

REPORT

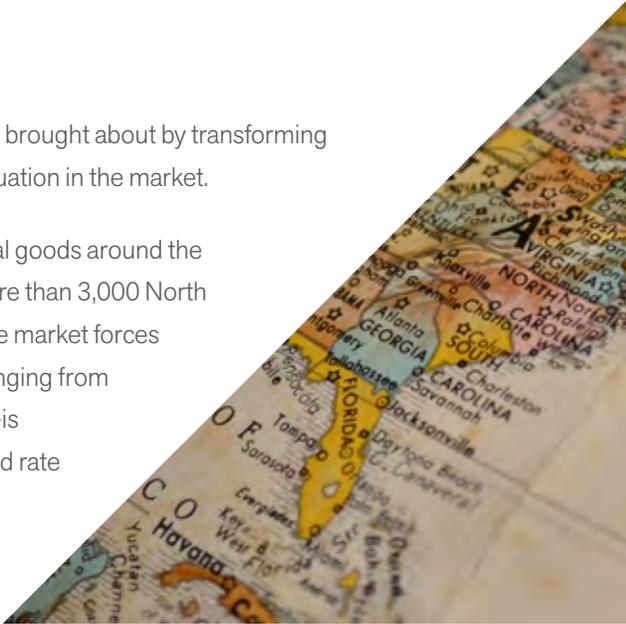
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# Capacity, Pricing & Technology: 2017 North American Over-the-Road Transportation Survey

# Introduction

The transportation market in North America is experiencing unprecedented change brought about by transforming technologies, shifts in national policy and leadership, and general changes and fluctuation in the market.

As the largest global network connecting shippers with the carriers who move crucial goods around the world, the Transporeon Group launched the first of its periodic carrier surveys to more than 3,000 North American logistics service providers through its Ticontract platform to see how these market forces are shaping trucking businesses today. In exploring how our network of carriers—ranging from small asset-based trucking companies to large 3PLs and global logistics providers—is receiving business from the shipper community and riding out changing capacity and rate environments, we hope to bring you a snapshot of the current carrier landscape to benchmark against the dynamic conditions of today's logistics industry.



## Who Participated?



North American transportation service providers that are currently connected to the Ticontract platform and completed the survey between March 1 and April 3, 2017



Most are large, privately held over-the-road asset-based carriers who primarily conduct business within the United States

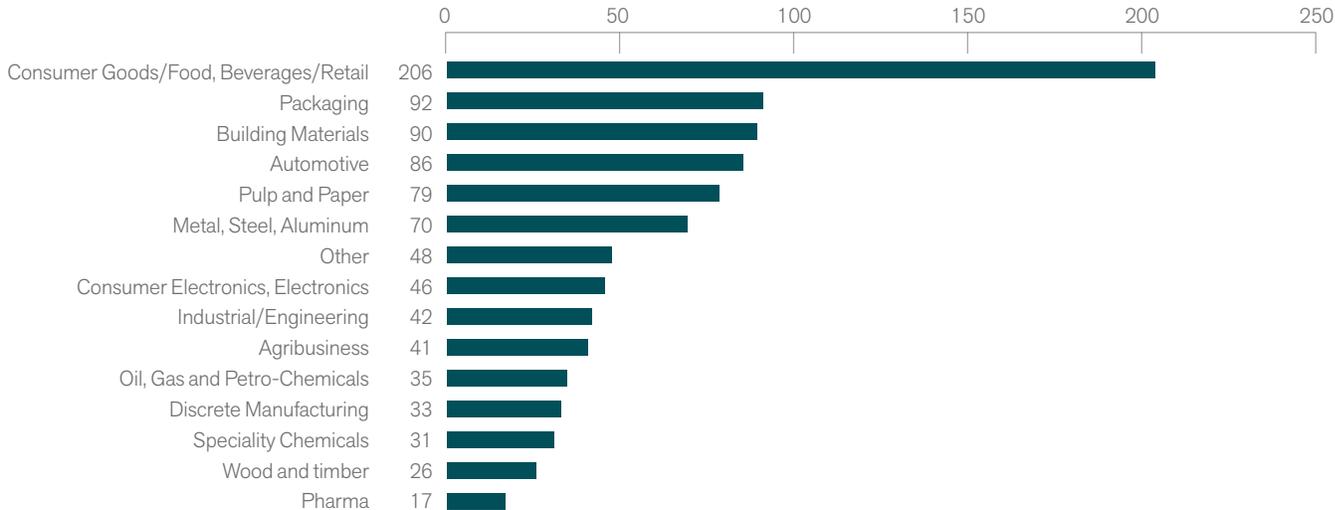


Small independent owner/operators and large, publicly held trucking companies also weighed in, as well as carriers that serve additional North American markets such as Canada



