



HOW DO RATES FLOW? WHITE PAPER VERSION 3.0

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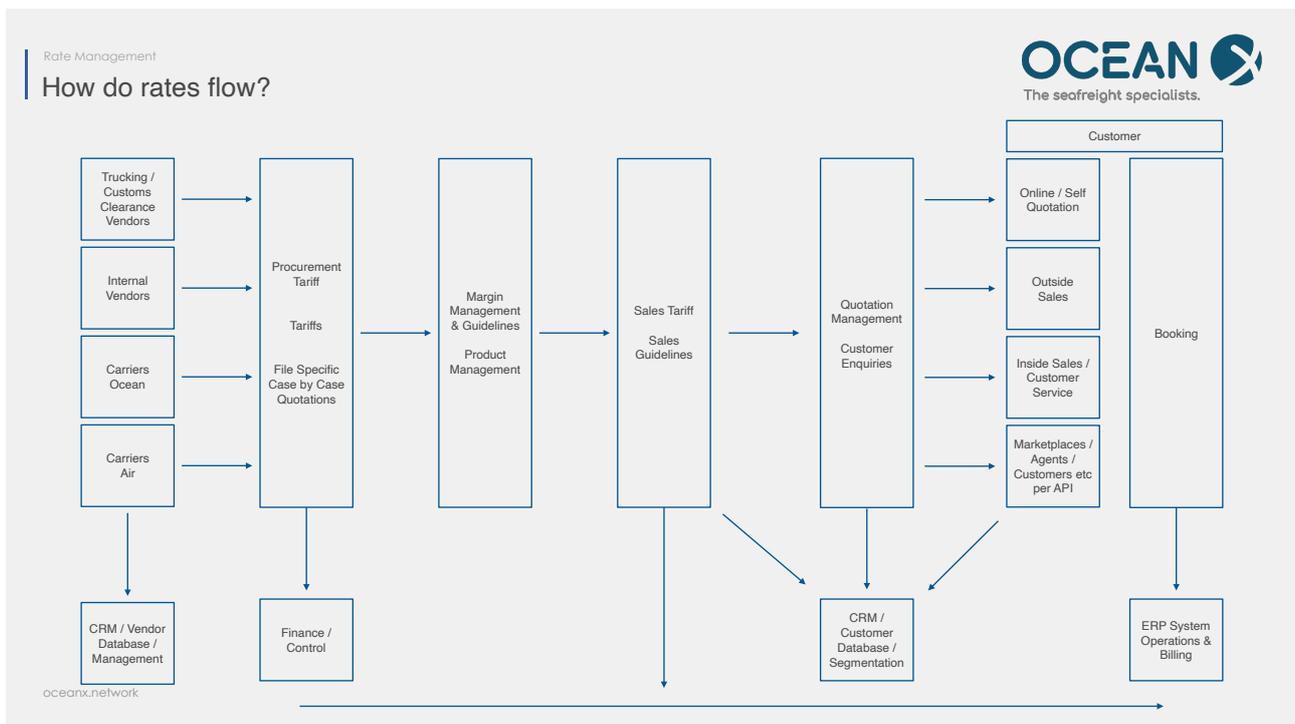
Introduction

This is the third update of this white paper and also at the end of 2022, the flow and management of rates remains a key subject in many discussions with members. Some have implemented systems and processes to optimise their setup, others are in the middle of the transformation journey, again others are re-evaluating the subject and how to further improve.

Thus, we have updated our brief overview for our members on the state of rate management and rate flows. Both constitute the basics for digital sales and quotation, however are also a vital element for solving the efficiency challenge that forwarders and NVOCCs are facing today, building solutions through combination of various services. The following is including several observations, experiences, best practices and an outlook on where things might be heading, while certainly not encompassing all possibilities but focusing on likely scenarios. Further and despite an acceleration in recent years, the timeline and speed of adoption still remains uncertain.

How do rates flow?

The following illustration shall serve as an overview of the rate flow within an organisation and the essential interlinks to customer management, operation system, financial control and yield management. Thus the link to these tools is also essential for an optimised process. Many elements of the process today are often manual, based on experience and include taking calculated risks (e.g. defining sales rates for a time period where there is no buying rate available yet).



