



## 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*

### **Challenge:** *Relieving the Pain of a Large LTL Bid*

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.

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

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### **At-A-Glance**

*MeadWestvaco, a global packaging company, needed to conduct a strategic bid for \$20 million in annual LTL freight shipments that encompassed 140,000 shipments across all four of its operating divisions. After evaluating several options, MeadWestvaco selected BidSense®, a bid management and analysis tool from SMC<sup>3</sup>. By taking a more strategic approach to their LTL bid process, MeadWestvaco was able to optimize their carrier selection, consolidate carriers and improve efficiencies, ultimately reducing their annual LTL spend.*

**MeadWestvaco**



Richmond, Va., created a project team of six members representing stake-holders 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

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***SMC<sup>3</sup>’s Bid\$ense met or exceeded each of MeadWestvaco’s transportation bid goals:***

<i>Goal</i>	<i>Met Goal</i>	<i>Exceeded Goal</i>
Automate RFP distribution and carrier bid collection	■	
Supply detailed data to carriers for accurate bid responses		■
Allow corporate and divisional team members to jointly analyze bid responses regardless of their office location		■
Analyze carrier responses based on transit times, special handling capabilities, locations served and technology provided (i.e., a more thorough analysis)		■
Consolidate the number of carriers used by the company	■	
Improve supply chain efficiencies through an applied bid strategy	■	
Modify specific carrier contract terms	■	
Enhance relationships with core carriers		■
Save the company money on their overall transportation spend		■

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<sup>®</sup>, an industry standard base rate solution from SMC<sup>3</sup>. From there, MeadWestvaco

evaluated BidSense®, an LTL bid tool from SMC<sup>3</sup> 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)

*In the past, conducting an LTL bid was a painful process for MeadWestvaco, taking months to complete.*

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, BidSense 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," Joyner said.

### **Solution: A Faster and More Strategic Approach to Optimizing Carrier Selection**

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 BidSense saved so much time; this bid process was much quicker than before."

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## **The Carrier Perspective**

*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 BidSense.*

*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 BidSense, 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 BidSense makes the process as painless as possible for all the parties involved in the bid. It's obvious that BidSense was written by transportation people for transportation people," concluded Ellis.*



Even though it utilized a more strategic approach, BidSense saved time for MeadWestvaco throughout every stage of their LTL bidding process. During the initial step of data collection, BidSense 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 BidSense to help create qualitative questions regarding carriers' transit times, special handling capabilities, locations serviced and technology provided.

BidSense 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 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 BidSense, 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 selected contract items."

"BidSense 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 BidSense helped with carrier communication and the collection of responses in a standard format," summarized Purcell. "With BidSense we could share more information so we were able to create more trust in the relationship. BidSense 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 BidSense is a must." ■



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