WE WANT IT NOW: MEETING FAST DELIVERY DEMANDS IN A DYNAMIC FREIGHT ENVIRONMENT

Focused on improving on-time delivery, enhancing visibility, and cutting overall supply chain costs, more shippers are turning to their carriers for help meeting the ever-changing demands of today's customers and managing unnecessary costs in their supply chains.

Introduction & Background

In a world where on-time delivery of shipments means everything, and where the next competitor is literally one screen tap or mouse click away, even just one poor experience can derail an entire customer relationship. Customers won't tolerate slow, late, or damaged shipments; a lack of delivery updates, or unexpected shipping fees as thy have grown accustomed to receiving orders within a day or two of placing them.

Retailers are exerting similar pressures on their suppliers, with companies like Walmart recently tightening up its delivery standards for suppliers with the goal of receiving goods "just in time" to reduce inventory on hand and facilitate cross-docking. To meet these demands and avoid customer service issues, more shippers are working with their carriers to enhance visibility and traceability. The former provides a "window" into the end-to-end supply chain and tells where shipments are at any point in time, while the latter identifies, tracks, and traces products (and their components) as they transform from raw materials and into finished goods.

"Companies are under greater pressure to know where their freight is at all times," Transplace's Karen Sage writes in Logistics Viewpoints. The expectations around visibility have evolved past simple track and trace capabilities, and true visibility is about gaining deep insights into your data and leveraging that data to be proactive rather than reactive. "As customer expectations for fast and efficient shipping continue to rise, globalization is increasing, and we see ongoing fluctuations in freight capacity," she continues, "it's more important than ever for companies to know where shipments are at every stage."[1]

Shrinking delivery windows and this need for high levels of visibility are both putting new pressures on shippers, who are turning to their carriers for help meeting these demands. And these shippers aren't just seeking reliable delivery timelines, they also want to be able to track their goods across their transportation networks, reduce the potential for freight damage, and cut supply chain costs by avoiding the costly fines, penalties, and chargebacks associated with noncompliance. This ultimately ensures that the right product arrives at the right place at the right time and in the right condition—the Holy Grail for today's B2C and B2B shippers.

To help shipping managers address the myriad of global freight challenges that they're facing right now, Peerless Research Group (PRG) conducted a survey on behalf of Logistics Management with sponsorship by Old Dominion Freight Line. We surveyed 126 top manufacturing, retail, wholesale, and distribution executives to assess transportation trends and concerns. The majority of respondents are manufacturers with domestic transportation networks, but that also operate globally. On average, each of these shippers spent about $43 million on transportation and freight services in 2019. For the survey, we looked closely at companies' top pain points, what's holding them back from efficient freight management, how this is impacting their operations, and what their carriers can be doing to help ease these problems. Here's what we learned.

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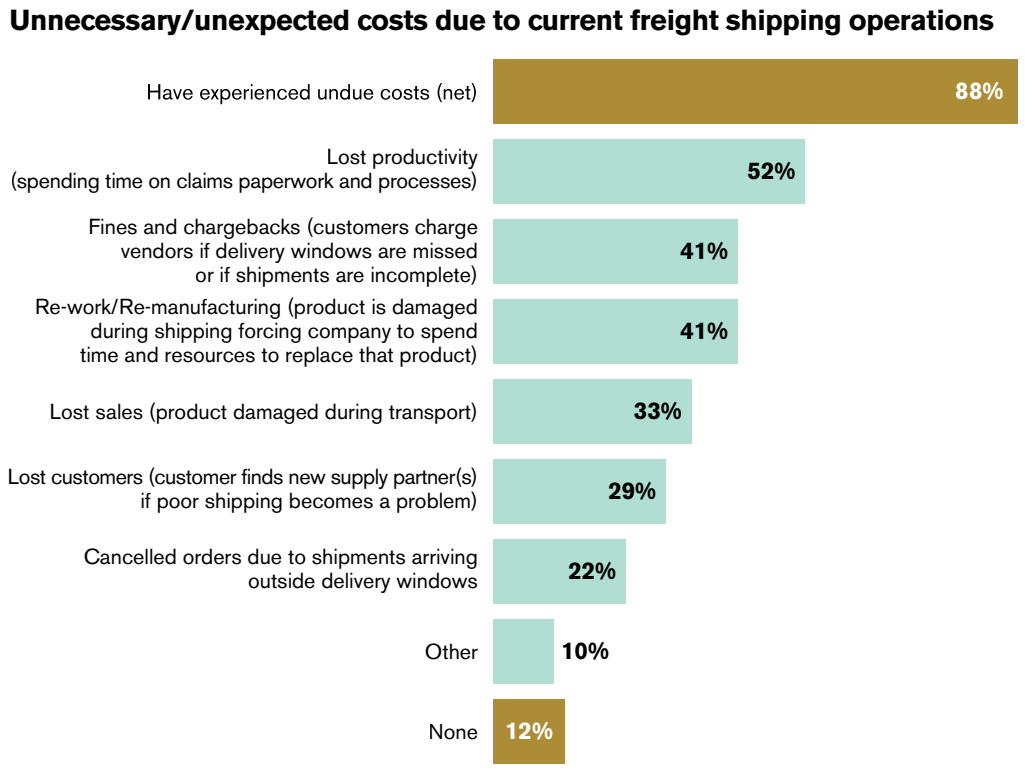
There's Room for Improvement