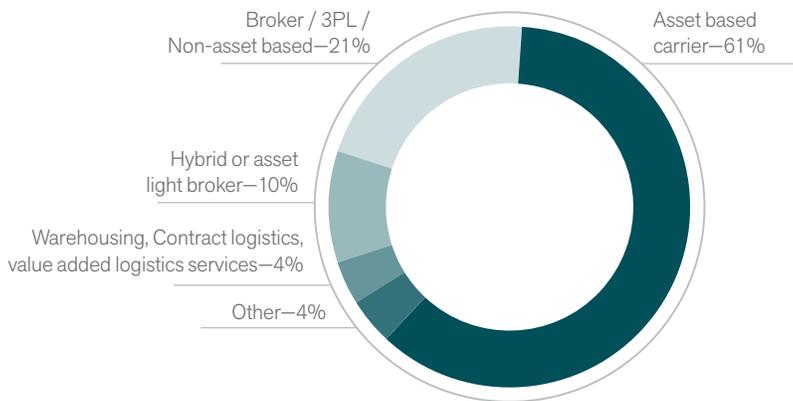
Most carriers are focused in the consumer goods, food and beverage or retail industries

## Carriers report their revenues are derived primarily from these industries

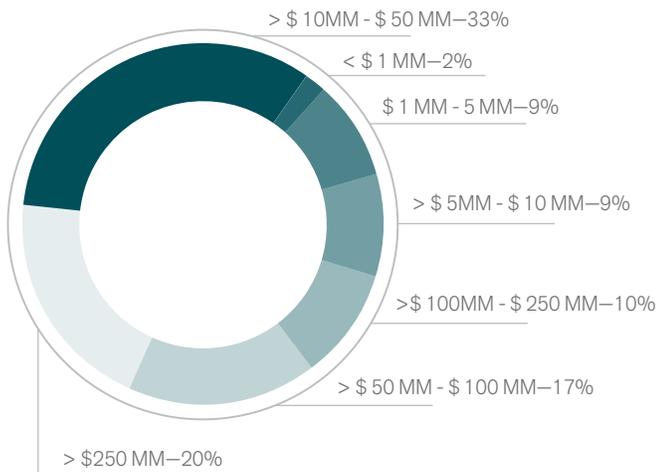


Interestingly, reported shipping volumes were split almost evenly between small volume (1-100), mid volume (101-500) and large volume (501-1,000+) full truckload and less-than-truckload shipments per day. Most of the carriers that participated in the study receive their business directly from shippers rather than 3PLs or brokers, but more than one-quarter do a mix of both direct business and outsourcing to intermediaries that use their assets.

### Primary business model



### Annual 2016 sales revenue





# Loosening up a Tight Capacity Market

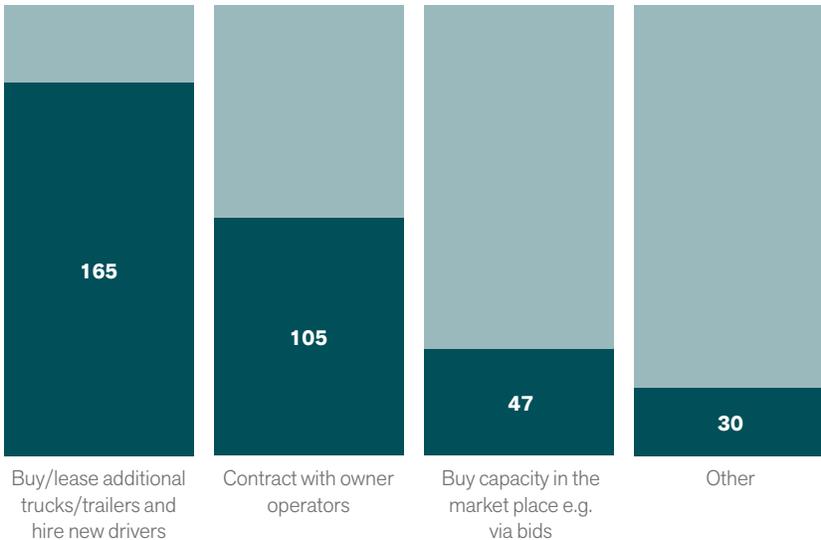
Strong demand, higher economic activity and electronic logging of driver hours have combined to create a perfect nexus for capacity reductions in the trucking market in 2017. To contend with these factors, most of the carriers surveyed are planning to hire additional personnel and are planning to add trucks and trailers to their fleets to increase capacity.

