

CONVOY

How to Become a Shipper of Choice

IN A TRANSPORTATION ENVIRONMENT where driver shortages and capacity crunches are the norm, carriers can afford to be picky. By changing your supply chain operations to be a preferred partner for carriers, you can up your chances of securing the available capacity, most desirable routes, and best possible rates on the market today.

Introduction

In the transportation world, demand is outstripping supply at an alarming rate. Credit the driver shortage, the new electronic logging device (ELD) mandate, a robust economy, and regulations like the Hours of Service (HOS) rules with fueling a seller's market for carriers and drivers. Increasingly selective about the shippers and facilities that they work with, both entities are gravitating toward the "carrier-friendly" companies that go the extra mile to become shippers of choice.

According to the American Trucking Associations (ATA), the amount of goods hauled by trucks will grow 3.4% annually through 2023 before showing signs of slowing again. Trucking will continue to be the dominant mode for freight, with trucking companies generating \$719 billion of the total \$900 billion transportation market in 2017. That number is expected to rise to \$1.25 trillion, the ATA reports, and make up 77.7% of the total transportation mode revenue by 2028.

As the power in the market continues to shift from the shipper to the carrier, shipping consistent volumes; orchestrating prompt loading and unloading; making timely payments; and working with shipping "windows" (versus exact appointment times) can all play a big part in improving shipper-carrier relationships.

A large number of businesses are grappling with high levels of frustration, expensive choices, and myriad other challenges that keep them from getting their goods from Point A to Point B, on time and in an affordable manner. Shippers that adopt carrier-friendly business practices not only get lower transportation costs and consistent freight coverage, but they also benefit from stronger and longer-lasting ties with their valued transportation partners.

To examine why shippers are becoming more proactive to improve working relationships with both freight carriers and drivers—and to better understand what efforts managers are taking to achieve these objectives—Peerless Research Group (PRG), on behalf of *Logistics Management*, in conjunction with Convoy, an online freight-brokering transportation company, conducted a study of 89 top supply chain and logistics managers.

This research was conducted to examine the issues related to (and gain insights into) how companies are effectively increasing the desirability of their freight, streamlining their supply chains, and reducing their transportation costs to become preferred shippers—all while maintaining their carrier networks in today's volatile transportation market.

As the power in the trucking market continues to shift from the shipper to the carrier, the need to adopt a carrier-friendly approach is becoming more important than ever. Using the benchmarking data in this report, you'll learn where your company stands on the spectrum and learn how it can achieve "shipper of choice" status with its preferred carriers.

How good of a business/shipping partner are you?

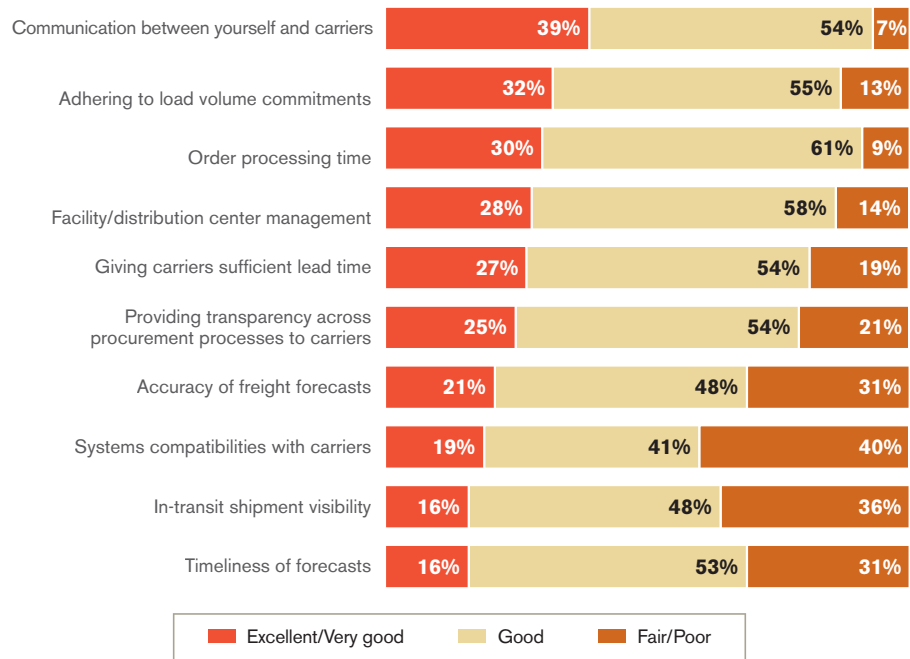
With their fingers on the pulse of their companies’ logistics processes, shipping managers know that myriad areas within their freight transportation operation require direct attention, including (but not limited to):

