Sunset Transportation Uses Rate Analytics from DAT iQ & McLeod's FlowLogix to Optimize Rate Negotiations

SUNSET
TRANSPORTATION

DAT Freight & Analytics

McLeod SOFTWARE

Sunset Transportation's Business Challenges

Sunset Transportation, a Top 10 3PL headquartered in St. Louis, Missouri, handles domestic and international freight through seven branch offices in the United States and Mexico. Like logistics companies everywhere, Sunset faces the ever-present challenge of negotiating rates with carriers to guarantee market competitiveness.

Multiple factors come into play that can affect the negotiating posture that brokers will take with each load. How much capacity is there today in the load's market? What is typical capacity for this market? Are rates static or are they moving up or down? Sunset's goal is to provide team members with valid information about market pressure and to make that data instantly accessible, so that decisions can be made quickly and confidently.

The Solutions Provided by DAT Freight & Analytics and McLeod Software

DAT Freight & Analytics—DAT leverages the industry-leading database of booked loads to gain insights into rates. By applying advanced analytics to the immense pool of data, DAT creates metrics that describe capacity in any given market and reveal trends in rate dynamics.

- **Load-to-Truck Ratio**—DAT takes the number of loads and the number of trucks on any given day for a specific market or geographical area to create a metric that describes current capacity. Are there more loads than trucks available or the opposite? How extreme is the imbalance? Brokers can see instantly if capacity is tight or loose.

- **MCI**—The Market Conditions Index provides an extended time period context for the daily load-to-truck ratio. This DAT metric calculates the average load-to-truck ratio for the past 90 days and indicates where the load-to-truck figure for today fits into that history. Brokers can see if today's level of capacity for a specific market is higher or lower than the norm for this market over the past 90 days.

- **MCI Forecast**—This metric uses predictive analytics and historical data from the last 90 days to determine the current Market Conditions Index number, and gives brokers a sense of how the pressure on rates may be changing.

- **Ratecast**—Using a multi-year time series of market rate data, DAT has created a machine-learning model as an add-on to the RateView product that predicts future freight rates over the next 35 days and 52-weeks for any given market. Ratecast has an average accuracy of more than 95% across over 7 million daily predictions.

McLeod Software—McLeod's **FlowLogix Designer** allows you to create customized workflow-based process automation within your business using a visual design tool instead of writing code. Data can be pulled from other systems, such as DAT, and presented on McLeod TMS screens so that information from outside sources is at the fingertips of the right users within the organization.

The Benefits Gained by Sunset Transportation

"At Sunset we made the conscious decision to become a data-driven brokerage," says John Sutton, Director of Corporate Strategy. "With DAT's analytics viewed through McLeod's data accessibility tools we've been able to accomplish that. We're very happy with the solutions we've built."

- **We're well informed going into negotiations**—"DAT's metrics bring us so much valuable information about rates and capacity that we're extremely confident we're buying at a rate the market dictates. The logistics business will always include factors beyond our control, but we now have command of all the factors we can control whenever we're buying capacity from trucking companies."

- **The Load-to-Truck Ratio gives us a quick view of supply and demand**—"This is a powerful metric. The Load-to-Truck Ratio helps you see how tight capacity is in any given market. It tells you the likelihood that you'll be able to source a truck at a fair market rate."

- **MCI puts context around today's capacity**—"This is a very insightful data point to be able to use alongside the Load-to-Truck Ratio. The MCI number paints a picture of what capacity truly looks like today relative to how much capacity there has been in that market on average recently. This helps on all loads, but it's particularly useful when dealing with less familiar markets. It helps our team members make a guided decision as to whether or not they can spend a little time looking for a better rate or if they need to take the best option they can right now and get that load off the board as fast as possible."

- **MCI Forecast helps us see ahead**—"We're frequently negotiating on freight that will not need to be picked up immediately. If the load is scheduled for two days from now, this affects our negotiating posture. We can look at the MCI Forecast and make an educated decision as to whether or not we can sit on an available load for another day or two or if we need to go ahead and secure the truck now. For example, if DAT is predicting that the market is going to contract or tighten in the coming days, we want to go ahead and get this one covered as quickly as possible. We're even making those decisions upwards of 7 or 8 days in advance right now based on DAT's predictions of tightening or expansion of capacity in any given market."

- **Ratecast indicates how rates are trending**—"We use Ratecast on every shipment to give us confidence that we're covering the load at a fair market rate."

- **We use the metrics to coach**—"Whenever we're reviewing all of the spot shipments someone has covered over a specified time frame, we use Ratecast to show what we should have purchased capacity for on each day each load was covered. We bring in the MCI number to show what the market pressure was each day. If we can see that the MCI says that capacity was relatively loose, yet a rate was paid on a specific load well over the predictive rate, then we need to discuss ways to improve rate negotiating performance. It's a coaching opportunity. If it was a loose market, but the rate was over the market, we need to find out what happened."

- **DAT's analytics help us train new brokers faster**—"These metrics allow us to accelerate the time by which we can get a new broker confidently negotiating with carriers. The work of negotiating rates requires the ability to develop an intuition about when to push and when not to. The data from DAT enables people to develop that intuition."

- **We can identify and promote skilled negotiators**—"From a personnel perspective this has been great for us to be able to set clear and achievable benchmarks by which we can monitor performance and identify the individuals who warrant a promotion or more responsibilities. We're able to define broker negotiating performance in a way that we've never been able to before. Previously we focused only on how much raw margin is being generated. Now we can identify and promote the demonstrated negotiators much quicker than we could when we focused only on the margin dollars being brought in. We look for the ability to negotiate at, or under, market rate at least 50% of the time whenever the MCI is at a specific value or lower. Previously we said, 'Once you're transacting a certain dollar amount, we'll promote you to the next level.' Now with the more sophisticated metrics available to us from DAT, we can say, 'You need to have demonstrated that whenever we put you in a negotiation scenario, 60% or 70% of the time you come out ahead of the market.' The staff who can successfully do this move up quickly."

- **PowerBroker integration saves time**—"Our team members can view all of these DAT metrics easily and quickly on the PowerBroker screens. Everything is readily available for all of our team members working to cover shipments. This is possible because we use McLeod's FlowLogix to bring the DAT data into PowerBroker. Previously team members needed to seek out the data independently of McLeod and it could take upwards of 60 to 90 seconds for each shipment, so having this data in PowerBroker is a huge time saver. Ultimately our team members just weren't using the data because of the effort and time required, so we had to bring the data to them. Team members saw the data and thought it was great, but they went out and looked it up only for unusual loads or unfamiliar markets. There wasn't enough time in the day to go out and inventory all of this information manually for every load, so we appealed to our FlowLogix specialist to solve the problem and bring the information to our team members."

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DAT & McLeod Work Together to Ensure No Money Is Left on the Table

Logistics companies all face the challenge of mastering rate negotiations. In order to optimize margins, you need information. You need to have your fingers on the pulse of the factors that affect rates for specific markets—current truck capacity, how today's capacity compares to the norm, current rates, and what changes to expect in capacity and rates over the next week. DAT delivers these metrics and by using McLeod's FlowLogix, this data can be directly accessible in PowerBroker. As each load is covered, quick access to these metrics empowers you to negotiate from a position of knowledge. With this insight into market dynamics, you know when to push for a better rate and when to take the rate as it is. The guessing game is over and no money is left on the table.

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