Since nearly all of these carriers anticipate that their business will grow in 2017, adding capacity is a logical response. More than half of carriers estimate that their business will grow by greater than 5% this year, while about one-third expect a more moderate growth pattern between 1-5%.

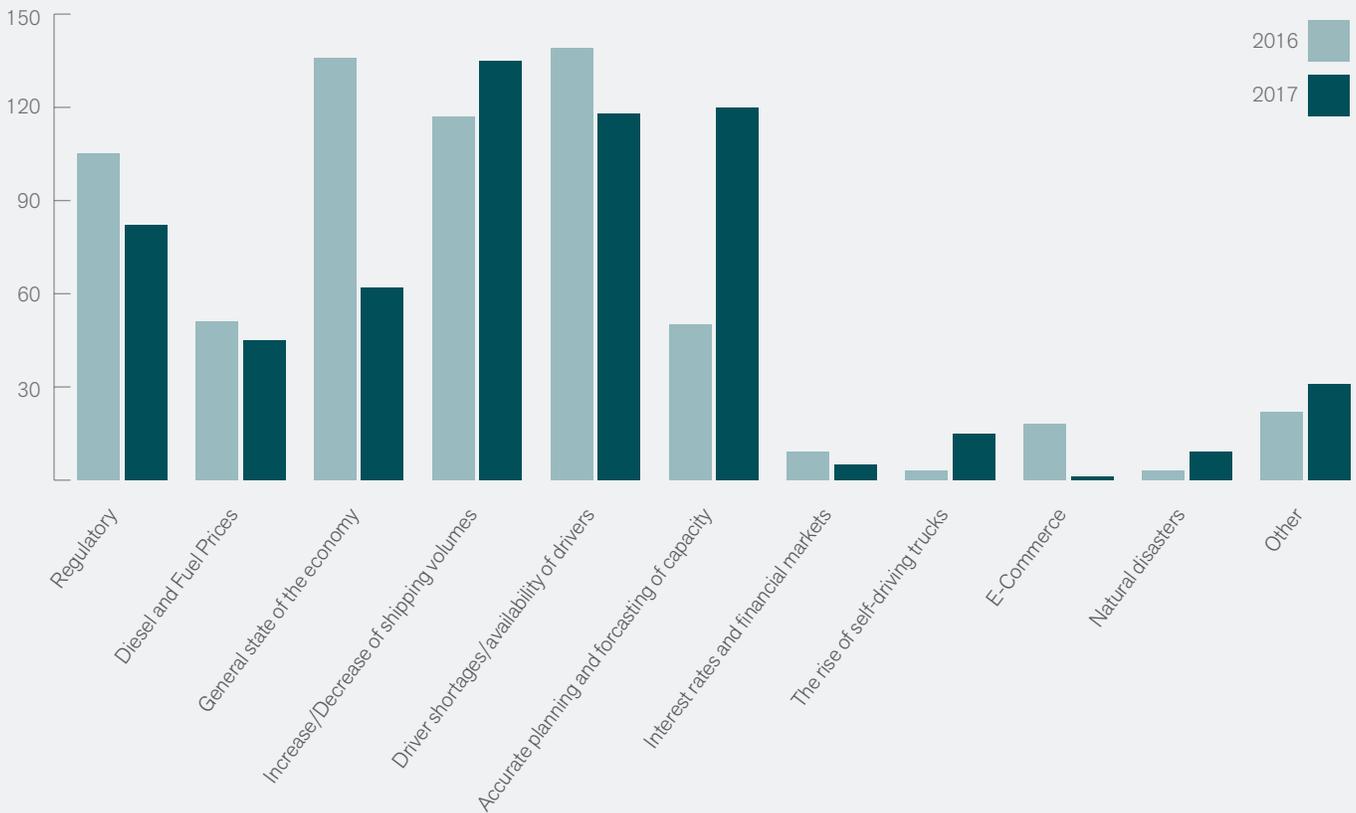
Nearly 100% of the respondents whose main business is in the field of warehousing and contract logistics plan to add capacity in 2017, fitting with the current boom in last-mile deliveries and demand for contract logistics and warehousing services driven by e-commerce.