1. Meeting delivery timelines
2. Streamlining shipping procedures
3. Establishing a level of trust with freight carriers
4. Eliminating/reducing shipping errors
5. Minimizing wait times/Improving on site loading and unloading process efficiencies

More specifically, transportation and logistics executives acknowledge that many aspects of their freight processes need improvement. While roughly one out of three shippers rate their communication with shipping partners (39%) as being “favorable,” other aspects of their operation are less auspicious. For example, the majority of respondents concede that adhering to load volume commitments; forecast accuracy and timeliness of forecasts; facility management; transparency; and visibility are all “highly problematic” areas that need attention. In addition, shippers admit they often give insufficient notice to carriers with more than 50% providing partners with less than 48 hours lead time. (Figure 1)

Figure 1

Rating their organization’s freight operations

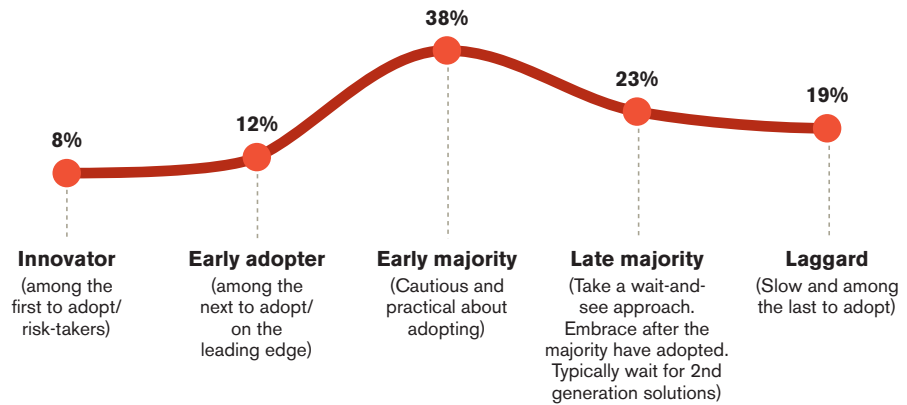


While shipping managers may recognize their organizations’ weak logistics points, solving those problems can present major challenges and create significant headaches for those professionals. Slow to embrace innovative freight management solutions, for example, the majority of shippers either proceed cautiously or lag behind when it comes to adopting technology that would improve their freight operations. Only one out of five (20%) claims to be an “innovator” or “early adopter.” Those companies that haven’t modernized freight processes—and that prefer the “wait and see” approach—must offset this dearth by developing other competitive strategies. (Figure 2)



Figure 2

Organization as adopters of freight management solutions



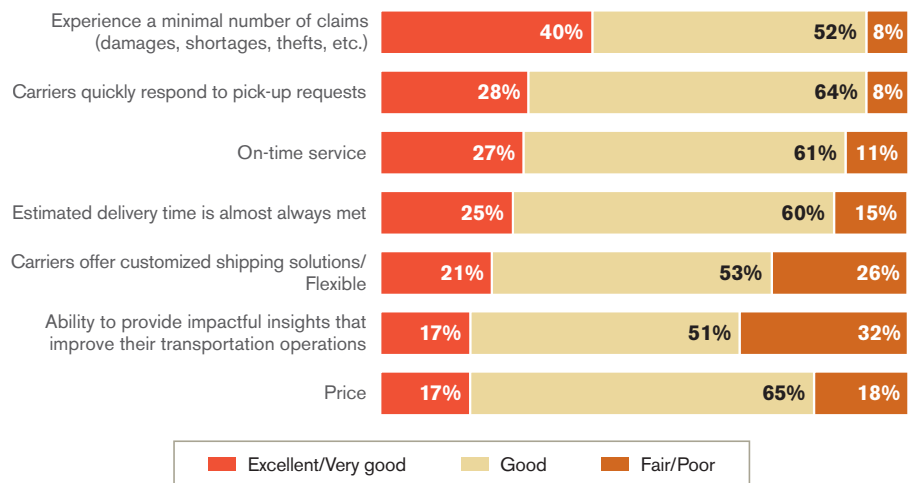
When it comes to booking freight, the majority of shippers deal directly with their carriers (53%) while others work through brokers (32%) or dispatchers (15%). As technology has advanced—and as labor costs have increased—these highly-manual, time-intensive practices can have major negative impacts on a company’s bottom line. Most transportation departments, for example, rely on the more traditional methods such as email (87%) or telephone (75%) for tendering bids, proposals, estimates, and communicating with carriers. One-third of companies utilize a web portal to expedite collaboration and workflow, and only a small percentage (11%) are using mobile applications.

