



COLLABORATION, MODAL OPTIONS AND TECHNOLOGY

Achieving Success in an Era of Capacity Constraints

ArcBest



BRANDSTUDIO

Custom content for ArcBest by **Supply Chain Dive's Brand Studio**



Thanks to almost a decade of steady economic growth and a tectonic shift to e-commerce, shipping volume has grown across every mode of transport. This unprecedented growth, along with changes in customer demands, has caused severe constraints on supply chains that cannot be quickly or easily solved.

Though the industry is certainly facing some difficulties, efforts are

being made on every front to increase capacity and better meet shippers' needs. The trucking industry is working hard to remedy the ongoing shortage of qualified drivers; ports are investing heavily in infrastructure, equipment and technology; Class I railroads are finding creative ways to increase capacity; and technology is being deployed to improve efficiency, capacity and transparency from end-to-end

across the supply chain, including within the shippers' own organizations.

What does this transformation of transportation mean? It means that the best carriers—those that can attract and retain the most qualified drivers, that have invested in modern vehicles and technologies, and that are dedicated to customer service—are in extremely high demand. For perhaps the first time, shippers are



no longer in the driver's seat, and they must position themselves as "shippers of choice," not just buyers of transportation services.

"The demand-supply balance shifted much more dramatically this year [2018] when compared to last year," said Sean Monahan, A.T. Kearney Partner and co-author of "[The Annual State of Logistics Report](#)" from the Council of Supply Chain Management Professionals (CSCMP). "In 2015, it was a dark story if you were a carrier. There was a lot of excess capacity in the marketplace. We saw that

starting to turn around in 2016 and continued to accelerate into 2017."

[According to attendees](#) at the CSCMP Edge 2018 conference, carriers are racing to address the driver shortage and increase the size of their fleets, but they are also looking to work more collaboratively with shippers to optimize freight movement. And shippers are increasingly sharing that view. When asked if they felt the industry had entered a "new normal," 81% of the audience at CSCMP Edge answered yes.

"Shippers who look at carrier relations as a partnership will see more carriers returning and willing to work with them," said Matt Meeks, Vice President of Strategic Capacity and Carrier Experience for ArcBest.

Indeed, collaboration between shippers and carriers is not only vital but also financially beneficial to both—particularly as the trucking industry undergoes a historic transformation.

TRUCKING IN TRANSITION: A RECAP

Prolonged economic growth has fueled freight movement. Since December 31, 2009, when the [U.S. GDP Growth Rate](#) was a mere 0.5% on an annual basis, the economy has been growing from 2.9% (2015) to 5.5% (2018) every year.

In addition, the increasing shift of retail sales to the e-commerce channel has had outsized impact on the movement of goods by road. The traditional retail supply chain model of manufacturer/importer to retail distribution center to stores hasn't gone away, but unit volume has exploded as brick-and-mortar and online retailers deliver more packages to the consumer's door. These shipments can originate in distribution centers or the

stores themselves—and competition has raised consumers' expectations of “fast” delivery from a few days to a few hours.

According to the most recent [Pitney Bowes Parcel Shipping Index](#), 11.9 billion parcels were shipped in the U.S. in 2017, an increase of 8% year-over-year, representing an average of 37 parcels per person.