Where do we stand today?

In January 2020 when we first issued this paper, the sales actually happening online, remained fairly small in percentage terms of the total market (estimated 3-5%). In fact, mainly early adopters, inexperienced customers for freight or digital natives were finding their rates and vendors online, while a large majority used the medium to benchmark and watch the developments, while still focusing on traditional vendor relationships.

The necessary technology was no doubt available since many years, but had not truly penetrated the forwarding and logistics industry, due to several reasons, but mainly as underlying vendors were not ready yet, customers were not ready yet and as Internal change is hard and comes with organisational challenges.

In various ways, we were thus at a transition stage back then, where an increasing number of companies are using rate management solutions, however often only to make quotations easier for sales personnel, while not yet entering digital sales or procurement.

By end of 2022, things have developed and many online rate solutions are available off the rack. API's (Application Programming Interface) are provided by many vendors and integrated in a lot of solutions. Global standards are still lacking for rate formats in many ways, but most systems have established their own standards to which and from which they translate.

Where is the journey going?

With Maersk Spot launching in 2019, there was finally a first product from one key shipping line available that did not only introduce dynamic pricing mechanisms and a straight forward value proposition (commitment against commitment), but that came out of the box with an API (Application Programming Interface). This API enables a direct digital communication between the information systems of a forwarder/ NVOCCs and the carrier, without any re-keying of information in web portals or the like. Nicely illustrating how the most efficient interface in a business to business world, is actually the absence of a visible interface.

As we expected, other carriers have followed this route over recent years and months, making rate APIs available for their customers, as their backends are getting ready and enabling an automated process for obtaining carrier quotations directly without passing through a wide range of web portals manually to obtain them or going down the traditional enquiry/offer cycle via email or phone through the agency. The quality of those API's still varies widely, some not considering space or equipment, nor being really dynamic in nature, but only providing a rate lookup. This however is expected to gradually improve, as backend systems advance.

On the other side of the process, at the end customer, we see a similar development, with the adoption of latest TMS technology, especially larger shippers and digital sales channels, will make their enquiries to forwarders/NVOCCs increasingly via API directly. Some even embracing automated sourcing, with respective tools (e.g. keelvar.com).

This foreseeable endgame, is also a reason why as OceanX we have chosen not to provide a rate platform for members (with all the data governance questions this would raise), but instead are enabling members to link their tariff systems directly inside the OceanX web and mobile app allowing instant access to each other.

Further we are convinced that *web portals are only a temporary phenomenon* and the future of business to business interaction with rates and shipment information will be system to system and not involve humans, manually filling in online forms.

The role of sales & data

As referred to earlier, one of the key issues why things have moved slow, are organisational challenges. The shipping industry traditionally has mainly one sales channel, that of the sales representative, who caters for a customer portfolio. In many markets this role is still incentivised with a high flexible and performance based salary. In an omnichannel world however, where customer decisions are based on a broader range of factors and where sales happens through a wide range of channels, this role must change. The sales representative in fact becomes more of a relationship manager with the customer and a „trust bridge“, understanding his business and requirements better, communicating differentiating services of the company and thereby being a vital link consulting the customer, no longer a quotation machine answering rate enquiries.

Whilst we are in a price focused industry, our service and offering are based on more than a rate, thus the increasing automation of quotations is also allowing to change the dialogue and enabling the sales representative to move back into a proactive role and not the often reactive one that follows up enquiries.

The exclusivity of one sales channel only however and accountability by one individual, will no doubt disappear.

The „Rate Kitchen“ - We all need a place to cook



The concept of the „Rate Kitchen“ is based on the idea to establish a central tool, where the different procurement and sales channels, as well as margins, contracts and customer agreements are being managed.

This is often a combination of different tools and might begin with something as simple as a shared drive or an intranet repository of files, that relevant staff have access to.