Freight transportation managers recognize the need to improve their freight management processes, but a high majority say that they’re generally “less than satisfied” with the support they receive from carriers. For example, just one out of four says carriers are quick to respond to pick-up requests, provide timely service, or regularly meet delivery schedules.

In fact, the large majority (one-half to two-thirds of all respondents) consider their carriers just “adequate” in many operational areas, including response time, sticking to delivery schedules, and providing flexible shipping options. Further, at least 25% of respondents rate their carriers as “fair” or “poor” when it comes to offering flexible or customized solutions (or for even having the capacity to improve their freight services). (Figure 3)

Figure 3

Rating carriers



“Meeting on-time delivery requirements seems to be the number one challenge across the board.”
Purchasing Manager/Chemicals & Pharmaceuticals/Annual revenues: More than \$2.5 billion

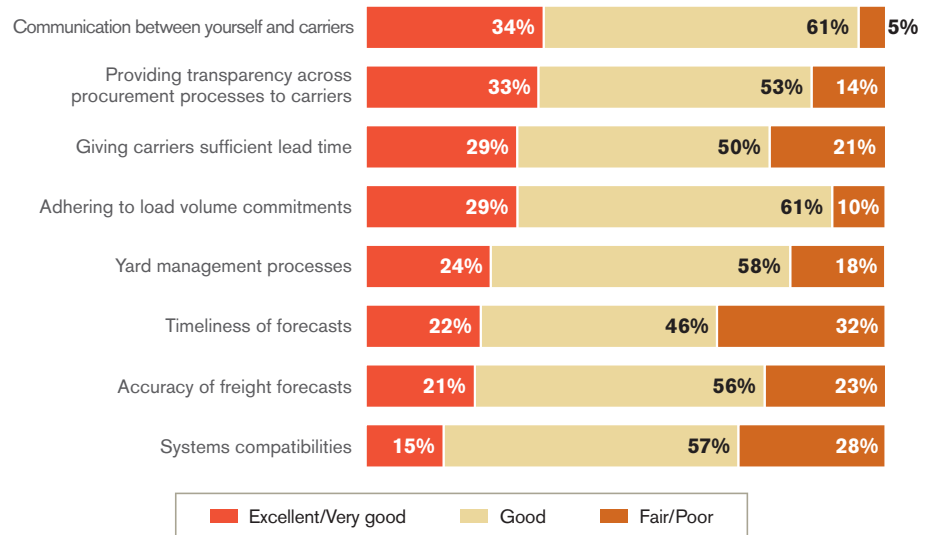
“One of the biggest challenges we face with our carriers is receiving updates on issues that arise, or not being informed promptly when a load is not going to be picked up.”

— Logistics, Distribution Manager/Distributor/NA

Asked how they feel their carriers would rate them as partners, 95% of shippers say the communication level is either excellent or good. However, shippers further speculate that carriers would corroborate that lead times are insufficient and that forecasts lack timeliness and accuracy. (Figure 4)

Figure 4

How carriers would rate your freight operations



“We have no EDI . . . and I’ve asked for it. We have no TMS or ERP. Customer demand sometimes exceeds our forecasts or supply chain deliveries and that does impact our carriers.”

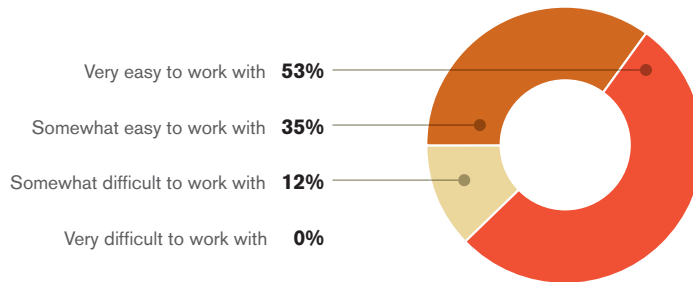
Logistics, Distribution Manager/Fabricated Metals/\$250M - \$500M

Overall, shippers view their freight carriers as being relatively easy to work with. Of the companies that have fluid working relationships with their transportation providers, most are enabling flexible scheduling, offering ample lead time, maintaining open and frequent communication, and utilizing experienced and accommodating yard crews.

