

## **Procurement Process Simplified**

The US annual procurement process takes place to receive bids from different carriers on PepsiCo's transportation lanes. The project aims at analysing past bids, carrier charges and actual charges incurred in order to select an optimum bid to achieve low costs and high services. A poor selection could result in higher costs, low services and loss of valuable time.

In the first stage, the carrier bids selection ranges are considered as a factor for actual costs incurred and it was evident from the data that bids selected in the range of one standard deviation short of average is ideal choice for most lanes. Various factors such as CASS truckload linehaul index and reduction in fuel prices on actual costs incurred are explained in the yearly variance chart. The actual prices match the contracted prices for bids selected in the range of one standard deviation short of average implying zero losses.

The distance covered by the carriers played an important role in bid selection and price difference. The longer the distance between the cities in the lane, higher is the price average. The lane from Carlisle, Arkansas to Cheshire, Connecticut had higher contract prices on account of distance as compared to the lane from Wharton, Pennsylvania to Bethlehem, Pennsylvania.

In conclusion, prices selected at ranges one standard deviation short of average proves to be an optimum bid after taking into account actual costs, truckload index and fuel price changes.