Some recommendations

- Structuring your procurement, as well as building and maintaining a sales tariff is the essential first step, not only to whatever comes next, but also towards quotation efficiency and speed. **Case by case quotation is an efficiency killer.**
- The „SaaS race“ has meanwhile a wide range of vendors competing with increasingly similar solutions, which has driven prices down for quotation tools and „eForwarder packages“, allowing an easy entry and experimentation at low or in some cases, no cost. Further, changing technology vendors is not very complex, thus if a better solution comes around, that can be adopted. **Building own technology and wasting the focus of your teams away from generating business, is not really necessary.**
- The key difficulty remains organisational and mentality change internally, a journey that should not be underestimated and really starts in the minds of people with dialogue. „Tech is easy, implementation is hard.“ Whilst sales representatives often reacting hostile to automation projects, reviewing the time and effort wasted on the large share of non-successful quotations and the lack of time for customer meetings together, is often convincing. The main lesson to understand being that **quoting is not sales**. Sales is more about building and managing a relationship with the customer, understanding their needs and providing solutions to that.
- **Differentiation is not the interface**, but the relationship and the overall offering and experience for the customer, alignment with his objectives and needs, not the rate.
- **Simplification of rate structures can be part of your differentiation** in the market and to your customers. Thus the structure of your buying and the structure of your selling does not necessarily need to follow the same pattern. Those buying capacity in larger quantities, can engage in their own dynamic pricing on the sales side.

Some key lessons from our Rates & Drinks session

In 2021, we did a dedicated webinar on the subject together with [Christian Ove Sorensen](#), a recording is available [here](#).

A few of his key lessons were:

- * Speed is key - do something
- * Don't think in silos, but across functions
- * Become a bit of tech company (Talent)
- * How do you want to differentiate and position your firm is an important questions to guide your actions.
- * Control what you can control
- * Test with care and selected solutions, don't play Startup Bingo

Closing comments

Rate management is an important part of your organisations process flow, of how you buy, sell and organise. A key part of your efficiency. However, your offering is much more than your rate. What differentiates you in the market is much more than a buying rate plus a margin. Remember that in transportation we essentially sell peace of mind, a trust product. Your offering is based on trusted vendors, that you have positive experiences with and a relationship, it is backed up with space and equipment, the competence and ability to fulfil your customer's need.

Thus overall any rate management solution is a tool, that helps you to be faster and more efficient: accelerate your speed to respond to your customers and increase your efficiency to lower your cost of production. Both are elements of your competitive offering to your customer.

Even at the time of this update, end of 2022, none of the solutions is perfect but neither are your process or organisation today. And digital transformation will remain a journey, thus it is often more about with whom you are starting on the trip and continue constantly improving your processes and tools.

In the end, the quotation process itself, is only part of the entire shipment process and while a lot of focus is put into it today, most of the tools, even the expensive ones, end at the time of booking with an email or an EDI message to the ERP, while any further communication regarding the shipments moves often through traditional channels. Further, it makes no sense to force your customer down certain ways, but rather remain flexible in order to adapt to any door through which the customer chooses to interact with you.

As mentioned in our piece on digital marketplaces some time back already: explore and experiment! The risks are little, efforts are limited, but the benefits of gaining experience with digital channels, the learning of the organisation and the adoption of a digital mindset are priceless.

Further he promoted to think in terms of a digital eco-system, where companies do need combine several elements into their system landscape.



Some service providers in the field

There is no one fits all solutions, every company has different preferences and some might still prefer to build their own solutions entirely from scratch.

Below are some „eForwarder package“ vendors and tariff management tools on our watchlist, where some members already have made positive experiences.

eForwarder packages, online quotation & booking solutions

- [Freightalia.com](https://freightalia.com)
- [FreightBro.com](https://freightbro.com) - now freightify.com
- itsmycargo.com
- kontainers.co.uk - now part of descartes.com
- logixboard.com - Customer facing frontend
- qwyk.io - now part of magaya.com

Rate management tools

- bluextrade.com - API to several carriers that are based on BlueX carrier solution
- cargosphere.com - Now part of [CargoWise.com](https://cargowise.com)
- freightos.com - Rate management solution
- gocatapult.com - Now part of magaya.com
- okargo.com
- portrix-ls.de - Now part of descartes.com
- transporeon.com
- quotiss.com

Tender management

- winmore.app
- freighttender.com

Integration / EDI&API providers

- chain.io
- youredi.com

To share any experiences in the field, if you require any recommendations or in case of any questions feel free to contact us: info@oceanx.network



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