Looking at their current freight shipping operations, 88% of shippers say they've been hit with unexpected costs of shipping; and, these may be avoidable. Over half experienced lost productivity due to unexpected circumstances and 41% say they've had to pay fines or chargebacks levied by their customers. Just 12% of shippers claim to have never incurred unexpected costs with their current freight setups. These results paint a picture of a freight environment where, to best manage costs, shippers need to take a holistic view of their supply chain to understand, track, and measure all of these factors. This will allow them to truly understand the relationships between these factors, the bottom line, and the impacts of carrier selection beyond freight costs. (Figure 1)

FIGURE 1



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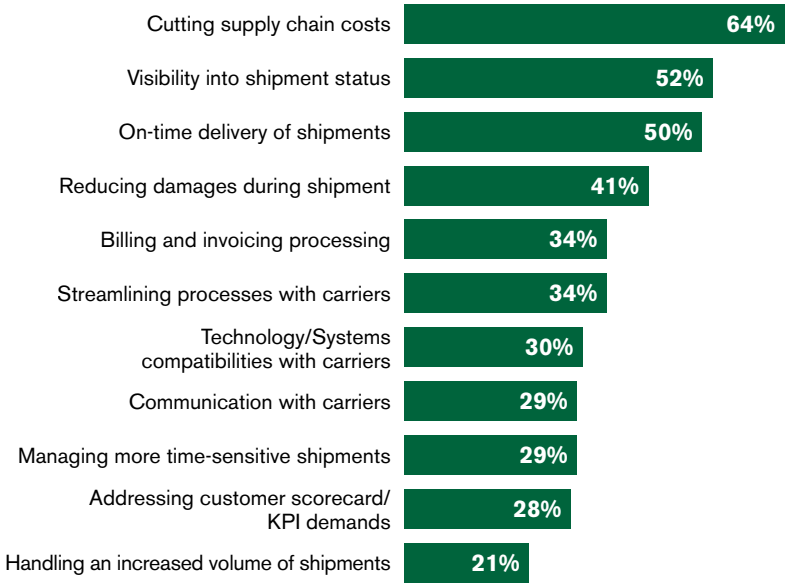
Over the next 12 months, 64% of respondents are looking to address these factors contributing unnecessary costs to their supply chains. Additionally, gaining visibility into shipment status (52%), ensuring on-time delivery (50%), and reducing damages during shipment will also be top of mind for shippers. These and other pain points all speak to an increasingly-demanding customer that wants to know where shipments are at all times, and wants the goods on time and intact. There's a direct correlation between visibility and on-time shipments; when shippers have a clear view of their supply chains, they can more accurately pinpoint delivery times. (Figure 2)

FIGURE 2

Major freight shipment challenges/pain points currently or expect to be dealing with in 12 months



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Meeting Fast Delivery Demands in a Dynamic Freight Environment

Make no mistake, shippers know that there's work to be done to improve service levels and solve their biggest transportation pain points. According to 47% of respondents, traceability now needs the most attention, followed by achieving on-time/in-full deliveries (47%), negotiating better freight contracts (46%), reducing shipment damage (40%), and meeting customers' delivery timelines (38%). With the rise of the digital supply chain, traceability and visibility have become major priorities for shippers and carriers alike. Concurrently, both B2C and B2B customers are demanding quicker shipping, making on-time delivery across the entire supply chain a must. (Figure 3)

FIGURE 3

Aspects of freight operations looking to improve

"Our main priority is automating processes to streamline delivery and provide better data and KPIs."
— Sr. Project Engineer; Primary Metals; $50M - $100M