40% of respondents reported that their business was negatively impacted in 2016 by a shortage of drivers. Coupled with the findings above, most carriers surveyed plan to hire additional personnel in 2017, but driver shortages should remain a top issue in the near term.

## Respondents' planned methods of increasing fleet capacity



## Areas with the highest impact on carriers' business: 2016 vs 2017



Changes in shipping volume, driver shortages and the ability to accurately plan and forecast capacity were issues that had the biggest impact on carriers in 2017, compared to 19% of all carriers in 2016 that claimed driver shortages were affecting their businesses. Most carriers are planning to hire additional personnel and add trucking capacity this year.



**Concerned about ocean freight capacity?**  
Check out these **9 watertight ways to cope with a volatile shipping environment.**

# Long-Term Contracts vs. Spot Business

It is no surprise that carriers would like to better plan their business by obtaining more long-term contracts, which should be achievable in some industry segments, but not others that are typically more ad hoc in nature. Most carriers reported that their business is currently based on long-term contracts rather than spot loads, but about 77% of carriers surveyed would prefer even more long-term contracts.



Nearly three-quarters of carriers surveyed report that most of their business is being awarded via long term contracts vs. spot buys

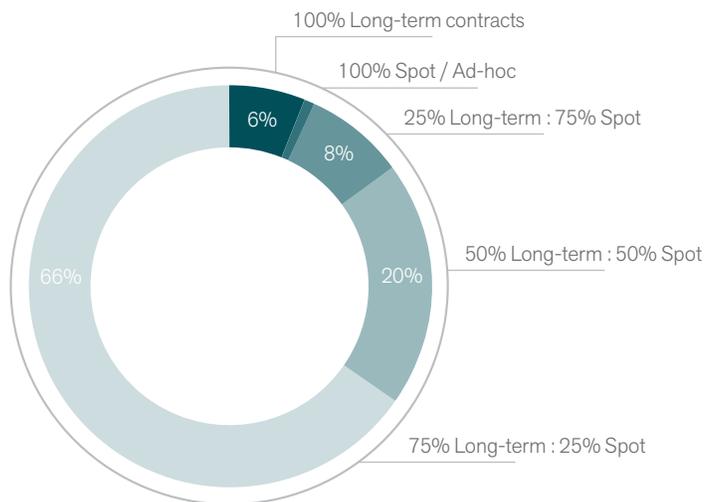


68% of carriers say that they would be able to plan and utilize their assets better if they could receive more long-term contracts



In 2017, carriers increased the importance of capacity forecasting by 140% over 2016

## Percentage split between long-term contract rates and spot business of business awarded



# Flat Pricing Expected to Increase

According to some authorities in the trucking industry, the Q1 2017 was the sixth consecutive quarter with negative revenue per loaded mile, year over year. Actual truckload pricing remained flat in the first half of 2017, as benchmarked by Cass freight index, making price increases probable for Q3 and Q4 of 2017.



65% of carriers believe they will be able to increase prices between 1-5 % in 2017



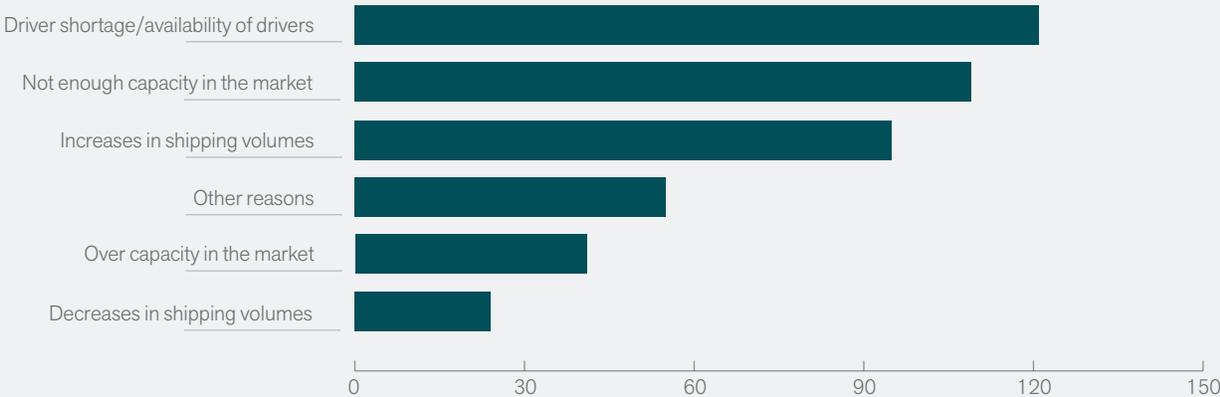
12% of carriers estimate that the increases will be greater than 5 %



