



## the price of leadership in LTL

Through acquisitions, organic growth, service guarantees, logistics services and their China strategies, leading edge LTL carriers are seeking to differentiate themselves



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**F**or many years, Yellow, Roadway and Consolidated Freightways represented the big three in North American LTL shipping. Then the national LTL scene changed dramatically with the closure of CF and the acquisition of Roadway by Yellow. At the time it looked like we were going from the big three to the very big one. A number of articles were published indicating that with the move to lean manufacturing and lean inventories coupled with JIT deliveries, the best days of the national LTL carriers were behind them. Shippers were looking for regional LTL carriers with overnight and second day service that could support this JIT environment. Well, this only tells part of the story.

The major LTL players are recognizing that both the next day and second day markets and the long haul markets are important. Fedex purchased American Freightways and Viking Freight System, regional LTL specialists, and more recently Watkins Motor Lines, a long haul LTL carrier to become a force on the national LTL scene. Not to be outdone, UPS purchased Overnite Transportation and re-branded it UPS Freight. We went from the "old big 3" to the "new big 3." The expectation is that the "big 3" will become the "big 4" if Deutsche Post and their DHL brand swoop in and purchase one of the tier 2 national LTL carriers (i.e. ABF) or will remain the "big 3" if they were to buy YRC.

While these developments have been unfolding, a number of large or "super-regional" LTL carriers have expanded their operations to become national LTL players (i.e. Old Dominion, Estes Express and R & L Carriers). Added to this list are the tier 2 national LTL carriers (i.e. Con-way, ABF) that existed in the past. So in fact there are the so-called "new big 3" and the tier 2 national LTL "wannabees" who are seeking a share of the national LTL freight market.

However, the nationals are also pursuing a strategy to capture their share of the next day and two days markets. As examples, YRC purchased USF Freightways and ABF Freight System implemented its Regional Performance Model aimed at securing next-day and two-day freight.

The strategies designed to gain LTL market share vary by carrier. Fedex Freight is keeping its short haul and long haul markets separate. UPS is trying to run a single integrated operation. Con-way Freight's operation combines LTL and truckload, short haul and long haul freight. Con-way picks up LTL shipments and consolidates them into truck-

load shipments to move across the country. The company has taken an organic growth rather than acquisition path to capture market share in the short haul and long haul LTL markets as compared to Fedex and UPS.

In an effort to differentiate themselves from one another, service guarantees have become an important element of the companies' marketing and pricing strategies. YRC which, according to one report, controls 30% of this market, uses its Exact Express division to provide a 100% customer satisfaction and differentiate itself from the other LTL players. Toronto-based Vitran, which apparently generates over 50% of its revenues from its regional US LTL businesses, has successfully marketed its unconditional money-back guarantee to grow its business. Con-way uses a system similar to YRC by which it places a "G" on its freight bills and automatically increases the rate by 20%. This sets in motion a set of procedures (preferred schedules, computer tracking, and dedicated customer service personnel) to ensure the promised level of service is provided. For Con-way, customers automatically receive their money back if there is a service failure. Fedex's no-fee money-back guarantee applies to its short haul freight but not to its newly branded Fedex National LTL.

While these events are unfolding, the major players are also developing and implementing their "China strategies." YRC, Con-way and ODFL have all announced plans to either purchase or partner with China based carriers/logistics companies and/or ocean carriers to provide end to end solutions for their customers. Similarly, the top LTL (and truckload) carriers have major logistics operations. YRC (which recently re-branded their Meridian IQ division as YRC Logistics), Fedex and UPS, all have world-class logistics operations. Of course Fedex and UPS already have two of the largest small parcel business units in the world as well.

The take away from all of these acquisitions and growth strategies is that the major LTL transportation providers are seeking to become full service providers. They are seeking to fill gaps in their transportation service portfolios to meet the ever expanding needs of their customers. The new world order in transportation will consist of those organizations that have the insight and creativity to anticipate the evolution of customer requirements and the expertise, discipline and financial resources to implement these solutions in a profitable manner.

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