Tendering Logistics: 'tips and tricks'

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Introduction

This article is the final part in a series of four on Warehousing & Transport. In this fourth article, we focus on selecting a service provider for Warehousing & Transport—commonly referred to as 'Tender Logistics'.

Today, many companies have outsourced their logistics to third parties, often maintaining long-term relationships that span decades. These partnerships are typically very open, sometimes amounting to true co-makership in every sense. Even when there's no immediate need or desire to switch providers, running a tender can be refreshing for existing relationships. It offers a new perspective on 'your' logistics—different from the day-to-day operations you're used to.

Do you still do what you promised yourself to do years ago during your last tender? Have circumstances changed to the extent that your logistics setup deserves a new perspective? Is your current setup still the right one? Running a tender every 4 to 5 years is a good practice.

In this article, we'll explore how to structure such a tender process. It all starts with mapping the current situation. Once that's in place, the next step is to anticipate future changes—and to assess their impact on goods flows, storage capacity, and ultimately pricing.

We'll start by looking at the importance of developing a model. Then, using a practical example, we'll walk through how to build such a model and address the "how" in more detail. Finally, we'll cover a number of practical matters that often arise during a tender—and how you might deal with them. The goal is to provide anyone involved in tendering with some useful tips and tricks to help make the process as effective as possible.

Why Build a Model?

When sending out a tender to multiple parties, you need a clear, generic framework—one that uses a shared language and structure understood by logistics providers.

Take terminology, for example. In logistics, the term *case* is often used to describe a packaged unit. But this can be confusing: a *case* might mean a shrink-wrapped half-pallet, or twelve smaller cases packed into one outer box. So what counts—one case or twelve? The distinction matters when it comes to picking. Do you pick full pallets with a pallet truck, or do you pick individual layers or cases? It helps to speak in terms of pallets when you're dealing with full pallets or layers, and to use *cases* only for units smaller than a pallet layer.

I recall visiting an outsourced warehouse I was responsible for. I saw an operator working with a nearly full pallet—just a few cases were missing. He was restacking nearly the entire pallet onto a new one for a customer. I asked him what he was doing. He said he had to pick a full pallet but had to respect FIFO, so he transferred each case to a new picking pallet—thus creating another almost-full pallet for the next order.

That left us with a dilemma: wouldn't it have been better to just pick the full pallet (thereby violating FIFO) rather than transfer it case by case? There's no simple answer—FIFO rules matter. But this shows the benefit of rounding orders to full pallets or layers within specific warehouse zones. For true slow movers, you might even create a separate picking area for outer boxes.

But the key lies in the word: **modeling**. You must reflect on your current processes (As-Is) and envision how they should ideally work (To-Be). You need to abstract and simplify—without oversimplifying. This exercise forces you to view your daily operations from a new angle, unlocking ideas for real change. Working backwards from the To-Be scenario often leads to breakthroughs—the improvements that matter.

This self-reflection is, in my view, the true value of modeling. Keep this in mind as we build the model.

As for your service providers, the model should be based on the To-Be situation and formulated as generically as possible so that any logistics service provider can understand it.

Another reason for modeling is that you're often outsourcing an end-to-end process, possibly currently split between multiple providers. The To-Be model should describe the entire scope in generic terms, enabling apples-to-apples comparison of bids.

It's also widely known that standard logistics activities are relatively easy to price competitively. The real margins for providers are often hidden in the exceptions. That's why your model must be complete—including all exceptions—so that they're addressed in the final contract.

In summary: Why build a model? First and foremost—for yourself. The modelling process uncovers where real change and improvement lie. Second, it helps you present a consistent and understandable framework to providers, enabling them to price your operations fairly and transparently.

The Model

A useful way to structure your logistics model is by using a quadrant:

2.1 – To-Be Situation: Lists all future logistics activities, based on forecasted volumes ('drivers') per time unit (usually weekly), with applicable rates. The activities are organized in logical process-flow order—from inbound to outbound—and include special operations at the bottom. This is the template you will send to service providers for pricing.

1.0 – As-Is Situation: Describes the current activities using the same structure, including today's drivers and rates. This should reflect your actual current costs and is best validated with your existing provider.
1.1 – Current Setup with New Rates: Allows comparison of your current logistics approach using the newly quoted prices.
2.0 – Future Setup with Current Rates: Helps evaluate the financial impact of your organizational changes if current rates remain.

