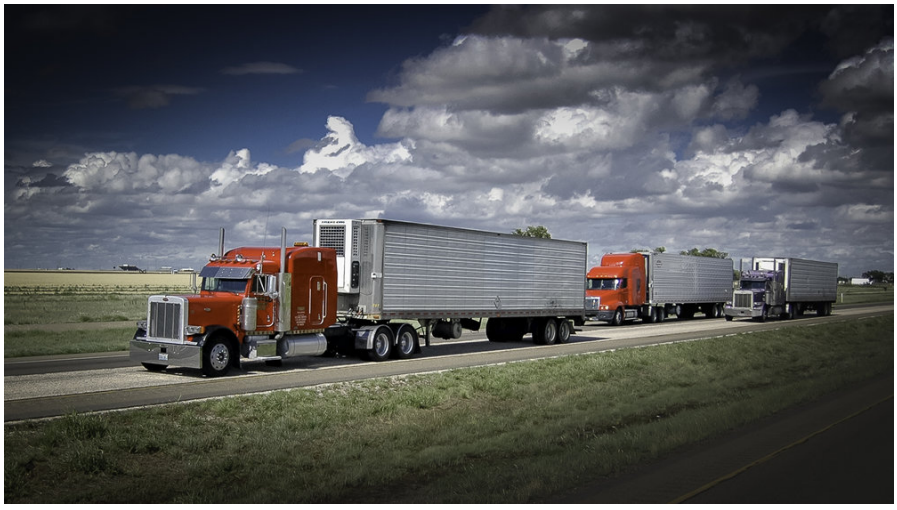
Shippers have the upper hand in 2019. Here's what that means:

January 23, 2019 Henry Carmichael



(JIM ALLEN/FREIGHTWAVES)

Shippers are in the driver's seat heading into the early days of 2019.

The rapid growth of the freight market through 2017 and 2018 is over, thereby reducing pressure on shippers and stoking the fire under carriers.

Thanks to the oversupply of transport capacity, particularly trucking capacity, manufacturers and retailers have their choice of freight carrier when it comes time to move their goods to market.

So what does that mean for the freight market as a whole in 2019?

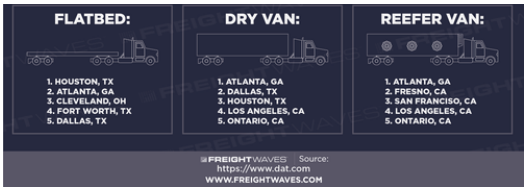
For one, digitization will play a key role as companies seek to optimize their supply chain processes.

With shippers in charge of the freight market, analysts expect them to pressure carriers to adopt technology at a faster pace in order to move freight more reliably and quickly — or face the consequences.

Most experts agree that current weaknesses in the supply chains can be traced back to “silos,” with many discrete components that are unable to communicate with one another. By removing the walls between each step of the supply chain, digitization will create a network that is more resilient and responsive to change.

But digitization is merely a means to an end, and that end is greater visibility along all steps of the supply chain. Jeff Tucker, the CEO of Tucker Company Worldwide, said that his goal as a freight broker is to electronically track 100 percent of his loads by the end of the calendar year.

Because of the high number of carriers competing for loads, Tucker said that his team will begin turning down carriers who will not agree to tracking. That tracking is necessary for freight brokers as competition increases to win business from shippers.



Tracking data, along with other info gleaned from electronic logging devices, must become shared among carriers, shippers and brokers to truly increase efficiency, said Kevin Perry, owner of The Domestic Transportation Consultant.

Once the data is shared, brokers and others can forecast supply and demand trends to reduce wasted time and money.

Accurate forecasting and analytics will require “tight, close-knit relationships with customer service and the supply team,” Perry said.

Both shippers and carriers have been dissuaded from pursuing supply chain digitization due to the cost of the investments in the necessary technology. However, major shippers are spending $50 billion in 2019 to update the technology involved in their supply chains, said Jon Slangerup, executive chairman and CEO of American Global Logistics (AGL).

“In our industry, I see billions if not trillions in reductions of overall costs [thanks to the investments in technology],” he said.

While some carriers may be willing to accept digitization as part of the cost of doing business, other 2019 trends will be harder to swallow.

2018 saw the rise of compliance fees — fines which occur when shippers fail to deliver loads on time — imposed by big-box retailers to match increasing consumer demand, and those are likely to continue rising in 2019.

These fees occur when deliveries are missed, rescheduled, or overall service is poor. Fees can range from 2-3 percent of invoices to hundreds of dollars per load. According to Tucker, 2018 was the most disruptive year for compliance fees. The rise of Amazon is increasing pressure on retailers (and the transportation companies that service them) to increase

performance and efficiency in order to meet consumer demand for on-time deliveries.

“Never in the 60 years we’ve been in business has customer service and on-time service been as important as today,” said Tucker. “In an environment of compliance fees, some companies are seeing hundreds of thousands in fees every year.”

Tucker also said that while big carriers are still growing, the number of small carriers (companies with fleets between one and 100 trucks) has grown much faster. The number of drivers for hire has increased as well.

The supply chain in 2019 will also likely see the rise of new competitors and changing ground rules in the freight market, said Slangerup.

“We’re probably at a time of the greatest disruption I’ve seen,” said Slangerup. “The top of the list is the uncertainty around the world because of Washington… changes in relationships since the current administration took power. It’s affecting trade relationship and business relationships.”

As transportation companies become more technologically integrated, tech-focused companies are taking note and expanding into logistics operations, Slangerup said.

He singled out Flexport, a Silicon Valley-based freight forwarder as a polar opposite to AGL, which itself is a logistics company moving into technology.

“It’s a new competitive dynamic,” said Slangerup, though he noted that AGL is making adjustments in anticipation of new

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