Improving RFQ accuracy

Measuring for success

How to write an RFQ so that you receive accurate pricing in return.

Logistics doesn't have to be a maze.

wta

Use clear incoterms

The incoterms used can have a huge impact on the RFQ received from your freight forwarder.

If possible, avoid using terms where responsibility changes hands at ambiguous moments of the shipment.

It means it can be difficult to identify the liable party in instances of damage but crucially helps avoid any unexpected logistical bills.

No question, incoterms exist to simplify the process of international shipping and outline responsibilities, but there's no doubt some are clearer than others. Regularly using the most clearly defined incoterms

will mean RFQ and final price are more costly and aligned over time.

As well as choosing clear incoterms, state them clearly in your RFQ. Leave nothing open to interpretation to avoid unwanted cost.

Clear	Less clear
DDP	FAS
FOB	COF
EXW	CFR

"If you've got a good understanding of incoterms, you can say 'look, there's a much better incoterm to use here'… that can obviously win you credibility. You're helping your customer, you are sharing your knowledge, avoiding problems and in some circumstances, it can save money"

**Tim Hiscock
Export and International Trade Advisor**

Take care choosing your freight forwarder

Freight forwarding is a highly competitive industry, with thousands of businesses competing mostly on two factors: price and service. With so many players, logistics is a ruthlessly low-margin industry too.

Why does this matter?

Well to offer the best price, certain freight forwarders will bend what is realistic to provide shippers with an optimistic RFQ price. Knowing that the lowest initial quote is likely to win the business. Only later do shippers find out admin fees weren't included, or VAT, or there's now a surcharge. It's this practice which is why on the whole logistics has such a dreadful reputation for customer service. Just look at some of the TrustPilot scores.

Now the nature of logistics means some additional costs are unavoidable. However, choosing a reliable freight forwarder who places more emphasis on service is undoubtedly the best way to ensure a realistic, broadly accurate RFQ price which can be budgeted against. Trust is the key ingredient here.
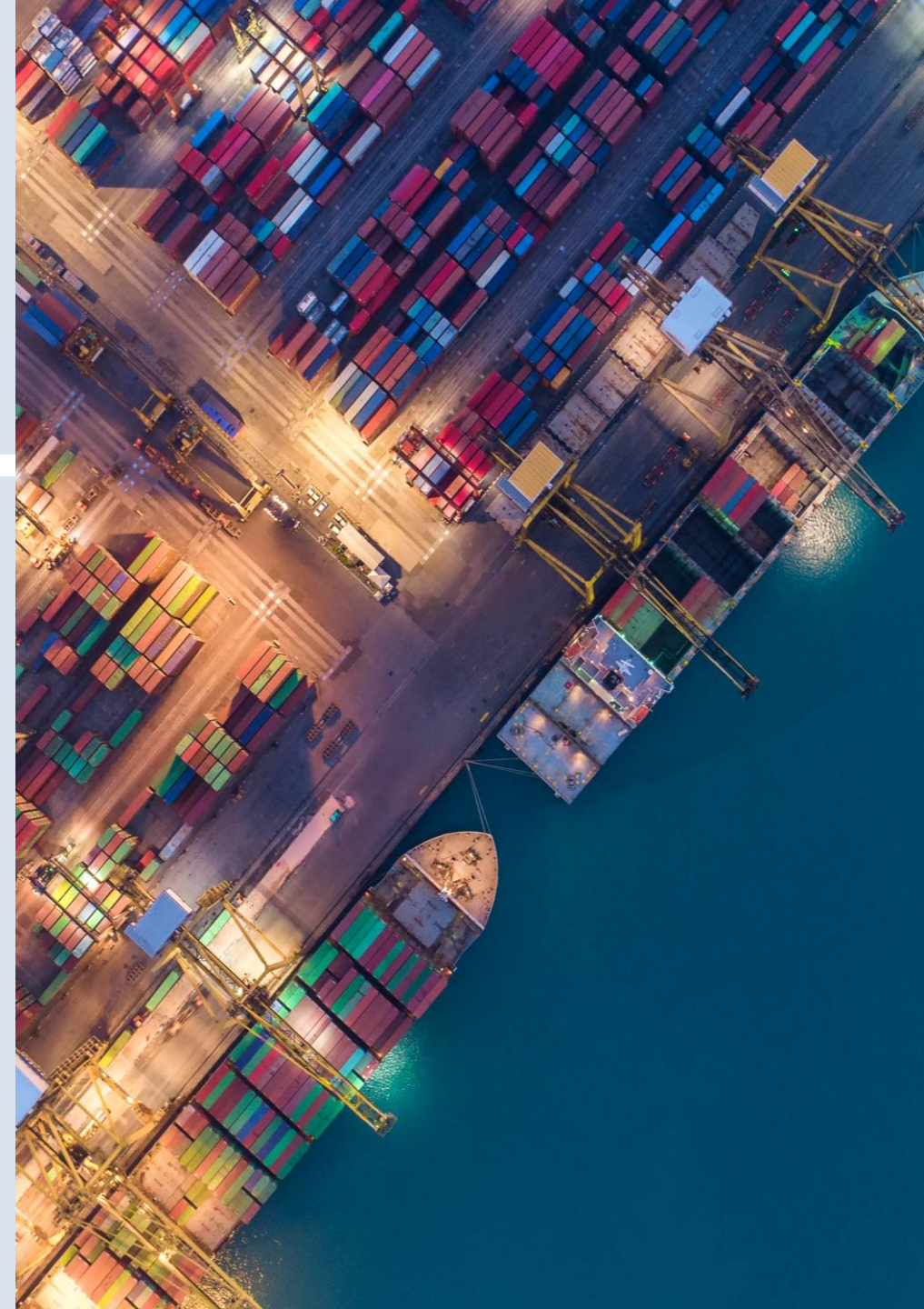
Consider the HS codes