1.0 Current model 'As-Is' at current rates = existing model at current rates
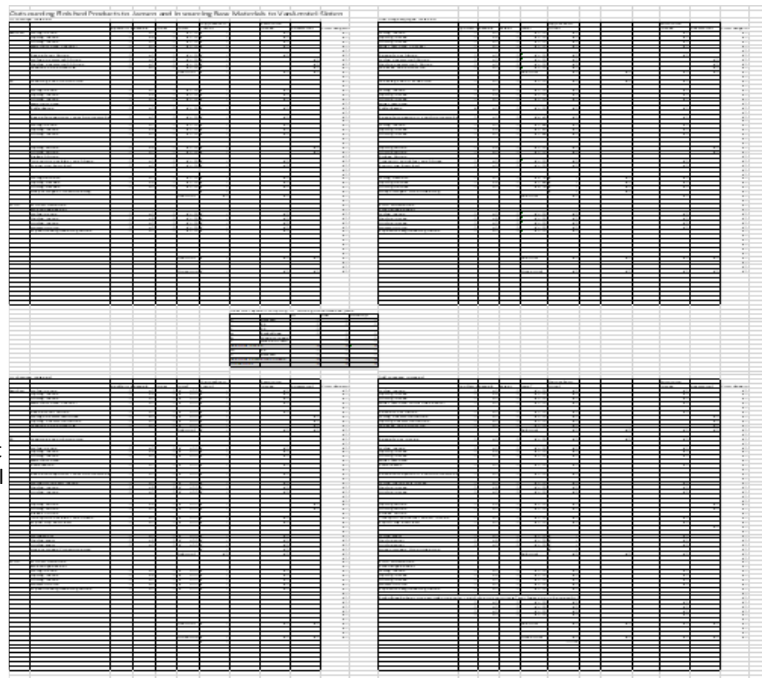
1.1 'As-Is' at new rates = existing model with new rates

2.0 'To-Be' at current rates = Future model at the current rates

2.1 'To-Be' at new rates = Future model at new rates

Notes on the Quadrant:

- The matrices may appear complex, but the concept is straightforward: all four must have the same vertical axis (activity list) to allow easy comparison.
- In quadrant 1.0, you may include future activities that have no volumes yet—this keeps the structure consistent.
- A central mini-matrix can illustrate warehouse pallet volume—past, present, and projected—and show expected growth. For example, in one tender, the company opted to stay with its current provider but shifted raw material and packaging storage back to the production site, freeing space for finished goods at the provider's warehouse. This improved flow and created manufacturing expansion space—boosting both effectiveness and efficiency.
- The term 'driver' refers to a measurable volume you multiply by a rate. E.g., 100 pallets/week × 50 weeks × €1.50 = €7,500/year.
  Units are typically measured in pallets, but other formats (kg, liters) may be more appropriate depending on the goods. For simplicity, convert everything back to pallets where possible.
- Use full calendar-year data to capture seasonality and unusual events. This improves accuracy and validates that your model reflects reality—even if not 100% perfect, deviations should be explainable. You may need to iterate to make totals match, which also helps catch missing activities.

Activities

All four matrices must contain the same set of activities, listed in the same logical process order. This ensures clarity and comparability.

Activities should be described generically so that logistics providers can easily understand them. A good starting framework for Warehousing & Transport includes:

1. Supply
2. Reception (Inbound)
3. Storage
4. Outbound
5. Transport
6. Extra Activities

We'll now look briefly at each step. These were discussed in more detail in the first article of this series. Here, we revisit them to highlight potential savings areas.

Supply

Supply refers to how raw materials, packaging, and trade goods enter the warehouse. This includes also transport from external storage sites.

Typically, goods arrive by truck on pallets. Containers might be unpacked externally or onsite. Key variables include pallet layering (single or double) and whether transport is organized by you or your supplier.

Supply already presents saving opportunities, which we'll return to later. Bulk goods in tanks, directly connected to production lines, don't pass through the warehouse and can be excluded from the model. These flows are usually managed directly with suppliers—not logistics providers.

Inbound begins with unloading trucks. Products are staged temporarily for a first check, typically a document match and visual inspection to detect damage—common when goods shift during transport.