"Our routing process is a very time intensive manual process. Proper scheduling and routing are main focuses for us."
— Sourcing Management; Retail; $50M - $100M

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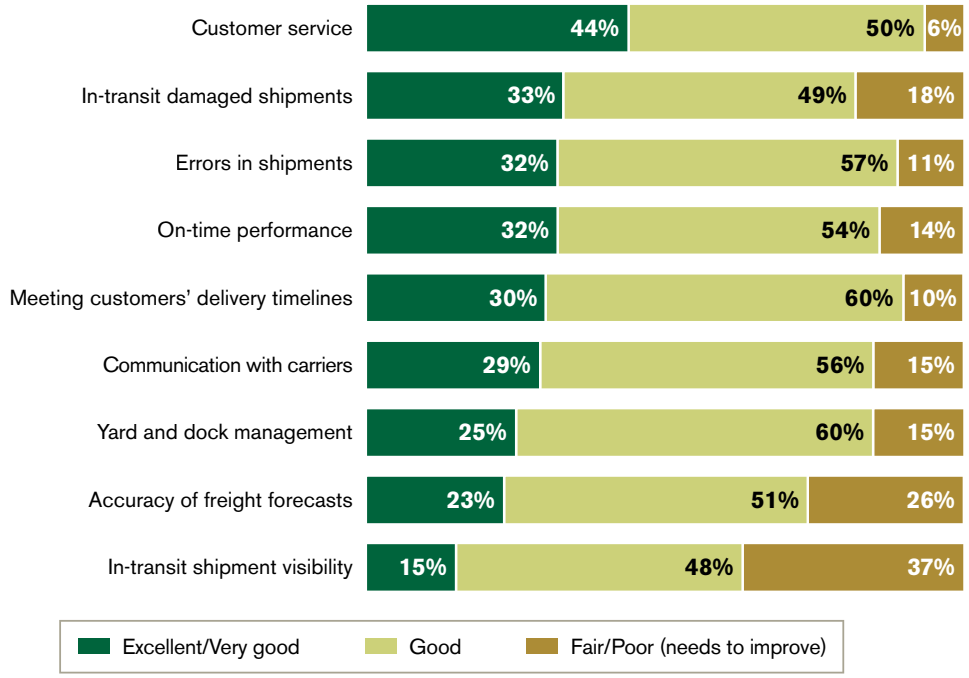
In assessing their own logistics operations, 94% of shippers say that their customer service offering is either excellent or good, and just 6% say this aspect of their operations needs improvement. The same sentiment radiates across most other key logistics measures, including in-transit damaged shipments, errors in shipments, on-time performance, and meeting customers' delivery timelines. Companies are most dissatisfied with their levels of in-transit shipment visibility (cited by 37% of respondents) and the accuracy of their freight forecasts (26%). (Figure 4)

FIGURE 4

Rating operations in key logistics measures



"We're automating communications with carriers and manually adjusting production schedules to keep docks on schedule."
— *Logistics/Distribution Manager; Manufacturing-Building Products; $500M - $1B in revenues*

"We are adding technology, databases, and are standardizing processes across the entire company."
— *Fleet Manager; Construction; $100M - $250M*

"We ensure that our 3PL service providers are doing their shipping and manifesting accurately and on time."
— *Director, Operations; Retail; <$50M*

"We continue to look for and remove duplication of efforts regarding shipment data and inefficient invoicing practices from forwarders. Implementation of systems with our warehousing partner at ports to increasing the speed, visibility, and accuracy of cross docking/intermodal processes is ongoing."
— *Logistics/Distribution Manager; Retail; $100M - $250M*

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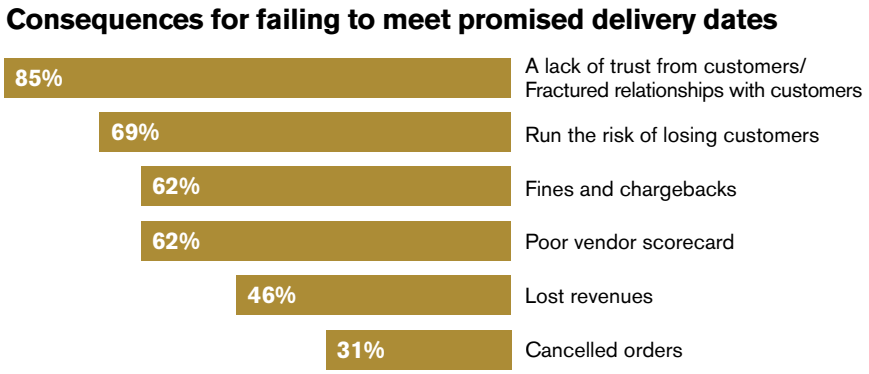
Failure to Launch