Operations with shaky partnerships blame poor systems integration; missed or late load pick-ups due to production issues; and insufficient scheduling notifications as the primary reasons for these uncertain relationships. (Figure 5)

Figure 5

Shipper's perspective on their carriers' ability to work with them



"I am flexible and understand that stuff happens. We give plenty of lead time and try to be open and honest in all area with our partners."

Traffic Manager/Wholesale/\$100M-\$250M

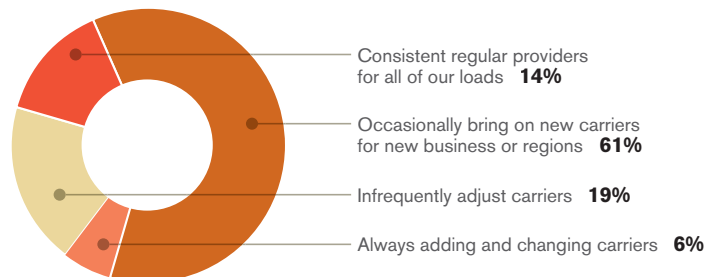
"We turn loads around consistently within two hours - usually within one hour if the carrier is on time for the appointment."

Director, Supply Chain Management/Construction Products/\$100M-\$250M

Shippers' loyalty to their carriers is marginal, with some (14%) relying on regular providers for all loads. The majority of respondents are either occasionally checking out different carriers for new business (or regions), or are always changing partners. (Figure 6)

Figure 6

Working with new transportation providers

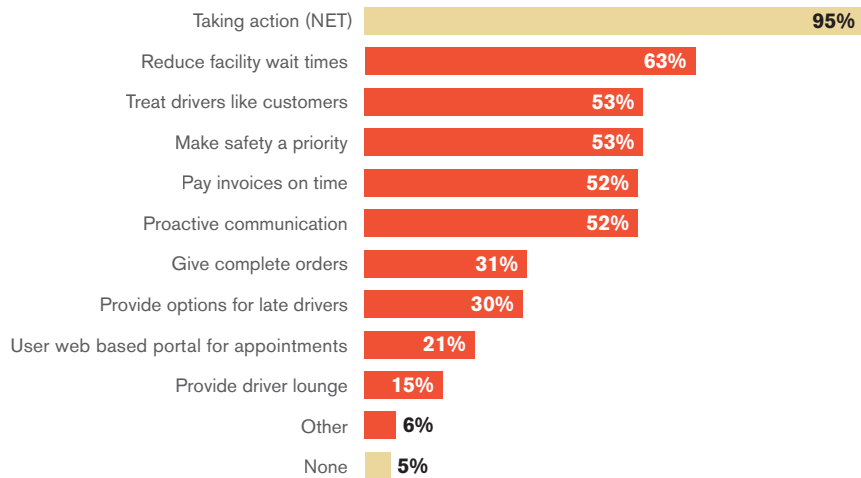


Becoming a Preferred Shipper or a “Shipper of Choice”

In the current freight environment, nearly all logistics operations managers are putting an effort into developing their relationships with carriers and drivers; just 5% say they are not making any changes. To enhance those relationships, companies are making an effort to quickly and efficiently move trucks in and out of the yard; treating drivers respectfully and professionally; implementing safety measures; making on-time payments; and taking steps to keep lines of communication open. Other efforts include paying invoices on time, giving complete orders, providing options for late drivers, and leveraging web-based portals for appointment setting. (Figure 7)

Figure 7

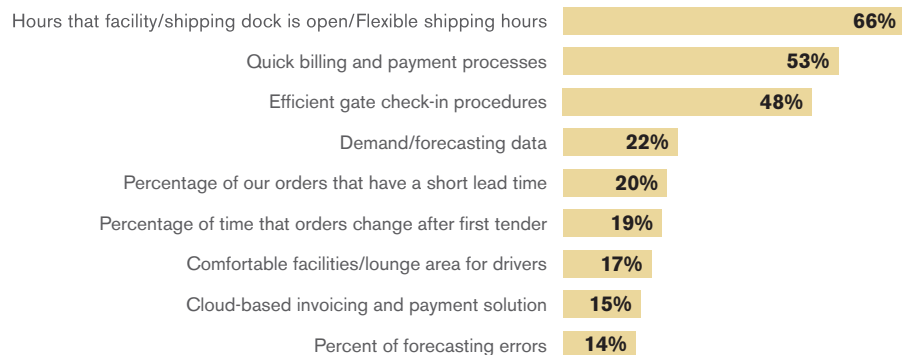
Steps taken/plan to take to improve working with drivers



