

# A Competitive Storm Is Brewing



The shipping market is just like any other competitive market, with sellers and buyers that supply and demand a service. But in the last year, the shipping playing field has changed. Carriers are struggling to maintain capacity while shipping rates are rising. Some of the reasons causing the decrease in capacity are:

- ▶ Lower carrier productivity due to the ELD mandate, limiting Hours of Service (HOS).
- ▶ Drivers reaching retirement age: A demographic analysis conducted by ATRI in 2014 showed that more than one in four truck drivers are 55 years and older.<sup>1</sup>
- ▶ Few Americans want to work as truck drivers because of it's difficult lifestyle with little time at home and a lot of time on the road.<sup>2</sup>



Although shipping prices are getting higher, the U.S economy is growing. As the economy increases, more trucks are required to deliver goods to the final customer. Americans are feeling this squeeze right where it hurts, in their wallets. As a consequence of the competitive shipping market, Amazon recently reported that in order to cover steep increases in shipping expenses, Prime membership would rise from \$99 to \$119 a year.

In this eBook, we will review some important tips for shippers, freight forwarders or any other business that requires moving freight. They will help you overcome the current shipping squeeze and enjoy success in a seller's market where shipping costs are increasing, and carriers are becoming more selective about the loads they haul.

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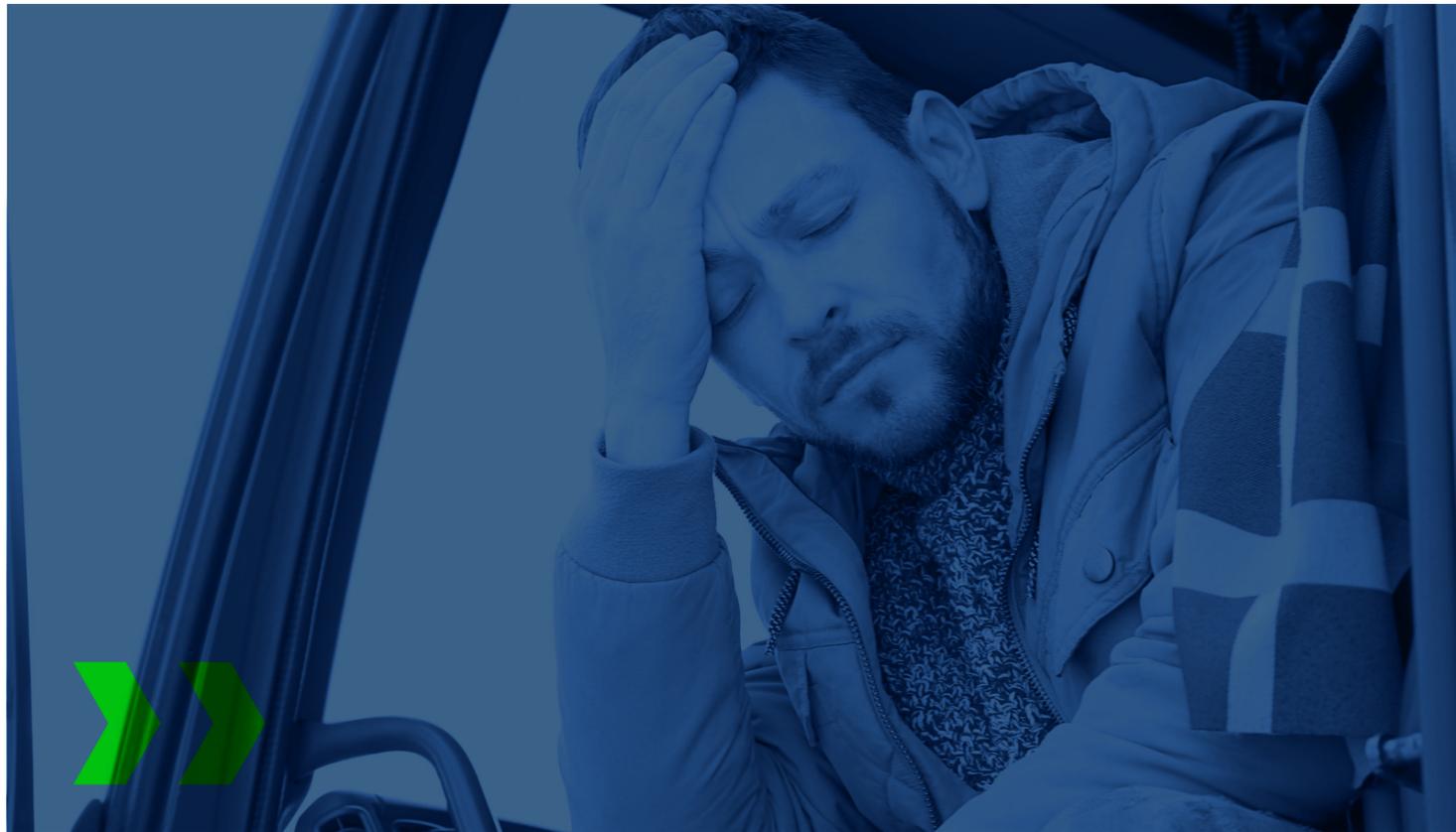
<sup>1</sup> Costello, Bob. "ATA's Trucking Economic Review". Volume 17, Issue 4. 23 December 2015.