In certain circumstances, it is wise to include the HS code of the product being shipped in an RFQ, such as if the quote is for incoterms which involve customs, or the goods are considered dangerous or food/drink. In these instances, providing the HS code means the freight forwarder can respond quicker and has a much clearer indication of the costs involved in shipping your specific product, therefore are able to provide a more accurate initial quote. Minor product differences can result in significant customs fee variations or transport costs.

For example, when shipping glue from the UK to any third country (one where there isn't a trade deal in place), some is taxed at 0%, others at 6% or even 8%. Specifics on the type of glue are vital for receiving a realistic quote.

As an extension of this, you need certainty that the HS code you provide is accurate. Obviously, quoting on an incorrect commodity code is going to cause problems at a later stage of a shipment. Speak to an international freight expert to ensure you've got the correct one.

UK duty example

Casein glue
HS code: 3501 9010 00
Third country duty: 0.00%

<25% starch or dextrin-based glue
HS code: 3505 2010 00
Third-country duty: 8.00%

"To be certain the HS code you're using is correct, you can speak to us at WTA, or any international trade advisor. You can also reach out directly to the customs authorities.

Taking extra time in advance of shipping to ensure you have the right details, is vital to avoid unwanted delays later in the transportation".
Sam Mitchell
Key Account Director
WTA

Improving RFQ accuracy

Provide comprehensive details on the shipment

Take a moment to think logically about the kind of information that will be needed for the shipment and ensure it is included.

For example, as previously mentioned a quote for DDP incoterms, or dangerous goods, will need a HS code. But it goes further than that. If it's a consolidation, rather than FCL, weight and dimensions are essential. If the delivery is to the door, rather than to port, an address needs to be provided. Are the goods going to require any specialist loading equipment?

Consider adding the following information if applicable; the name of the supplier, expected arrival date, desired payment terms, specific origin/destination postal address and any other details which you think would be relevant for the logistics of the product.

We advise building a template to follow. Not only will this improve the accuracy of the RFQs, but it will reduce the response time.

The four Cs to RFQ success

Ensure your RFQs are...