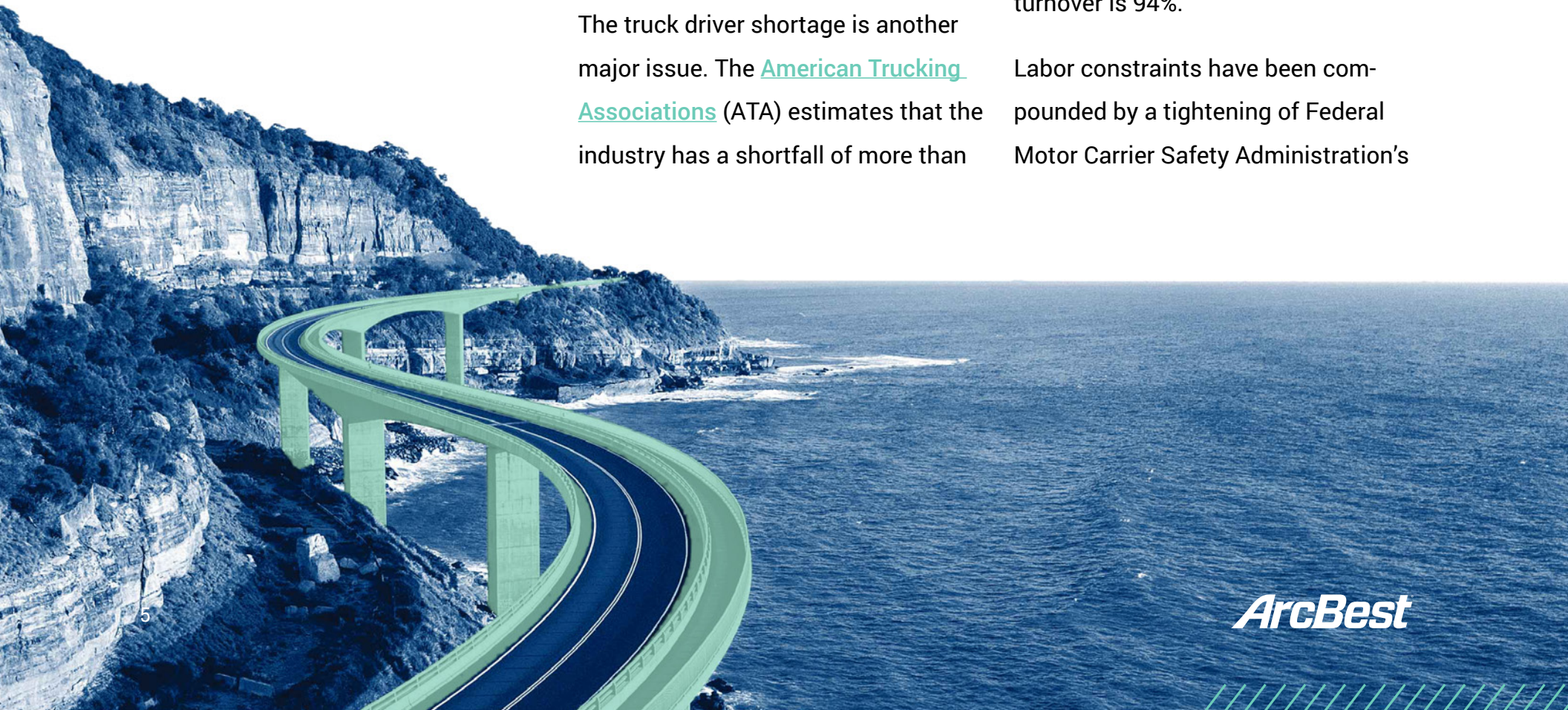
“As retailers and marketplaces race to keep up with increasing consumer expectations, carriers must create efficient, seamless services that deliver in a world of ‘fast and free’ e-commerce shipping,” Lila Snyder, President of Commerce Services at Pitney Bowes, said in a release.

The volume increase has been just one of the challenges faced by the U.S. trucking industry, which is responsible for moving just over 70% of all domestic freight tonnage, 69% of all trade between the U.S. and Mexico, and 58% of all trade between the U.S. and Canada.

The truck driver shortage is another major issue. The [American Trucking Associations](#) (ATA) estimates that the industry has a shortfall of more than

50,000 drivers, and it will be difficult to stoke the supply of drivers in the near-term because attrition is offsetting efforts to recruit and train new drivers. The Bureau of Labor Statistics estimates that the average age of a U.S. truck driver is 55 years, and the ATA estimates that the trucking industry turnover is 94%.

Labor constraints have been compounded by a tightening of Federal Motor Carrier Safety Administration’s



Hours of Service limits—drivers can drive a maximum of 11 hours within a 14-hour period before taking 10 consecutive hours off duty—and the now-mandated use of electronic logging device (ELD) technology, which eliminates any “wobble room” drivers may have had during the days of paper logs.

While many larger logistics providers, including ArcBest, had installed ELD devices on their owned vehicles before the ELD mandate took effect in 2017, many smaller carriers had not and some chose to exit the industry

altogether, adding even more pressure to the constrained supply chain.

These conditions have led naturally to escalating costs for shippers. According to Supply Chain Dive, shipment volume was up 8.2% year-to-date through September 2018 while expenditures rose at more than twice that rate—19.3% year-over-year.

But what options do shippers have to ease capacity constraints? And what steps are those in the industry taking to mitigate the problem?



ArcBest

EXPLORING ADDITIONAL CAPACITY OPTIONS

Easing capacity constraints can be approached in two different ways: looking at total capacity, not just capacity in a single mode, and looking for ways to maximize the number of shipments a mode can handle.

As noted in an ArcBest [blog post](#), shippers can deal with the capacity crunch, at least in part, by utilizing multiple sources for transportation. By combining modes or diversifying the transportation type they normally rely on, shippers may find capacity isn't as tight. This solution can be helpful for shippers in the short-term, but long-term solutions also need to be created. Ports and railways are working on this by finding inventive ways to accommodate the influx of shipments.

Ports all over the country are deepening channels and expanding their facilities to handle increased volume. This is not only a result of the strong economy and high demand, but also of the mushrooming size of ships and the ability of these larger ships to reach the East Coast through the expanded Panama Canal.

As port facilities grow more congested with trucks, port authorities are beginning to work with Class 1 railways to develop inland ports. Inland ports,



also referred to as dry ports, connect rail transportation to a sea port. These are typically located more than 100 miles from the port—eliminating the drive time and emissions of trucks over those distances.

Because they are not constrained geographically like maritime ports, inland ports can be strategically located at

junctions between railways and major highways. Other criteria for these sites include relatively low real estate costs and large labor pools, incentives designed to attract large numbers of distribution centers and manufacturers to the area. Shippers can benefit from inland ports not only because of reduced costs, but also because trains move freight more efficiently

and reliably than trucks between ports and highways, with significantly less environmental impact.