In an era where customers expect to tap "buy now" on their mobile phones and get packages delivered within two days or less, B2B shippers are also scrambling to hit these shrinking delivery timelines in support of these heightened expectations. Missing these targets can result in harsh consequences: customer relationships can suffer; fines and chargebacks accumulate; they may seek out other business partners; the bottom line gets pinched; and the company receives poor ratings or reviews. Eighty-five percent of companies are most concerned about the fractured relationships and lack of trust that come as a result of missed delivery dates, while 69% worry about losing customers and 62% are concerned about fines and chargebacks. (Figure 5)

FIGURE 5



"Lost orders have caused strained relationships with customers."
— Director of Materials; Aerospace; $100M - $250M

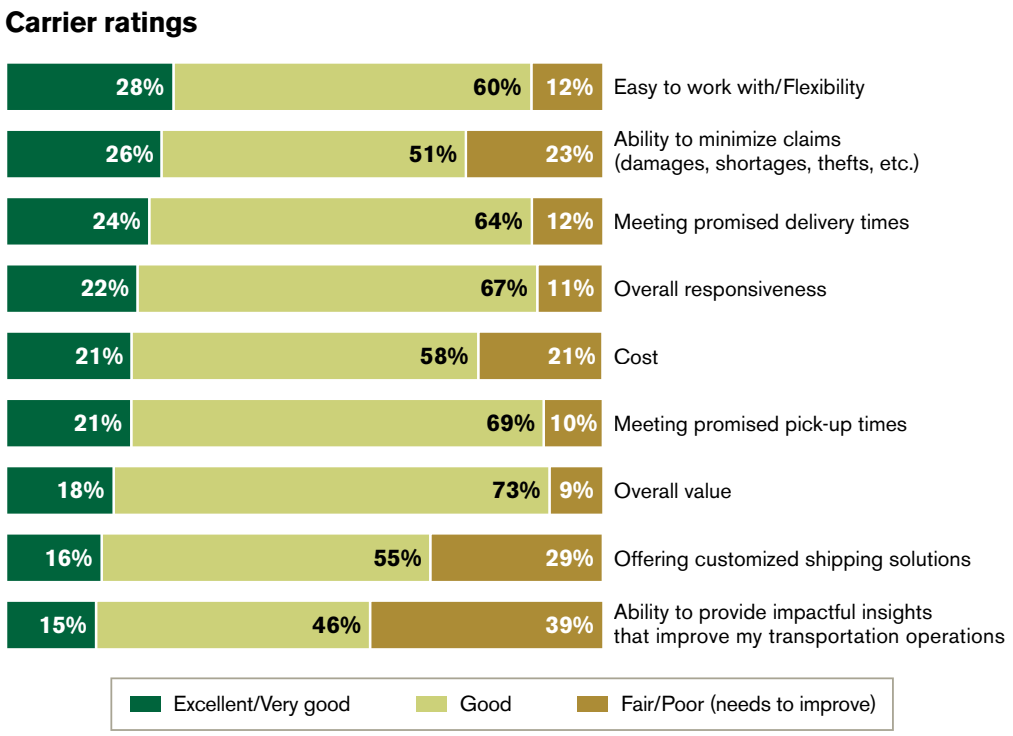
"Poor customer service does not allow us to keep our customers notified. When our customers do not have the right information, they can lose trust in us."
— Transportation manager; Retail; NA

"A poor customer experience has resulted in lost orders and customers."
— Corporate Manager; Electrical Equipment; $1B - $2.5B

The Carrier's Critical Role

According to most survey respondents (88%), carriers are easy to work with and flexible (just 12% say the opposite is true). Companies are also satisfied with their freight providers' ability to meet promised delivery times, be responsive, and meet promised pick-up times. Where carriers tend to fall short, according to 39% of shippers, is in their ability to provide impactful insights that help improve transportation operations. Other areas where carriers could be doing a better job is in offering customized shipping solutions (29%), cutting costs (21%), and minimizing claims (23%). As customer expectations continue to become more demanding, a carrier's ability to improve service levels in these areas will be increasingly important. (Figure 6)

