

Trust issues

By Dan Goodwill

It is hard to believe that a decade has gone by since the Great Recession. Those of us in the freight transportation industry at that time remember the sharp drop in business activity and freight volumes. This encouraged many shippers to conduct multiple freight bids during that period to use (abuse) their freight rate negotiating leverage to reduce their shipping costs. Carrier loyalty was sacrificed for freight cost savings.

A year ago, the tables turned with the introduction of electronic logging devices (ELDs) combined with an upswing in economic activity and a capacity shortage pushed freight rates to record levels. Carriers became very selective in allocating their capacity. Manufacturers and distributors were advised to become “Shippers of Choice.”

Carriers gave preference to shippers whose facilities were “driver friendly,” whose loads and paperwork were ready in a timely manner, who moved loads to preferred locations, and who paid top dollar. Shippers that wished to maintain consistent, reliable capacity and service were encouraged to establish “core carrier” programs at “carrier friendly” rates. They were told to pay the newly elevated rates to protect their supply chains.

At mid-year 2019, the tables have turned again. While economic conditions

are good, they are not as robust as 2018. To address last year’s equipment shortfall, many carriers purchased fleet equipment. To retain drivers, most trucking fleets raised their driver wages. There is now ample capacity in the market.

What about those manufacturers that created core carrier programs and become “Shippers of Choice?” Anecdotal evidence suggests that some carriers that invested in equipment, committed to placing this equipment on specific shipper lanes, and trained their personnel to monitor the capacity and service on these corridors, are seeing shortfalls in their anticipated freight volumes. Given the opportunity to cover some loads with other carriers or brokers at lower rates, some shippers are opting for cost saving over commitment.

Long-term relationships


This is not surprising. I have been in the freight business for over 35 years and have seen this behaviour repeated many times. It is sad commentary on our industry that after going from one extreme to the other over the past decade, shippers and carriers don’t

recognize the benefits that come from enduring, committed relationships. They cannot commit to a partnership where over the long term, both parties win. Shippers achieve dependable capacity and service at fair rates; carriers receive dependable freight volumes at profitable rates.

When they need trucks, shippers talk about partnership, driver issues, appointment scheduling and load commitments. However, when capacity is readily available, some revert to lower cost options. Similarly, in a very buoyant freight year, some carriers abandoned their commitments so they could offer their capacity to the highest bidder. Some carriers went overboard and bought excess equipment. They are now stuck with a larger than necessary fleet and inflated driver wages.

We all understand that shippers are under great pressure to keep their logistics costs as low as possible

to maximize profits. I am not sure that all shippers understand that it is costly to run a high-quality trucking company. In addition to equipment and salaries, there are considerable expenses associated with operating a safe, compliant, properly insured, financially stable business that is well managed, where the staff are well trained, where employees are motivated to provide superior customer service, that has up-to-date technology and there is ample equipment to meet a range of needs. Shippers that sacrifice quality for short term cost savings place their supply chains at unnecessary risk.

Freight recessions and capacity shortages will re-occur. It is sad that some shippers and carriers are not able to commit to lasting partnerships based on open communication and trust. Hopefully the lessons of the past ten years will be a driving force for trust and change. 



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