Separately, railroads have moved in to provide bulk freight transportation capacity to ease the constraints on trucking, but they, too, are reaching capacity, leading to higher costs.

BECOMING A PREFERRED SHIPPER

Because the driver shortage has created almost intractable bottlenecks throughout the supply chain, shippers and carriers should work together in a collaborative manner to help both parties meet their goals. Developing a partnership with clear

communication allows preferred shippers to receive efficient service from carriers and find capacity when they need it.

“Generally, the duty of the preferred shipper is to make the driver’s job easier and more efficient, in turn creating a better workflow for all parties,” [wrote Todd Johnson](#), Senior Vice President of Transportation at Kenco, for SupplyChainBrain.

Making drivers’ jobs easier includes having loads ready when drivers arrive, communicating when there are delays or other changes that would impact the driver, and facilitating quick turnaround so the driver can keep his or her other commitments.

“Proactive communication goes a long way to creating a good relationship with carriers,” said Ed Wadel, Executive Vice President, Asset-Light

Expedited Services and Strategic Capacity for ArcBest. “The faster you can inform your carrier that plans have changed, the easier it will be on everyone involved.”

Making the driver comfortable is an even easier task, but it is often overlooked. “Treat the driver like a customer,” Wadel said.

In addition to making sure their staffs treat drivers with simple respect, preferred shippers should provide at least minimal accommodations, starting with easy access to a restroom. Dedicated break rooms where drivers can rest and grab a free cup of coffee or a soda make the shipper’s facility even more welcoming. Other ideas include assessing

your policies to see if there are ways to add convenience.

“We’ve expanded receiving hours and appointments so drivers are not limited to certain receiving windows, and we’re also modifying our receiving procedures to better support the carriers,” said Chris DeWolfe, Logistics and Inventory Operations Manager for United Pipe and Steel.



UTILIZING TECHNOLOGY TO MANAGE CAPACITY

In the long run, technology will have the greatest role in transforming the supply chain. According to Meeks, technology is “creating more productive supply

chains” and playing a major role in managing capacity even today.

As these technologies develop, not all companies will be able to invest in them or adopt them quickly. “Change is happening and it’s happening fast,” Wadel said, adding that shippers that maintain good relationships with leading tech-savvy carriers now will gain an important edge in the future.

Load-tracking technology, for example, improves visibility and helps to calculate trip times more precisely. It helps determine how many trucks are needed on particular routes to improve efficiency and reduce costs such as fuel. It also helps alert shippers when to expect inbound freight and/or the truck so that outbound freight can be ready to pick up on time. This will

allow the driver to get back on the road quicker and help alleviate empty miles.

Technology is also helping to build integrated platforms that connect modal silos and result in optimizing truck routes, as well as overall supply chains. This capability is a cost saver and a time saver. It provides carriers with the ability to look at a single platform instead of several to determine the optimal rate, delivery time and mode of transport. It also provides visibility across the platform for real-time shipment tracking.

Could vehicles with Automated Driving Systems (ADS) help solve the problem of the shortage of qualified drivers?

Many industry analysts believe it will, although ADS is not ready to solve the immediate problems. Artificial intelligence is also beginning to make its presence felt in the industry by powering demand pricing and predicting capacity requirements by trade lane and more.



CONCLUSION

There's no magic bullet to solve the trucking constraints across the country, but shippers can minimize the effect on their own operations by collaborating closely with leading carriers. Regardless of size, these are the partners that have the experience to guide shippers through the gridlock, are deploying the technology that's needed to improve efficiency, and are committed to developing partnerships.

Collaboration is the key to managing current and future supply chain challenges for shippers and carriers alike. There has been significant activity on the part of companies in the transportation and logistics business to manage capacity—because this is their core business, after all—so shippers that choose to contribute to supply chain efficiency can make a real difference if they step up as partners.

For preferred shippers, their view of the supply chain does not end at the pickup or drop-off point. They look

internally to see what they can do to make the handoff to the carrier seamless; they readily communicate with the carrier when there are delays; and they try to be as flexible as possible to allow the carrier to maximize truck and driver capacity.

Adam Hall, vice president of transportation at L'Oreal, noted at CSCMP Edge, "It's time to change our approach" to transactions with carriers, adding that a more effective approach is to have an active relationship with the carrier.



ArcBest[®]

For more than 95 years, ArcBest has provided innovative approaches to our customers' logistics challenges — and we're ready to help you, too.

We're a company that believes in your business. Whatever you do, whatever you ship, ArcBest is here to help.

Because you deserve more than standard service. You need customized solutions, creative problem solvers and a dedicated partnership. Count on us for strategic planning, around-the-clock support and outstanding service. Count on us for More Than LogisticsSM.

LEARN MORE



BRANDSTUDIO

Custom Content. Targeted Results.

Industry Dive's Brand Studio collaborates with clients to create impactful and insightful custom content. Our clients benefit from aligning with the highly-regarded editorial voice of our industry expert writers coupled with the credibility our editorial brands deliver. When we connect your brand to our sophisticated and engaged audience while associating them with the leading trends and respected editorial experts, **we get results.**

LEARN MORE