✓ Clear

Using clear incoterms

✓ Careful

Carefully decide on a freight forwarder

✓ Considered

Consider your HS codes

✓ Comprehensive
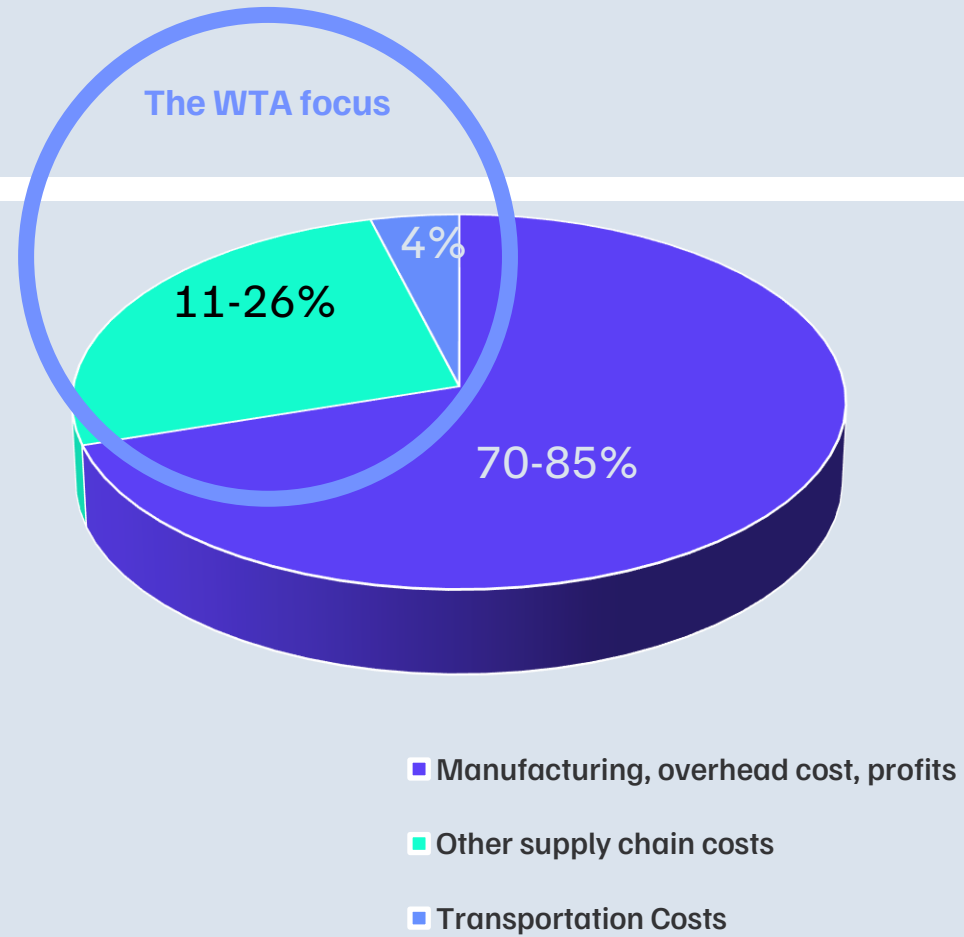
Provide comprehensive detail

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Looking beyond the RFQ

We all know that generally spot rates are at much lower levels now than in recent, pandemic years.

With rates back to more typical levels, the understandable pursuit of the lowest possible RFQs could be at an end. It might be time to look beyond the RFQ as a means of minimising supply chain cost and maximising supply chain resilience.

What do we mean by this?

Well, companies are realising that just focusing on rates might not be the best way of achieving ultimate supply chain costs. By focusing on wider supply chain costs, not just transportation, there is a far greater opportunity for savings.

The WTA focus

11-26%

4%

70-85%

■ **Manufacturing, overhead cost, profits**

■ **Other supply chain costs**

■ **Transportation Costs**

Improving RFQ accuracy

Design the ultimate supply chain with WTA.

Logistics doesn't have to be a maze.

Speak to the team if you want to create the ultimate supply chain.

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