Most carriers believe that higher prices are mainly caused by driver shortages (40%) and a general lack of capacity (36%) in the market



## Carrier reasons for changes in pricing



# The Tech Effect

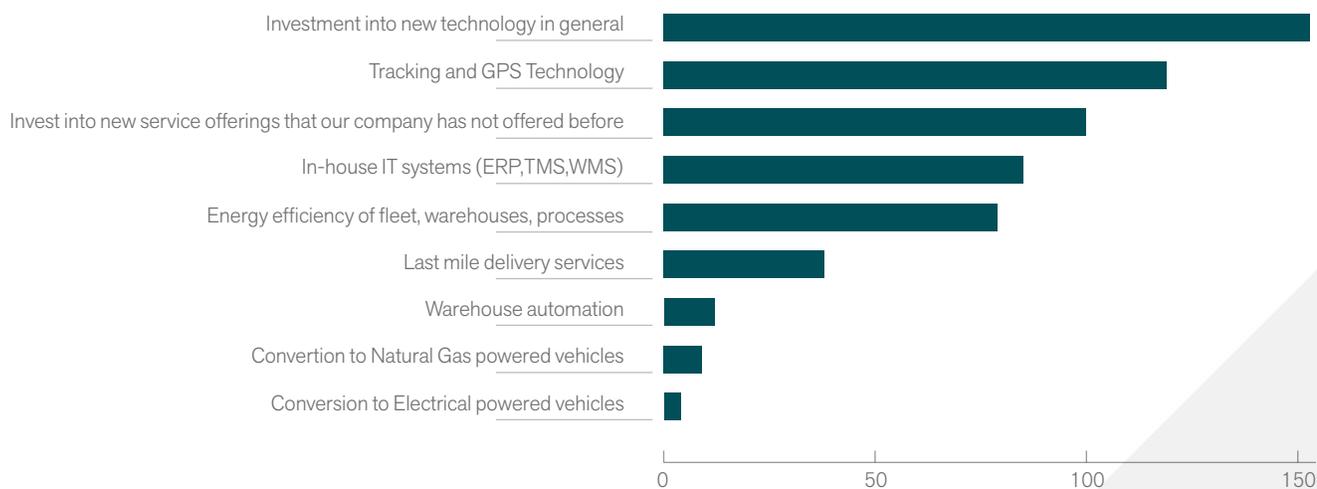
An overwhelming majority of carriers surveyed believe that technology will fundamentally change the way transportation works in the future.

The rate of technology adoption and current use by carriers appears to be high. Nearly three-quarters of respondents stated that their company is already at a high degree of sophistication in regards to using technology, which could be defined as transportation management systems (TMS), sourcing platforms, load boards, etc. Approximately 60% of carriers surveyed participate in annual bid events run with the support

of specialized procurement tools or other technologies, and 40% are planning to strategically invest into GPS and tracking technology.

Carrier technology adoption also points to the use of specialized digital tools by their shipper partners. Nearly half of those surveyed said that there is no clear division between the size of the shipper and technology adoption—from large manufacturers to smaller shippers, all are equally as likely to utilize specialized technologies and formal processes in their sourcing activities.