<sup>2</sup> "America has a massive truck driver shortage. Here's why few want an \$80,000 job", *The Washington Post*, May 2018.

# Carriers' Concerns

The best trick to understand a situation is to walk in someone else's shoes. First, we are going to take a look at carrier's biggest concerns to better understand why they are under the gun.

- ▶ According to The American Transportation Research Institute (ATRI), the biggest concern for carriers is the driver shortage. The industry predicts there will be a shortage of about 63,000 drivers by the end of the year.<sup>3</sup> To attract new truckers, businesses are increasing pay and benefits for drivers.
- ▶ The problem of driver retention is making companies less effective due to the constant search for new drivers and the corresponding increases in recruitment and training costs.
- ▶ Transportation infrastructure and road congestion make shipping less effective because drivers lose time in traffic.
- ▶ Other concerns include difficulties in truck parking, the ELD mandate, and the cumulative economic impact of trucking regulations on the industry.



**"The industry predicts there will be a shortage of about 63,000 drivers by the end of the year"**

<sup>3</sup> "The reason shipping costs are skyrocketing", *CNN Money*, May 2018.

# How Can You Overcome The Current Market Situation?

All of the concerns previously outlined are increasing operational costs for carriers which result in higher shipping rates that must be absorbed by shippers. If the industry keeps working the same way, the problem will just get worse. Shippers and carriers need to work together to develop new solutions in order to succeed in a changing market. Our job as a third-party logistics (3PL) is to help our customers get the best possible outcomes. We have outlined five key points for success:



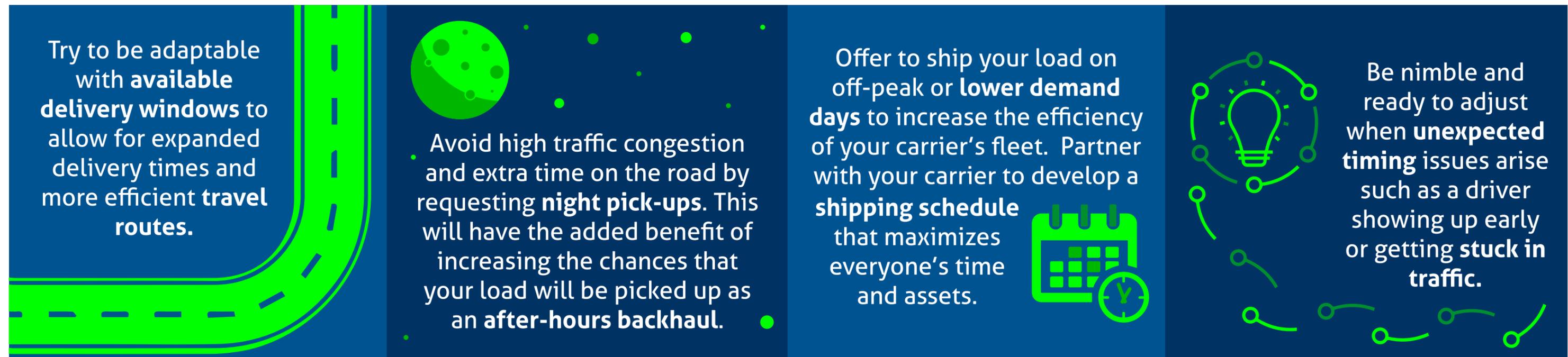
Let's take a deeper look at each key point.

# Be More Flexible In Your Operations

Establishing flexibility in your shipping times can make carriers' work easier and can be directly correlated with the price they offer for your shipments.

