


A decorative graphic on the left side of the slide. It features a white circle at the top containing the number '1'. A thin white vertical line extends downwards from the circle to a white rectangular bar. Below this bar is a taller, semi-transparent yellow rectangular bar. To the right of these bars are three vertical bars of varying heights and colors (white, yellow, and semi-transparent yellow). Each of these bars has a small circle at its base, connected by a thin vertical line. The background is a solid yellow color with a faint grid pattern.

1

Understanding contract freight vs. spot freight



Contract freight rates, also known as primary or dedicated rates, are based on agreements between a shipper and a transportation provider, for projected volumes on a specific lane.

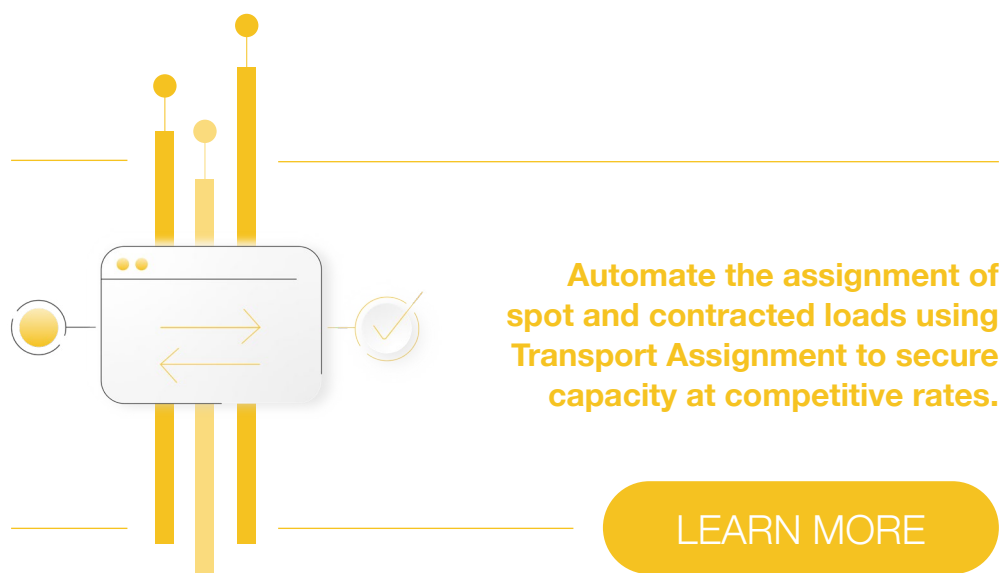
These rates are most often determined by annual bids and requests for proposals (RFPs), and shippers award lanes based on rates, service and capacity metrics. Contract rates historically account for approximately 85% of truckload freight and in theory provide a certain level of predictability to both shippers and carriers. Contract rates are valuable in stable freight markets, but tend to present issues when faced with unforeseen events and volatile market conditions.

Spot freight is broadly defined as any freight that is not run under contract rates. Spot freight is purely transactional, for a single order or series of orders, within a narrow window of time. **The spot market is extremely valuable in freight transportation, and is much more than an alternative option to securing capacity when contracts don't cover a certain lane, or are rejected.** It primarily helps shippers keep a pulse on the market, challenge their rates, find cheaper capacity, cooperate with carriers to optimise backhauls and minimise empty miles, increase their carrier network and have access to more capacity. Freight generally enters the spot market under several circumstances:

- Shipments with inconsistent or low volumes
- Freight on new lanes that fall outside of a bid cycle
- Expedited shipments and project freight
- Freight that has been rejected under contract rates and routing guides

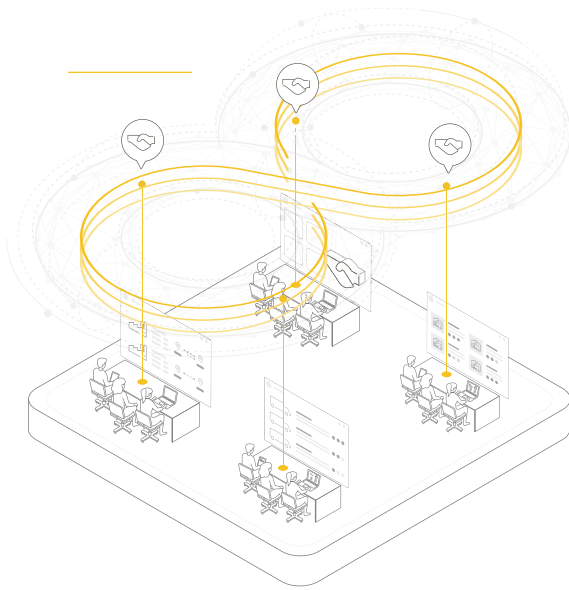
Spot freight is a crucial and necessary component of transportation plans, as most shippers will manage shipments that fall outside of an RFP or contract, via spot. The common tactic of accessing the spot market solely as a last resource,

for shipments that result from failing routing guides or tender rejections, can prove highly inefficient. This approach often leads to compromising a bigger part of your transportation budget than expected and creates an unwarranted stigma against the spot market itself. **Indeed, the spot market offers far more than just a fallback option. It presents an opportunity to find available capacity at competitive rates outside of your contracted network, save on procurement costs, improve relationships with carriers, and enhance overall market efficiency.** That's why segmenting lanes to strategically use the spot market, frequently assessing your assignment strategy and using new technologies to find capacity at competitive rates, are extremely relevant for high performing procurement and logistics teams.



In recent years, alongside contracted agreements and spot market options, another strategy has gained prominence: mini bids or mini tenders. These alternative approaches to more traditional, long-term freight procurement provided shippers with an additional option. Mini bids or mini tenders involve a strategy that offers a middle ground between large strategic tenders and ad-hoc spot

bids, with additional flexibility in the freight procurement process. While this eBook primarily focuses on spot bidding, it is important to acknowledge the existence and relevance of mini bids as part of the broader landscape of freight procurement strategies.



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tenders and quickly find
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Freight Marketplace.**

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Key takeaways

Around 85% of truckload freight is contracted freight, established via annual bids and RFPs for projected volumes on specific lanes. While offering stability, the challenges of unforeseen events can lead to above-market rates during soft market conditions. In contrast, spot freight, encompassing non-contractual transactions, provides agility and is advantageous for surge volume orders, shipments with inconsistent patterns and rejected freight. When used strategically, spot freight is an efficient way to secure competitive rates, optimise backhauls and enhance market efficiency.