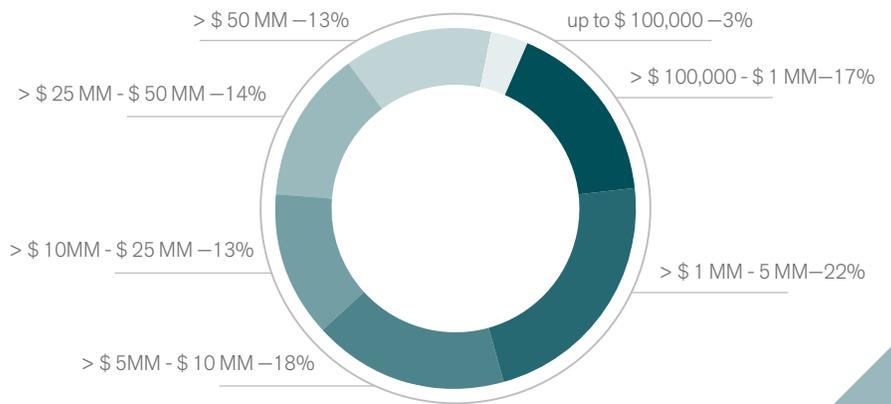
## In which of the following areas is your company planning to strategically invest in the next 3-5 years?



# RFP & Sourcing Technology

More than one-third of carriers surveyed take part in bid events that are still being managed manually through the use of phone calls, email and fax, and managed via spreadsheet. Four percent say that their customers don't run annual bid events at all. The sizes of these bid events vary in volume from \$50 million+ in freight to small volume. Carriers surveyed say most (about 69%) of shippers they work with are running bid events annually while less than one-quarter go to bid less frequently (every two to three years).

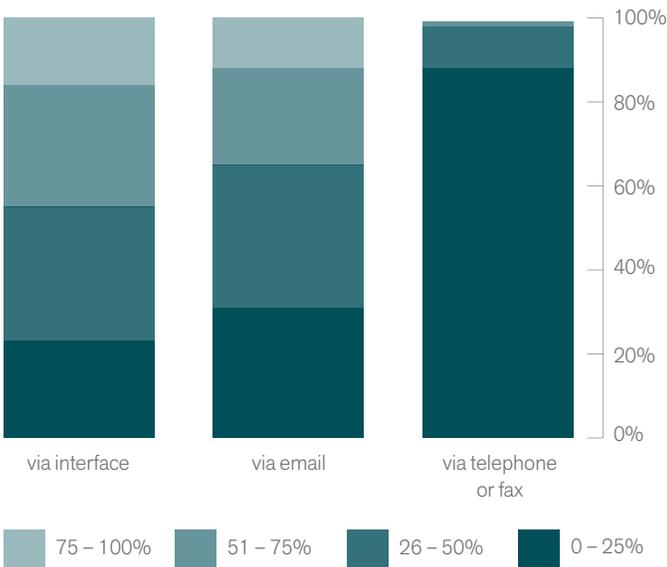
## Average volume of freight reportedly bid out via bid event



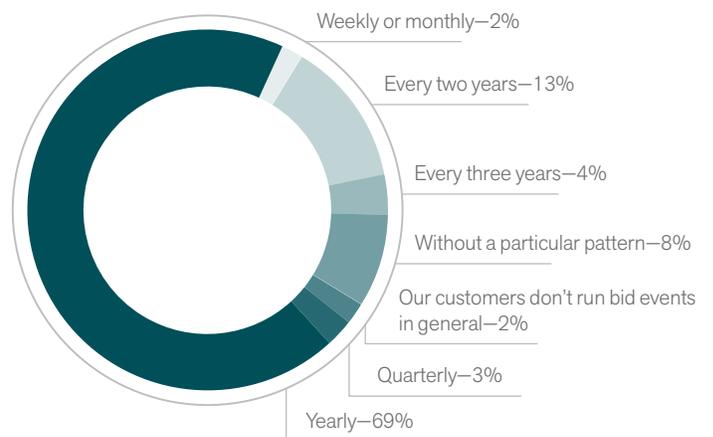
# Tendering Technology

According to *Logistics Management*, TMS users achieve an average freight savings of 7.5% thanks to increased usage of preferred carriers, better procurement negotiations, and use of lower-cost mode selections. TMS has become the platform of choice for managing routing, scheduling, carrier selection, load tendering and shipment consolidation capabilities. Despite this, the carriers surveyed for this study still receive a significant percentage (65%) of their load tenders via e-mail. Only a little over half (56%) of carriers confirm that larger shippers tend to execute their load tenders via TMS technology.

## What percentage of your shipping orders are received:



## How often customers are running bid events



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