the team.

One of the first decisions the MeadWestvaco bid team made was to convert their legacy base rate to a current version of CzarLite®, an industry standard base rate solution from SMC³. From there, MeadWestvaco evaluated BidSense®, an LTL bid tool from SMC³ designed to facilitate the entire LTL bid process, including lane by lane analysis, all via the Web. The team was impressed by BidSense's ability to easily manipulate the large data sets involved in the bid, as well as use the more detailed shipment rates when analyzing the request for proposal (RFP) responses. As an internet-based solution, BidSense could automate sending out RFPs and collecting carrier responses online. And, corporate and divisional team members could jointly analyze the bid responses regardless of their office location.

“After a thorough review, Bid\$ense was selected because it combines LTL specialization with an ability to very quickly optimize carrier selection, and the bid is conducted in a setting that makes the process easier for everyone involved.”

Bobby Joyner, MeadWestvaco project team leader

Solution: A Faster and More Strategic Approach

In the past, conducting an LTL bid was a painful process for MeadWestvaco, taking months to complete. “Our last bid was conducted with spreadsheets, so we had to simplify the options and we could only use high level freight volumes,” explained Joyner. “The 2005 bid was much more complex. We changed fuel scales, rate bases and freight classes—but using Bid\$ense saved so much time; this bid process was much quicker than before.”

Even though it utilized a more strategic approach, Bid\$ense saved time for MeadWestvaco throughout every stage of their LTL bidding process. During the initial step of data collection, Bid\$ense imported the historical data from MeadWestvaco’s SAP and Manhattan Associates systems and then automatically summarized the historical freight bills so the detail would be available later for comparison with RFP responses, and in case the carriers needed it. Then MeadWestvaco used templates in Bid\$ense to help create qualitative questions regarding carriers’ transit times, special handling capabilities, locations serviced and technology provided.

Bid\$ense eliminated the administrative hassles of contacting each carrier and emailing spreadsheets and contracts. It also provided a structured format for the carrier responses that, unlike a spreadsheet, maintained data integrity and uniformity.

But the biggest time savings came during the analysis of the RFP responses. “We could instantaneously see the results of what-if analysis, such as removing a carrier,” remarked Joyner. “It was a huge time savings because instead of spending weeks analyzing the RFP responses, we only spent about four (4) days with the core team.”

Results: A Higher-Quality Bid Yields Impressive Savings

As a result of using the more strategic approach enabled by Bid\$ense, MeadWestvaco achieved a more accurate, higher quality result from the process, meeting or exceeding each of its goals for the bid. “Once the bid results were implemented, we could easily see that our cost savings goal had been met,” noted Purcell. “We also consolidated carriers, improved efficiencies and enhanced our payment terms.”

“Bid\$ense clearly saved us time too,” Purcell continued. “But even though we cut the time to conduct the bid, we were still able to do a more thorough analysis of the RFP responses.”

In the end, both MeadWestvaco and the responding carriers benefited. “The entire process was smoother because Bid\$ense helped with carrier communication and the collection of responses in a standard format,” summarized Purcell.

“With Bid\$ense we could share more information so we were able to create more trust in the relationship. Bid\$ense made it easier for the carriers and easier for us.”

What’s MeadWestvaco’s biggest secret to success in LTL bids? As Joyner stated, “If a shipper has significant shipment volume in LTL, then a strategic bid tool like Bid\$ense is a must.”

The Carrier Perspective

Estes Express Lines Expresses Enthusiasm for Bid\$ense



Estes Express Lines, a \$1.5 billion LTL carrier with over 175 terminals located in 46 states, was one of 32 carriers who participated in the MeadWestvaco bid via Bid\$ense.

According to Richard Ellis, Director of National Accounts Pricing at Estes, "Savvy shippers like MeadWestvaco realize the limitations and sub-par results of using a spreadsheet or an auction to conduct their LTL bid. They are turning to more strategic tools that make it easy to provide a comprehensive view of all their freight movements. We support Bid\$ense, because it is the first LTL bid tool we've seen

that provides the detail carriers need to give the shipper the best pricing possible."

Through a better understanding of shipment details, carriers are able to relate the bid to their internal transportation network. And that translates to less risk for the carrier and better pricing for the shipper. "We've found that Bid\$ense makes the process as painless as possible for all the parties involved in the bid. It's obvious that Bid\$ense was written by transportation people for transportation people," concluded Ellis.



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