

WHY GOOD FREIGHT RATES FALL SHORT WITHOUT GOVERNANCE



Transportation leaders succeed or fail by improving freight spend and often focus on negotiated rates as the key to achieving their goals. But in today's complex market, negotiated competitive freight rates frequently struggle to deliver sustained savings. The issue is rarely the rates. It's what happens after the contract is signed.

Freight outcomes are governed by behavior. When those behaviors are unmanaged, execution drifts, savings decay, and cost-to-serve becomes unpredictable. The variance between negotiated savings and realized savings rarely shows up on the P&L, but its impact is felt everywhere, including on the reputation of the transportation leader.



Freight Spend Is a Behavioral Output

Transportation sourcing events are often treated as cost resets. Organizations negotiate aggressively, lock in competitive rates, and expect savings to materialize automatically. But the contract does not make decisions. People do.

Across the enterprise, thousands of daily decisions are made by operations, customer service, sales, procurement, and transportation teams. Each decision is reasonable in isolation. Expedite a shipment to protect a customer relationship. Upgrade service to avoid risk. Grant an exception to solve an immediate problem. These decisions feel small. Necessary, even. But collectively, they reshape freight outcomes.

What follows is a familiar pattern. Savings appear briefly, but unchanged behavior continues quietly eroding the benefits. No single decision breaks the model. But over time, the accumulation of unmanaged decisions does. This is why freight cost increases often feel unexplained. The cause isn't a single failure. It's the absence of a system to govern behavior. Rates define price, but they don't define behavior.



The Role of Governance in Freight Performance

Governance is what transforms freight from a reactive function into a controlled financial system. It is the structure that connects daily execution to financial intent. It provides clarity, visibility, and accountability. It includes enforceable freight policies that guide decision-making. Service standards aligned to cost-to-serve. Visibility into exceptions and their financial consequences and analytics that connect execution directly to the P&L.

When governance exists, something important happens. Decisions improve. Not because people change their intentions, but because they gain clarity into the financial impact of their actions. Organizations that govern freight behavior stop chasing temporary savings and build financial control that strengthens over time.



Rates Set Prices. Behavior Determines Results.

Freight should be viewed as a behavioral system, not a pricing problem. Most organizations already possess the data. What they lack is the framework to turn behavior into financial control. The opportunity is not in negotiating better rates but ensuring the value of those rates survives execution. This requires identifying

the behaviors that drive freight outcomes. Embedding governance. Making cost-to-serve visible. Aligning execution with financial intent. Without governance, even the most competitive pricing will fail to deliver sustained results. With governance, freight performance improves because behavior is understood, measured, and managed.



KDL Margin Recovery Index (MRI)
Savings Ranges by Lever



**IF YOUR FREIGHT COSTS FEEL UNPREDICTABLE
OR YOUR MARGINS ARE ERODING,
IT'S TIME TO SCHEDULE YOUR SCAN.**

Contact info@kdlog.com to begin yours and see how quickly hidden margin can be uncovered.



People Drive Logistics

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