Focus
Trucking & Transportation

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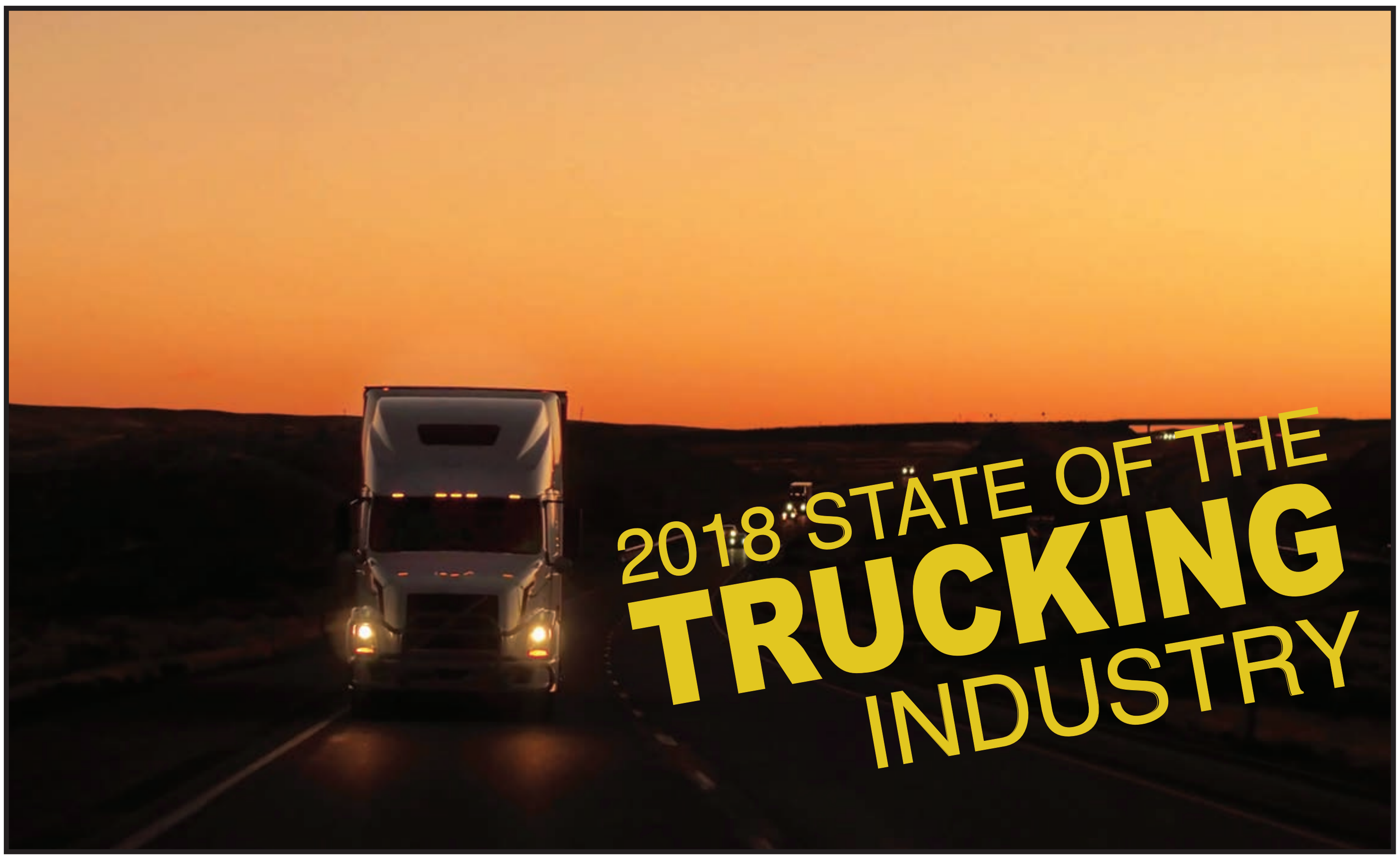

High freight volume and strong rates signal good year ahead

We are well into 2018 now and starting to see a more-clear picture of the state of trucking. I talk with small and large carriers every day and listen to some of the experts in trucking. This article will explore some of the top issues that have the trucking industry's focus, based upon the conversations I am having.

Freight Transportation Services Index	
Feb. 2017	122.3
Mar. 2017	121.3
Apr. 2017	121.2
May 2017	124.0
June 2017	123.9
July 2017	126.1
Aug. 2017	126.2
Sept. 2017	125.8
Oct. 2017	127.5
Nov. 2017	127.9
Dec. 2017	130.1
Jan. 2018	127.6
Feb. 2018	127.5

Cass Shipper Expenditure Index	
Feb. 2017	2.383
Mar. 2017	2.355
Apr. 2017	2.429
May 2017	2.451
June 2017	2.497
July 2017	2.460
Aug. 2017	2.499
Sept. 2017	2.507
Oct. 2017	2.606
Nov. 2017	2.629
Dec. 2017	2.638
Jan. 2018	2.590
Feb. 2018	2.724

First, let's set the stage as to where trucking is currently, based on historical numbers of freight volume and rates.

