



10

key trends to watch for in 2013

They will transform transportation practices



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1. The fiscal crisis

America is facing a number of economic headwinds and tailwinds. Should America's leadership come to a good understanding on tax increases and spending cuts, this will place the US – and probably Canada – on a more solid path to an economic recovery, even if 2013 is not expected to be a year of robust growth. This will help shippers and carriers in all sectors of the economy. Failure to reach agreement will put a damper on discretionary spending, consumer confidence and possibly shove North America and much of the world into recession.

2. America's energy renaissance

America is going through an energy renaissance. Fracking is allowing America to produce increasing supplies of energy just as the Middle East, the world's leading source for petroleum, has become increasingly volatile. Since the transportation industry is such a large consumer of petroleum products, these developments will have a profound effect, over time, on the types and volume of energy consumed by this sector. Fracking will provide a more stable source of supply. But high petroleum costs and high fuel surcharges will encourage shippers to place more focus on packaging optimization, improved cube utilization and near-shoring to keep freight costs in check.

3. Rail maintaining focus on intermodal

Intermodal volumes have grown steadily over the past decade. There are suggestions this growth could moderate as truckers fight back to protect their market share. However, all of the railways are developing and implementing intermodal growth strategies. Many truckers, both large and small, that are facing shortages of qualified drivers, particularly for long haul movements, are joining the intermodal party.

4. Freight brokerage going through shakeout

Freight brokerage can be a great business in certain circumstances (e.g. high demand/high supply coupled with good customers and good technology). The trouble is that we are not living in a high supply/high demand time and the market is a bit saturated. Many companies that do not provide value are likely to be part of a shakeout or consolidation.

5. Risk management as major focus

Whether you look at the Tsunami in Japan, Superstorm Sandy or severe weather in other parts of the world, these "Black Swans" are causing nightmares for supply chain professionals and transportation company leaders. Risk management is going to receive more serious attention in the years ahead as companies commit to

evaluating various threats in their supply chain planning and putting contingency plans in place.

6. Need for more innovation

To continue to achieve cost savings in transportation, industry leaders must become more innovative. Running an annual freight bid will result in the law of diminishing returns. The focus must now shift to the overlooked and underappreciated areas of transportation: packaging optimization, integrated yard management, new types fleet equipment with expanded capacity (e.g. Wal-Mart's 60-ft. prototype tractor-trailer), business intelligence and compliance management. Innovative business practices will help companies keep their supply chain costs in line.

7. Dedicated transportation

The trend among retailers such as Wal-Mart and Home Depot to take greater control of their supply chains has intensified demand for dedicated carriage. Shippers looking to reduce cycle times and get products closer to customers are building regional distribution centres that are easily served by dedicated fleets. By offering consistency, flexibility and reliable contingency planning, dedicated carriage is a natural fit.

8. Disguised rate increases

Transportation companies have not hidden the fact that they need rate increases to continue to invest in their businesses and improve their profit margins. However, in many cases they have not been totally forthcoming when it comes to the level of their rate increases. The message to shippers is *caveat emptor* - buyer beware. If you have volume, particularly small parcel volume, if you don't have good analytical tools and you don't have a good understanding of how small parcel or LTL rates work, seek professional help before you make any commitments.

9. Internet shopping growing

The retail sector remains one of the most vibrant and innovative areas of the economy and will continue to evolve in 2013. This will have a profound impact on transportation. There are variety of new types of retailers, new types of transportation services and new types of transportation companies that are appearing to meet these requirements.

10. Technology reshaping industry

Smartphones and tablet computers will become increasingly important elements of transportation systems as PCs, notebook and netbook computers decline in importance. These devices will transform freight transportation on the dock, in the DC, in the store and in the truck.

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