To stimulate transportation workflow process improvements with carriers, resourceful shipping managers are providing greater transparency and efficiencies. Maintaining flexible shipping hours, expediting payments, and streamlining gate check-in procedures making the process quicker and easier for truckers are all aimed to forge stronger partnerships with carriers. Yet, only a handful of companies are actually stepping up their games. Fewer than one out of five shippers provide partners with forecast error data, provide information on order changes, use a web-based billing system, or offer amenities for drivers. (Figure 8)

Figure 8

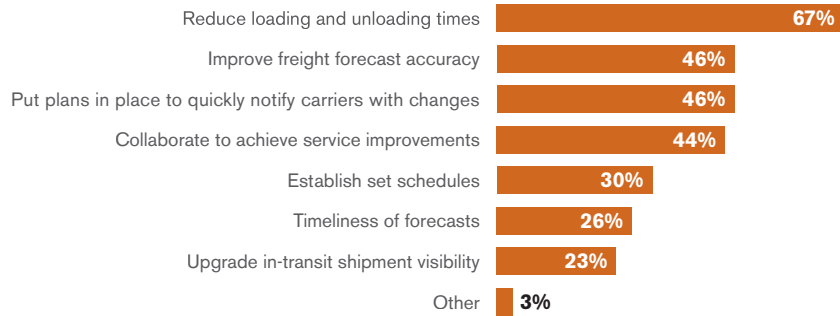
Resources and data shippers are currently providing to freight carriers



Diligent shipping executives say working closely with freight partners and saving carriers time (and money) will subsequently yield savings for their own operations. Reducing load times, improving forecast accuracy, quickly notifying carriers of cargo changes, and greater collaboration are all seen as procedures that will benefit both carriers and shippers alike. (Figure 9)

Figure 9

Actions taking to save carriers costs



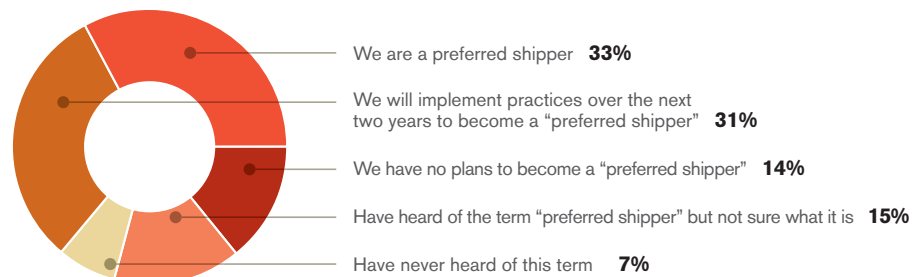
Shippers admit they can be better partners by:

- Improving communication by giving available load times and accurate forecasting data
- Creating faster and more efficient loading/unloading-procedures/having shipments ready to load at the dock doors
- Providing greater levels of transparency
- Meeting load obligations
- Providing full visibility into shipments
- Striving for greater collaboration with carriers and customers
- Treating drivers as if they are part of the team

One out of three (33%) respondents claim to have attained “preferred shipper” status while roughly another one-third (31%) say they plan to implement initiatives to become a “preferred shipper.” Interestingly, nearly one-fourth (22%) either aren’t sure what the term, “preferred shipper” means—nor have they ever heard the expression. (Figure 10). These numbers paint a picture of a shipper base that is still under the impression that it holds the cards when it comes to carrier selection, routing options, and rate negotiations.

Figure 10

Status as a “preferred shipper?”



Being a “Shipper of Choice” empowers shippers to gain a competitive advantage by:

- Ensuring pick-up when capacity is limited
- Maintaining transportation requirements to meet customers’ needs
- Providing a better long-term cost position
- Attracting better carriers
- Establishing strategic partnerships with high quality providers
- Gaining better access to drivers during tight capacity
- Securing capacity at competitive rates
- Facilitating flexibility

“Capacity has long been too valuable not to develop long term mutually beneficial relationships.”