Freight volume continues at all-time highs. The Freight Transportation Services Index (see the chart on this page), published by the Bureau of Transportation Statistics, measures the amount of freight carried by for-hire carriers each month.

Any number over 115 on the index is considered "good" and anything over 121 is considered "excellent." It has been more than a year since the index went below 121. Freight volume has been strong for the past several years. The experts whom I read say that volume should remain steady for the next several months with up to 4 percent growth.

Rates have stayed strong as well. The Cass Information Systems Shipper Expenditure Index has been up each month since last summer (see the chart on this page). Cass handles over $25 billion in billing and payments for various shippers around the country and tracks those payments.

The good rates should continue through the next year. Experts say that they will continue to increase 8 percent to 12 percent through 2018 based on the following reasons:

• Fuel prices will continue to edge up slightly, giving truckers a larger fuel surcharge, which they add to their rates.

• Capacity is not currently meeting demand. As a commoditized industry, trucking sees supply and demand as having the biggest impact on rates . In many markets right now, there are not enough trucks to handle the freight that needs to be moved.

• Electronic log devices (ELDs) are causing drivers to be more con-

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UTAH TRUCKING ASSOCIATION

Utah's Voice in TRUCKING

The Mission:

The Utah Trucking Association is committed to providing the leadership, representation and education necessary to support its members in fulfilling their mission in the secure movement of America's freight. Providing well-trained and safe drivers, running profitable companies, and being responsible citizens in the communities of Utah and the Nation.

Valued Services with Membership:

Discounts on UTA Hosted Seminars:
- Drug/Alcohol Supervisor Training
- DOT Compliance
- Log Book Training
- HazMat
- Brake Certificaiton
- Quickbooks
- 401k Advisory
- Health Insurance Advisory

Discounts on Supplies/Forms:
- Log Books
- Vehicle Inspection Reports
- Federal Regulations Manuals
- Placards
- Medical Forms
- Emergency Response Guidebooks

Industry Publications and Website:
- Weekly Newsletter- "Truckin' Hot News"
- Bi-monthly magazine- "Utah's Voice in Trucking"

Advocating for the Utah trucking industry:
- Utah State Legislature
- Governor's Office
- Federal Congress and Senate bodies

Discounts on Services:
- Discount on Workman's Compensation premiums
- Association Employer Sponsored 401k Plan
- J.J.Keller Regulatory and Compliance Products
- Discounts on UPS Shipping
- Discount on Xilac Phone Systems
- Discount on NetWize, Hardware and Software Support

Events:
- Annual Management Conference & Expo
- Safety Awards Banquet
- Driver Awards Banquet
- Safety Management Council Meeting
- Trucking Driving Championship
- Monthly meetings in Southern, Northern and Basin Utah

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We post almost daily to our Facebook and Twitter feed information we know will be useful to our members. We have over 500 members and we are growing every day.

BEYOND FA&P:

How three shippers saved millions in freight costs

No matter what industry you're in, you know that cost pressures are never far behind. Your customers demand faster deliveries at lower prices, carriers raise their rates every year and the price of oil remains volatile.

Indeed, shippers from around the world report total logistics expenditures as a percentage of sales revenues have increased to 11 percent in 2017, up from 10 percent the previous year. And this trend looks set to continue in 2018 and beyond.

If you're to prevent further impact on your profitability, then you'll need to act now.

Notably, leading shippers are already looking beyond freight audit and payment (FA&P) for opportunities. They're digging deep into their data warehouses, applying state-of-the-art analytical tactics and tapping freight shipping experts to unearth valuable business insights.

Here's how:

Use advanced dashboards. Having critical data at your fingertips can let you spot opportunities and problems early. For example, if you've just negotiated a new contract with lower rates but see that your costs are going up, you could drill down and uncover the cause. A dashboard could also help track usage trends to ensure carrier compliance and keep spending and accessorial costs in check.

Apply advanced analytics. Using an analytics tool or a professional analytics provider can help uncover opportunities to reduce costs and improve efficiency from your freight payment data. These include optimizing modes and services, answering "what if" questions, enforcing carrier compliance, and identifying consolidation opportunities.

Run market assessments. Market assessments let you benchmark your carrier contract rates and accessorial rates against the industry standard and your competitors. For example, you might find that general rate increases are eating your margins and that short payment terms are hurting your cash flow. This would then guide you towards your next step, whether it's a carrier renegotiation or a request for proposal (RFP).

Establish RFP management. An RFP can be a highly time-consuming and complex process with significant consequences. For example, too many organizations run a single-round RFP, selecting the lowest bid with acceptable service levels. But this often results in a lot of money left on the table and unfavorable contract terms. This is why we use a rigorous, six-step RFP process that covers everything from impact modeling to carrier nomination to contract development.