Following the check, pallet exchanges may take place and damaged goods returned. Further inspections may still occur. In supply chain practice, three types of inspection are common:

1. Dock Inspection: – Items are checked immediately upon arrival and only accepted goods are booked in. Rejected goods are sent back at once.
2. Status-Based Booking: – Items are stored with a status code (e.g., "under inspection") and are not available for picking until released.
3. Quarantine: – Common in food, chemical, or pharmaceutical sectors. Goods are placed in a separate physical location and released only after quality control approval.

This last type involves a physical process; the others are often managed through system status codes.

Disapproval

Rejections are often partially identified during unloading. For this reason, trucks are frequently asked to wait before departing—allowing for immediate return of non-compliant items without needing internal registration.

However, this approach isn't always preferred. In many organizations, rejected items must be returned under a formal RMA (Return Material Authorization) process—even when the outcome of a quality analysis is pending. In such cases, the goods are registered as received and later returned under RMA. Although more bureaucratic, this is often the clearest and safest option, especially in larger organizations.

It's always wise to record what physically occurred, even if you're in a rush. When goods are urgently needed, there's a tendency to accept them without inspection. If you choose to do so, ensure there is at least a system block preventing their external shipment until QC approval is granted.

Storage

Once stored, items are typically ready for sale. Key aspects of storage include cleanliness, organization, compliance with FIFO (First-In, First-Out) principles, and batch or lot traceability.

Despite advances in automation and robotics, many warehouses still operate in a traditional, conservative manner. As discussed in the first article of this series, the storage method should be clearly described and regularly evaluated for improvement opportunities.

Outbound

The outbound process typically begins with generating a picking order from a sales order. Based on this, items are picked from storage and brought to a designated area near the truck dock.

The goods are staged in a way that allows easy loading. Before loading, a final check ensures everything is present and in good condition. Once confirmed, the goods are booked out of inventory and become non-available stock. Sales orders and invoices are usually finalized when the truck is ready to leave.

Transport

Transport is one of the most complex areas to calculate and judge, due to consolidation opportunities. Larger logistics companies with dense distribution networks can combine shipments more effectively.

As a customer, you must provide annual pallet volumes per delivery address, taking frequency into account. The carrier enters this data into their system, runs optimizations, and typically

returns a tiered pricing structure—e.g., by full truckload or per pallet.

Extra Activities

Extra or non-standard activities should be listed separately to keep your core model clean and focused. These activities often carry higher costs and are where service providers earn their margins.

Examples include pallet swapping for export (exchange a rental for a one-off export pallet), repacking into smaller units, sealing, or relabelling. These are often classified as Value-Added Services (VAS). If possible, it's best to perform such activities inside the warehouse to avoid incurring additional transport and handling costs.

Data Collection

Base your data collection on invoices from a full calendar year. This captures seasonal fluctuations and rare events. Cross-reference this year against prior years to validate consistency.

Import the activities into an Excel-based model. Once the data is filled, test the model's logic for completeness and accuracy. Are all relevant activities included? Are drivers consistent across matrices?

Be meticulous—this model may form the basis of a multi-year contract. Since Warehousing & Transport typically account for 12% of total costs, any error could be expensive. So check, check again, and then check once more.

Potential Improvements

While building and refining the model, simultaneously look for improvement opportunities. Adjust your model if needed to better capture potential benefits. This may mean adding a new activity or redefining a driver.Here are some ideas by process step:

- Supply: - Usually, you have suppliers delivering directly to you. But you could look at what the big chunks are for you or take out the addresses that are close to your delivery address, so you can make combinations yourself. What I usually do is, drawing the 'large' and special flows on a geographical map, it very visual and you can see the interesting flows right away. It is also interesting to look at the areas far away, difficult to reach and with only a few smaller delivery addresses, whether you might be able to do something with them. For you they're expensive and less interesting to do but maybe for one of the potential partners they aren't. It is also interesting to view the traffic between your own warehouses and main production sites. Often this is a kind of shuttle service, optimization is possible there. What I often try here is, can we bring more regularity to it, is it interesting to do that with your own car / driver? Or should I try to outsource and combine with another company in the area.

- Reception (Inbound): - I always find it interesting to have a space directly at the place where you also unload the truck. You do a quick check whether everything is ok without having already registered it in the systems. If the order is not delivered properly, you can take immediate action. If everything is ok, you can tell the truck driver that he can leave.
- Storage: - You often also see conventional storage methods. I would really look here if you can't do it smarter. Drive-through racks are often interesting in this environment e.g. It is difficult to say something general here, but basically question everything and use a number of 'crazy' ideas as input. Often storage is also outsourced to a logistics service provider. See who are the most important customers of the supplier, maybe there are combinations possible. If, of course, combinations can be made to the same DCs, transport costs also become more interesting. In transport and storage, it really makes sense to look at how you can improve your network. That you have similar or additional products that go to the same customers is of course a compelling argument. In fact, when choosing the shortlist, I weighed this point quite often high.