Carrier Relationship Manager/4PL/\$1 Billion - \$2.5B

The current freight market is pushing more companies to assess their carrier relationships. In fact, most shipping managers say that being a “preferred shipper” is an extremely important goal for their operations. Fully, four out of five (82%) recognize the competitive edge that comes with being a preferred shipper. (Figure 11)

Figure 11

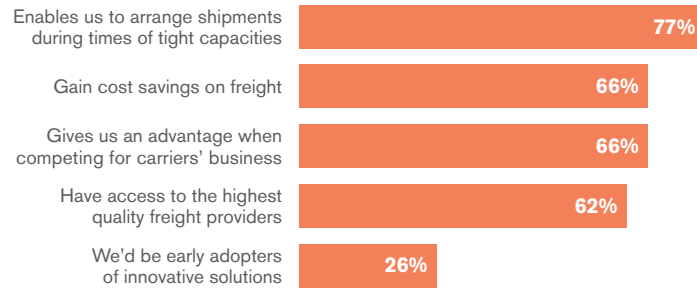
Being a preferred shipper is a competitive edge



The prestige of being a preferred shipper also gives shippers an advantage during times of tight capacities and helps them compete more effectively for carriers’ business. Preferred shipper status can also help reduce freight costs as well as present access to top providers. (Figure 12)

Figure 12

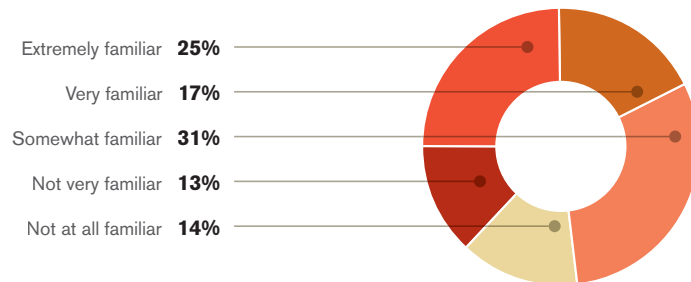
How being a preferred shipper can help organizations be more competitive



While the term “Shipper of Choice” is used to similarly describe shippers who are “preferred shippers,” more than one-half of those we surveyed are not very familiar with the former. Of these shippers, about 33% say they are “somewhat familiar,” with the term “shipper of choice,” 27% of respondents aren’t. This proves that the need to establish and promote the term—while detailing the advantages of being a shipper of choice—is high. (Figure 13)

Figure 13

Familiarity with the term, “Shipper of Choice”



Conclusions

It's no secret that high freight volumes coupled with a nationwide driver shortage and new regulations have resulted in unprecedented volatility. As demand outstrips supply, the balance of power has shifted to carriers, which are becoming increasingly selective about the shippers and facilities with whom they choose to work. In order to mitigate the impact of the shifting market and grow their business, shippers need to focus on becoming carrier-friendly and positioning themselves as a "shipper of choice."

As our reader survey shows, not all companies are taking the steps necessary to shore up their carrier relationships and improve their chances of securing the capacity that they need and at the right price. With the driver shortage expected to grow to more than 174,000 by 2026 (up from 50,000 in 2017), according to the American Trucking Associations, the balance of power between shippers and their carriers isn't expected to even out anytime soon.

For this and other reasons, it's time to rethink your carrier relationships and leverage technology tools to connect with, communicate with, and transact with this very important aspect of your supply chain. In a carrier-driven market, it's critical for shippers to make decisions focused on carriers to stay ahead of competition and maintain transportation costs. Being a shipper of choice means that carriers want to work with you because of the value your partnership provides, not because they have to.

Methodology

Conducted by Peerless Research Group on behalf of *Logistics Management* for Convoy, this study was executed in May of 2018, and was administered online among *Logistics Management* magazine subscribers. Prequalified for being involved in decisions regarding freight carriers and shipping services and solutions, and for being employed with a manufacturer, retailer, wholesaler, or distributor that ships freight using full truckloads (TL or FTL), the 89 respondents were all executive-level professionals. A range of company sizes are represented (one out of three respondents are employed with companies reporting annual revenues of \$500 million or more), with most respondents holding titles like corporate or division manager; warehouse, distribution center or logistics manager; or supply chain manager.

About Convoy

Convoy is a network of tech-enabled trucking companies transforming the \$800B trucking industry and logistics ecosystem for truck drivers and shippers. Using technology, Convoy matches reliable carriers with companies that need to ship freight. With Convoy, carriers get access to a free mobile app that allows them to find loads they want, save time, drive fewer miles empty, and get paid quickly. Shippers use Convoy's data-driven insights and industry-leading service levels to improve their supply chain operations and lower costs.

Learn more by visiting www.convoy.com.

Contact Information:

Interested in learning more about Convoy services, research, or partnerships? Our team takes the time to discuss your logistics program to help you make smart decisions that best meet your needs.

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