"In order to benefit from LTL consolidation, smaller shippers need to understand they have to be flexible to consignee receiving schedules and carrier delivery schedules, so they don't feel the pressure of high costs to move their products."<sup>4</sup>

Here are some tips to help you be more flexible with your carriers:



Try to be adaptable with **available delivery windows** to allow for expanded delivery times and more efficient **travel routes**.

Avoid high traffic congestion and extra time on the road by requesting **night pick-ups**. This will have the added benefit of increasing the chances that your load will be picked up as an **after-hours backhaul**.

Offer to ship your load on off-peak or **lower demand days** to increase the efficiency of your carrier's fleet. Partner with your carrier to develop a **shipping schedule** that maximizes everyone's time and assets.

Be nimble and ready to adjust when **unexpected timing** issues arise such as a driver showing up early or getting **stuck in traffic**.

<sup>4</sup> "Becoming the shipper of choice in a carrier's market", *Supply Chain Dive*, April 2018.

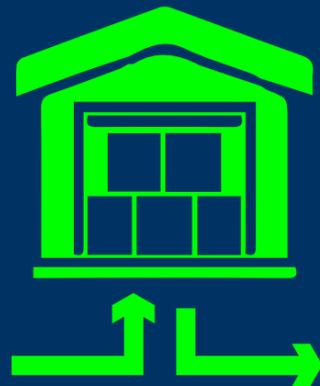
# Reduce Drivers' Dead Time

Drivers can operate up to 660 minutes behind the wheel, or 11 hours, but trucking companies estimate the average drive time is actually only six to seven hours per day.<sup>5</sup> This is due to:

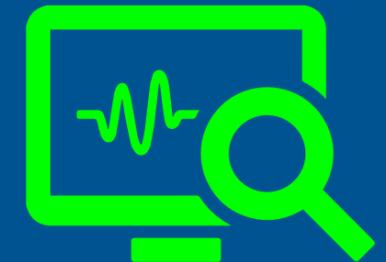
- ▶ Highway traffic.
- ▶ Weighing loads.
- ▶ Searching for parking.
- ▶ Maintenance work.
- ▶ Roadside inspections.
- ▶ Loading and unloading time.
- ▶ Refueling.

In order to reduce the dead time drivers experience you can:

Establish a **drop and hook** program. This strategy allows drivers to just drop their load and leave immediately. However, it is important to note that this is **difficult to do for smaller retailers** because they don't have the correct infrastructure or equipment. This could lead to being placed on a type of drop point "**black list**" by some carriers.



Monitor your truck detention time. Since carriers keep track of how long their trucks spend unloading on your property, **shouldn't you?** There could be efficiencies and best practices to gain by watching how freight is handled as it comes in and out of your doors.



Set appointment times. Most carriers would appreciate a set delivery or pickup time because it **increases efficiency** and decreases the element of surprise.

<sup>5</sup> JOC.com, 2018.

# Use Customized Contracts

Working with a 3PL that uses a customized contract has benefits for both sides. Shippers will experience more reliable sourcing and prices. In addition, carriers' cost for empty miles will decrease because they are able to create an efficient network with minimal deadhead miles.

Currently the cost per mile in the spot market is 29% higher than a year ago, according to DAT Solutions. The long term contract rates that larger suppliers negotiate with major carriers usually follow the spot market, which means freight costs should stay high in the upcoming months.<sup>6</sup>

With shipping prices trending higher, a customized contract that expands over time sets your freight costs over time, saving you money and making your shipping cost forecasts more accurate. Let's dive in deep to see the benefits of changing to a customized contract.

## ▶ Optimize Your Time

By eliminating the time involved in freight sourcing, you will be able to focus on more relevant business issues.

## ▶ Strong Teamwork Yields Better Results

When your team works with the same 3PL team over time, strong working relationships are developed that ensure good results for everyone involved. For example, in a familiar team environment, less time is needed to communicate needs and requests and fewer issues occur because potential problems are recognized early and are averted.

## ▶ Shipping Costs Are Forecasted With More Accuracy

Predictable rates let you make a more accurate forecast of your shipping expenses.

## ▶ Save Money

Your rates are locked in for the entire contract period. Smart carriers may even reduce their rates as they build lane density in order to deepen partnerships.

<sup>6</sup> Money CNN, 2018.