  When I did an outsourcing, once in Germany for one of my customers (Bio-food) I looked for a service provider who was working for competitors, in the food, delivering to the big retailers. I found one and then you reach really a win win-situation. They are already for years working together, and it still works quite well.
- Outbound: - Is normally the area the order picker is working from. He picks the goods and brings them in the area just before the goods are loaded into the truck. Checks are done, documents are made final and as last step the truck is loaded. The transport can start. It is important to check just before loading the truck whether the load is complete and all documents that are needed are ready. So, pay attention to how you can best do the final check. See that documents are digital available at that moment. If there is a need to repair, see that this is done at that point as effective and efficient as possible. Hope it's clear that once the truck is on her way, repair is a costly and difficult affair.
- Transport: - Here too, plot the most important flows or the exceptions on a geographical map and think what can be done better or different here. Do that before you send the data to the supplier. Be prepared for the questions and comments that will come. Carriers will put your data into their systems and combine it with their existing network and deliveries. A rate will then be determined. They will have questions and comments regarding certain journeys. So be prepared for that as well.
- Extra activities: - You really have to look at this carefully, these are the cost items where the suppliers will also cover themselves to avoid losses. So really try to assess those extra activities first, are they really necessary, can we do that differently etcetera? It really pays off to describe these extra activities in detail, believe me!

Location

It's always worth reviewing whether your warehouse location is still the most suitable one.

I once worked for a factory in Germany located in a picturesque, touristy area—but far from the motorway, requiring a 40-minute truck drive over narrow roads through small towns with traffic lights. At the time, I conducted a gravity model analysis and found that the optimal logistics point wasn't far from the factory but much closer to the highway network.

We achieved a major efficiency breakthrough by using a warehouse near the motorway junction as a hub for finished goods. Full truckloads were delivered there, and return trips brought back raw materials and packaging to the factory. This shuttle
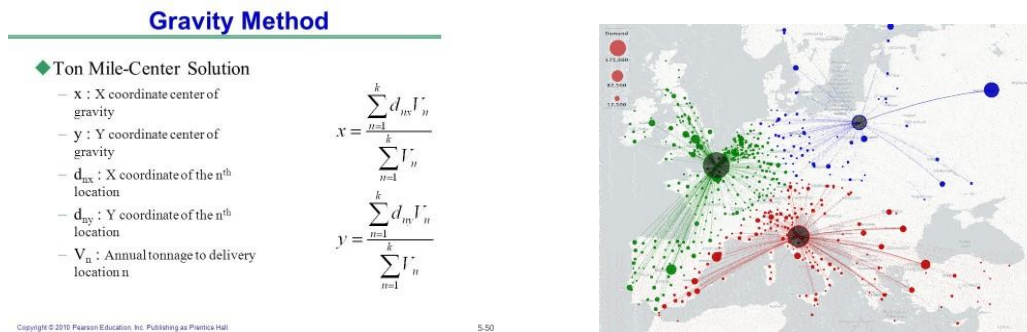
service, staffed by our own drivers familiar with the route, turned out to be highly effective, cost-efficient, and reliable.

So lesson learned: - run a gravity model analysis—it's a completely different way of looking at your setup. It can change your entire perspective.

How does it work? Plot the delivery volumes to your key customers on a map. Then calculate the weighted average of mileages and volume. You can do it manually, although it's a lot of work, or outsource it to specialized firms that use dedicated software. These tools allow for scenario modelling, such as testing whether a single central warehouse or multiple regional ones would be best.