FIGURE 6



"We need our carriers to be more aware of lost revenue to us if shipments are late and/or damaged."
— CEO; Computers & Electronics; <$50M

"We need carriers to provide better technology, stronger partnerships, and open communication on how to improve, long-term agreements."
— Purchasing management; Manufacturing – Building Materials; $100M - $250M

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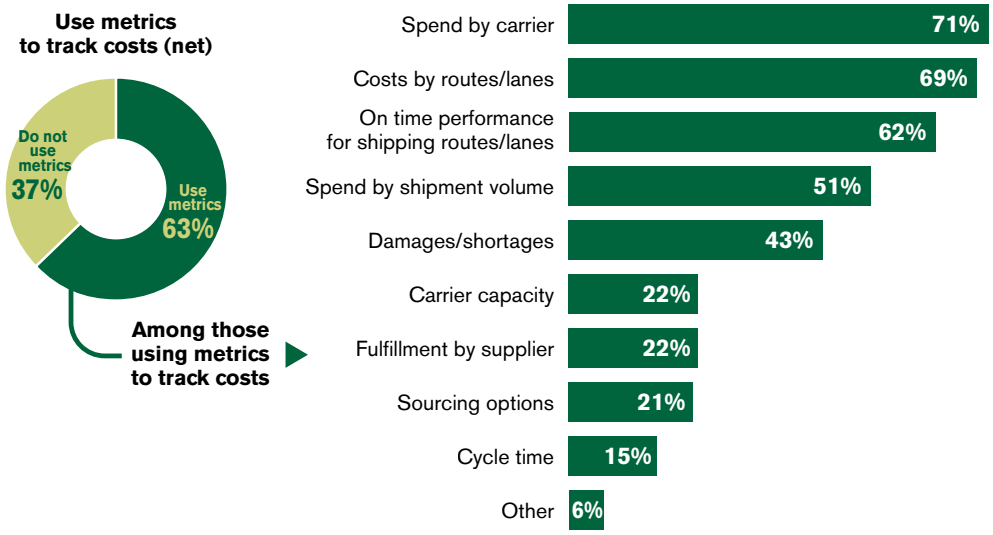
According to the survey, 63% of companies are using metrics to track their shipping costs with a primary focus on carrier performance. Regular monitoring of a combination of these metrics such as costs incurred on specific routes, on-time performance, shipment volume, and damages coupled with data tracking related to the resulting unnecessary costs previously identified (Figure 1) help present a complete picture of a supply chain's total cost and the impact of a carrier partner upon it. Understanding the relationships between the two can help shippers hone their transportation approaches to make better supply chain decisions. (Figure 7)

FIGURE 7

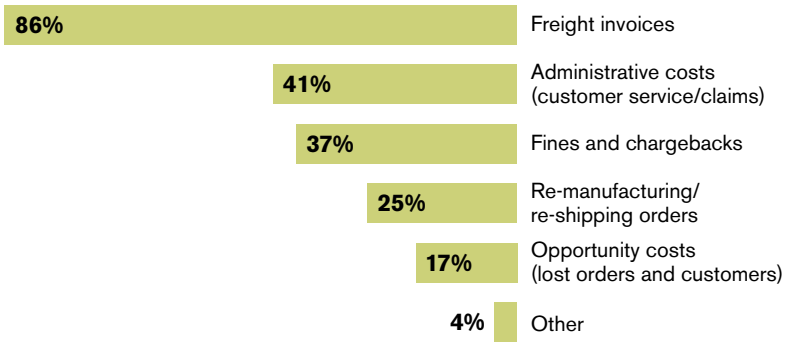
Metrics shippers are using to track shipping costs and what's being evaluated



Shippers are mindful that there's more to rate pricing that goes into the overall cost of freight expenditures. While the vast majority are tracking freight invoices (86%), far fewer are directly tracking other unnecessary costs previously identified in Figure 1. To effectively track overall supply chain impact to their organizational bottom lines, companies should be reviewing costs beyond freight invoices such as administrative costs, fines, chargebacks, and remanufacturing costs. This allows shippers to track the overall cost of a freight program to their bottom lines, versus just considering one or two key price-related metrics. (Figure 8)