# Offer Basic Amenities For Drivers

As employees, drivers can rate shippers' and consignees' facilities. With today's driver shortage, a best practice is to try to optimize drivers' referrals by appearing as a good shipping company and fighting for lower shipping rates. Here are some of the aspects of your shipping business that drivers are rating:

## Bathroom availability and cleanliness



Wait times



Overnight parking spots

## Load/Unload procedures



Weight limits

## Weather/Emergency delays



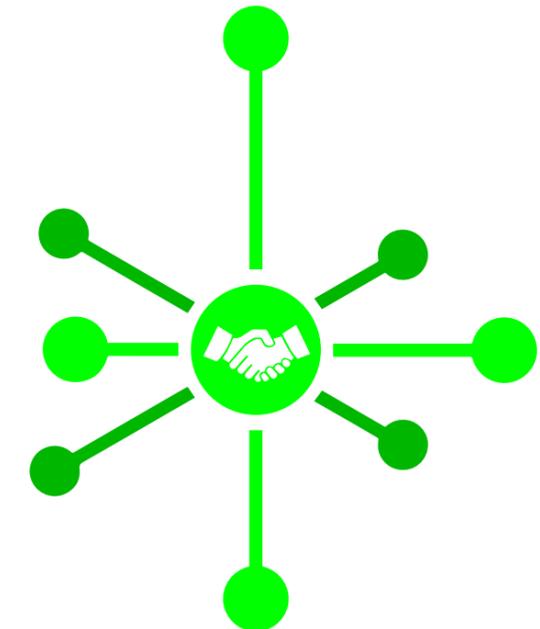
There is a mobile app called **Dock411**, where drivers can check dock details. This app shows drivers what to expect before they arrive. A great tip for shippers and consignees is to optimize your facilities for drivers and then start an online referral campaign. Ask drivers who arrive at your location to share their experience through the app and then share the rating with other carriers and other drivers.

# Have A Plan For Dock Delays

Sometimes there are backups at the dock. No one is perfect, but you can mitigate risks and avoid delays by having an action plan in place for these scenarios. Do not make drivers idle in a truck line extending onto the street.



At a minimum, drivers want a place to park and exit the truck, rather than sit behind the wheel for an undetermined amount of time. When delays happen, communicate with the carrier and the on-site driver as soon as you possibly can. Remember to offer frequent updates and estimates on how long the delay will be.<sup>7</sup>



Ensuring an open communication channel with your carrier is critical in building a strong working relationship that leads to mutual benefits.

<sup>7</sup> JOC.com, 2018.

# Summary:

In today's competitive shipping market, making drivers' and carriers' work easier has become an important target for shippers of all sizes. The ultimate goal is to lower shipping rates and deliver high quality shipping service to customers while remaining profitable.

In the past, driver expectations may not have affected the bottom line, now good drivers are in high demand and shippers must take care of them so that they can maximize capacity and receive fair shipping rates. Smart shippers should not stop watching the bigger picture as well. Carriers are struggling to lower costs not only because of a driver shortage but also because of economics, demographic and regulatory impacts such as lower productivity due to the HOS and ELD rules and a crumbling transportation infrastructure.

Following the five best practices highlighted in this eBook will give your company a competitive edge above other shippers and freight forwarders who are not paying attention to the situation and are not working to reduce the impact on their supply chain. The winners of this current market will forge more collaborative partnerships with their vendors as they improve their shipping services.

## ULTIMATE GOAL

Lower   
Shipping  
Rates

High   
Quality  
Service



Shippers must take  
care of all drivers



They can maximize capacity



And receive  
fair shipping  
rates



# About GLT Transportation Group

At GLT we work tirelessly to hold ourselves to a higher standard and build a reputation that ensures we are the type of company all of our associates want to do long-term business with. We aim to work collaboratively with our partners and provide fast and effective solutions for our customers.

Throughout the years, we have built a strong carrier network with a large team of experts and invested in state-of-the-art technology so both our customers and partners can grow efficiently.

Our services include LTL, FTL, Heavy Haul, Expedited & Guaranteed, Container Drayage, and Rail Intermodal, among others, within the United States, Canada and Mexico, and offshore to Alaska, Hawaii, Puerto Rico, and The US Virgin Islands.

## Let's Talk

**Email:** [request@shipwithglt.com](mailto:request@shipwithglt.com)

**Phone:** (305) 726-0275 ext. 322

**[shipwithglt.com](http://shipwithglt.com)**