Use Gravity model to broaden your vision on your supply chain

Apply of Gravity Method to determine where you warehouse(-s) could be best positioned, is always worthwhile to do. The least it does, is sharpening your mind and vision on how to organise your goodsflow in the best way

Gravity Method

◆ Ton Mile-Center Solution
- x : X coordinate center of gravity
- y : Y coordinate center of gravity
- d_{nx} : X coordinate of the nth location
- d_{ny} : Y coordinate of the nth location
- V_n : Annual tonnage to delivery location n

$$x = \frac{\sum_{n=1}^{k} d_{nx} V_n}{\sum_{n=1}^{k} V_n}$$

$$y = \frac{\sum_{n=1}^{k} d_{ny} V_n}{\sum_{n=1}^{k} V_n}$$

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Drawing Up a Longlist

Start your longlist based on market knowledge, online research, and recommendations. Look into competitors of your current provider, and ask your team for suggestions.
Aim to include a mix of large, medium, and small players. Smaller providers may offer more personal attention and flexibility, while larger ones can offer scale and efficiency.
In this phase, also check the condition and layout of their facilities and fleet. Most importantly, consider the 'fit'—is there a good cultural and operational match?
I typically write to about ten companies to gauge initial interest. Cast the net wide at this stage—it's easier to narrow down later.

Inviting Longlist Candidates

Once candidates express interest, ensure they sign a confidentiality agreement—since sensitive information will be shared.
Then, provide them with a detailed information pack: data files, a cover letter explaining the objectives and the timeline, and a clear deadline for response—typically within 2–3 weeks.
Also, share a standardized rate sheet, aligned with your quadrant model's activity structure.

Ask candidates to complete it using their proposed rates for the To-Be situation. Encourage them to clarify their pricing, especially any deviations. Transport rates, in particular, are tricky. Providers usually model your data within their existing network to generate average rates, but won't reveal their internal workings.

A dense network generally yields lower transport costs. Some providers focus more heavily on specific regions or routes than others—you'll want to know which of your locations are less attractive or profitable to them.

Shortlist

After receiving responses, populate the relevant quadrant models for each candidate (typically in a separate worksheet per provider). From there, select your top three or four contenders. Also consider qualitative factors—such as communication, flexibility, and cultural fit—that may influence the final decision.

Visits to Shortlisted Candidates

Visit the shortlisted providers and tour their operations. Use the visit to validate your impressions, see the operation in action, and assess whether there's a natural fit between their setup and your needs.

Contracting Phase: Number One and Two

Eventually, you'll narrow it down to two final candidates. Keep both engaged. Be transparent—tell each provider their current ranking. Proceed with contracting details with Number One, but keep Number Two as a fallback.

If Number Two has put significant effort into the process, it's fair to compensate them for their time and input, even if they are not selected.

Trial Period

Agree on a trial phase at the start of implementation. Sometimes, after the contract is signed, unforeseen issues arise—either due to miscalculations or overlooked details. If it's a clear oversight, both parties should find a fair solution. However, if a known risk resurfaces as a complaint during execution—despite having been agreed to during negotiation—you're in a tough spot.

Do you cancel the deal or find a workaround? This scenario is rare but worth guarding against.

Operational Management: Steering by KPIs and SLA

A strong Service Level Agreement (SLA) is a crucial part of your contract. Define KPIs and outline joint improvement projects.

Hold monthly financial and performance reviews, and meet in person at least twice a year. These sessions ensure ongoing alignment, track progress, and set goals for the near and mid-

term future.

Summary of This Article

This article has shown how to practically approach a tender for Warehousing & Transport. It starts with building a solid model—use it to run scenarios before sharing it with providers. Include all key activities and exceptions, as that's where providers build in their margins. Ensure the model reflects reality, and use quadrant 1.0 to validate with current invoices. From there, evolve the model into quadrant 2.2 (To-Be with current rates), and eventually send it out for quotes to populate quadrant 2.1 (To-Be with proposed rates).
You then move to shortlist and select 1–2 providers, finalizing a contract (with SLA) with one. Ideally, you've now formed a strong partnership for years to come.

Summary of the Series on Warehousing & Transport

With this article, we conclude the four-part series on Warehousing & Transport.
In the first article, we focused on mapping the current (As-Is) and future (To-Be) state of your logistics setup. This model became the basis for software selection and provider tendering.
The second article zoomed in on warehousing, the third on transport, and the fourth (this article) on selecting the logistics service provider. We've broken down each process using a reference model and identified potential improvement areas.
In article three, we covered software selection—starting from a longlist of vendors, narrowing to a shortlist, and evaluating them via demos based on a realistic case. Contracting follows only after the final selection.
In this final article, we explored how to select a logistics provider and use a quadrant model to compare offers. Even without switching providers, such a tender is valuable for benchmarking and identifying opportunities.
Our advice: do this type of study every 4–5 years. Not necessarily to change partners, but to challenge assumptions, ensure competitiveness, and remain efficient and effective in a changing world.

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