FIGURE 8

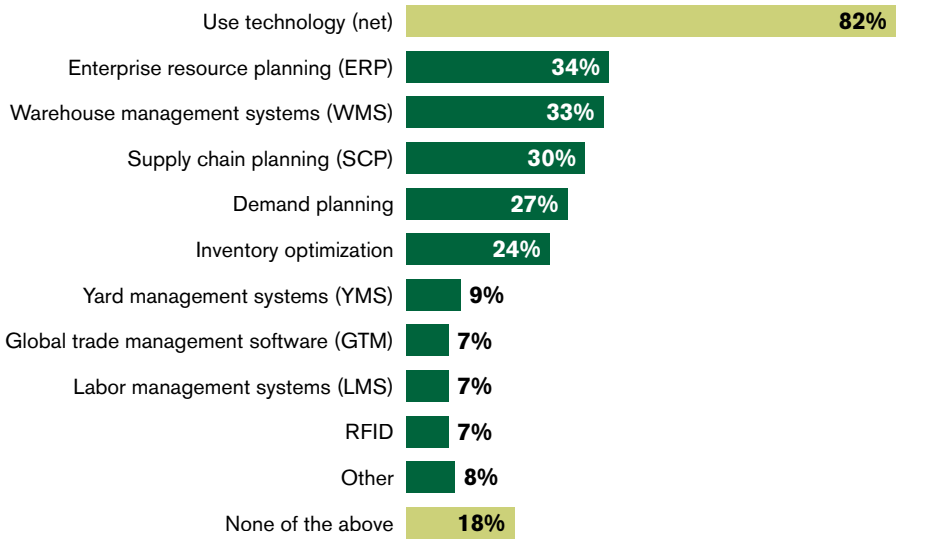
How companies track overall cost of freight program to company's bottom line



As the technology used to track transportation has improved and becomes more affordable for a wider swath of shippers, more of them are using it manage their supply chains. Today, 82% of companies are using some type of technology in this regard, with transportation management systems (44%), enterprise resourcing planning (34%), warehouse management systems (33%), supply chain planning (30%), and demand planning (27%) ranking as the most used applications. Other software that shippers are using to manage freight include inventory optimization, yard management systems, and global trade management software. (Figure 9)

FIGURE 9

Technologies organizations are using to manage freight operations



It's Not Getting any Easier

Whether they're dealing with demanding customers, shrinking delivery windows, chargebacks, or all of the above, transportation managers have a lot on their plates right now. Add global issues like the truck driver shortage, capacity crunches, and the ongoing tariff wars to the equation, and the value of a strong shipper-carrier relationship becomes that much more obvious.

Take the shipper that hires a new executive or logistics manager looking to reduce the shipping line item by reducing carrier costs. When offered a significantly lower rate, that manager may be tempted to switch volume to the more "economical" carrier. Many who take this path return to their full-service carrier within 3-6 months (or less) due to significant increases in costs associated with shipping that hit other budgets such as administrative, sales, manufacturing or fines.

In 2020 and beyond, these pressures aren't going to let up. In fact, they may get more intense as both B2C and B2B customers become even more discerning and demanding. With U.S. companies losing more than $62 billion annually due to poor customer service (up from $20 billion in 2013)[2], companies simply can't afford to let their supply chains contribute to these unnecessary losses.

The good news is that by working with carrier partners beyond contract pricing, logistics managers can improve supply chain visibility and traceability, reduce the incidence of damaged shipments, and keep chargebacks to a minimum. By working with carriers that support these and other customer-centric missions, shippers can gain a clear competitive advantage and maintain their valued customer relationships. Those that skip these steps will soon find themselves scrambling to keep up.

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Survey Methodology

This study was conducted by Peerless Research Group on behalf of Logistics Management with sponsorship by Old Dominion Freight Line. The research was executed in October of 2019, and was administered over the Internet to Logistics Management magazine subscribers. Respondents were prequalified for being involved in decisions regarding the usage of freight carriers and shipping services for their companies. Consultants and 3PLs were not included in this study; in order to qualify, shippers had to be users of least one of the following services: LTL, Ocean carrier, or expedited shipping services.

Results of this research are based on information provided by 126 executives who are mostly top logistics or distribution managers (33%), corporate executives (15%), supply chain managers (9%), purchasing managers (8%), and warehouse/DC managers (7%). Just over one-half of respondents are employed in manufacturing (52%), with the remainder working in distribution (14%), wholesale (12%), and retail (6%). This research encompasses businesses of all sizes.

1 https://logisticsviewpoints.com/2019/05/23/freight-visibility/
2 https://www.vonage.com/business/perspectives/the-62-billion-customer-service-scared-away-infographic/

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