By applying those four tactics to boost visibility, assess operations and create better contracts, you too can realize significant savings and benefits beyond what's possible with FA&P.

Are you leaving money on the table?

Best-in-class shippers have the right systems and processes to monitor and optimize their logistics operations. Try the following questions to see how you measure up:

1. Do you have easy access to your payment and shipping data? It's more than just about paying your carrier on time. The more data you have, the easier it will be to spot trends, stem waste and negotiate lower rates.

2. Do you have a process for negotiating with carriers? Simply picking the lowest bid after the first round of responses won't save you much. Also, without a contract, you can't count on the low rates you were promised.

3. Have you or a third party ever performed a benchmark analysis? Not securing a cap on a general rate in increase and more favorable payment terms (e.g., 90 days vs. 15 days) could hurt you — a lot. That's on top of paying an above-market rate for transport.

4. Do you perform regular analyses to determine if optimal modes, carriers and service levels are used? Even the best rates won't matter much if you're not measuring compliance and making sure you're not wasting money shipping by air when an LTL carrier would do.

5. Do you analyze your freight payment data to look for potential consolidation opportunities? If you're not on the lookout for opportunities to improve utilization, you can bet your competitors are.

If you answered "no" to any of the above questions, you might be leaving money on the table.

Case Study No. 1: Financial services provider saves 33 percent with smart RFP management.

The client ended up saving $2 million annually while a good business relationship remained intact.

An RFP can be an intimidating step to take for clients who have a long-standing partnership with their incumbent carrier. However, it can also be an illuminating one. Bringing other carriers into a bidding war can expose competitive freight rates you didn't even know were possible.

A client had been dealing with their incumbent parcel carrier for years, but their requirements were changing. They were producing a much lower freight volume than they did when they first signed with the carrier, and their contract was due to expire. They were afraid of losing the good rates and the partnership they'd enjoyed with the carrier for so long.

After a market assessment, it be-

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servative with their work days so that they do not run out of drivable hours in a location that will cause them problems. This effectively takes capacity out of the marketplace when drivers shorten the miles-per-day they drive.

• Equipment sales are up. Fleet owners are modernizing their equipment to take advantage of efficiencies or comply with electronic logging. While not directly related to rates, similar to driver pay increases, increased equipment costs will trickle down to rates. Carriers will take those rate increases when they can. And they can in a tight capacity market as it is now.

What are trucking companies thinking about?

Driver shortage has been a top issue for the industry ever since I have been in trucking and even earlier, based on what I have read. It is back to the top of the list for concerns of trucking company owners, based on surveys as well as anecdotal conversations. The American Transportation Research Institute (www.atri-online.org) annually publishes the "Critical Issues in Transportation." Among all respondents, the driver shortage issue surged six spots to top 2017's list of industry concerns, surpassing the ELD mandate, which fell to second position, and the hours of service rules. which moved down to the No. 3 issue.

The driver shortage impacts other areas as well. Like many industries with labor shortages, trucking is throwing money at the problem. Driver pay is increasing to retain and attract drivers. That does help, but we are seeing some of the leaders in trucking attack the issue other ways as well. Some carriers are moving from pay-per-mile to hourly pay to more equitably compensate the driver who has less and less control over how many miles he or she can drive during their regulated hours of service. This is a tough trend to change since most carrier contracts with shippers are based on mileage from origin to destination. Carriers with good relationships with their customers are starting to convince the shippers that the change is needed to properly compensate labor.

We are also seeing length-of-haul decreases. This is happening for several reasons. Electronic logs have created higher compliance with hours of service and shortened length a carrier can drive. Increased congestion on the roads has shortened miles that can be driven. The driver pool is changing. More and more drivers want to spend more time at home than the generations before them who did not have a problem being on the road for weeks at a time. And e-commerce is skewing the numbers slightly with more and more "last mile" deliveries being reported in the length of haul.

And e-commerce is changing logistics. Bric-and-mortar retailers are falling by the wayside and e-commerce is expected to go from 15 percent of retail to 30 percent-plus in the next several years. That simply shifts the amount of freight that is now going to the retailer to the consumer's home. Amazon, one of the largest e-commerce players, is making significant investment in its transportation infrastructure.

Finally, we are seeing consolidation in the trucking industry pick up speed. Big trucking companies and private equity funds are scooping up smaller trucking companies. In 2017, there were more than 45 publicly announced logistics deals within the U.S., according to Thomson Reuters data, topping the 38 deals announced in 2016. Executives at larger trucking companies and private equity firms have said they are aggressively hunting for deals.

I work with mostly family-owned trucking firms, many of which launched after industry deregulation in 1980. These founders have hit — or are approaching — retirement age with children pursuing different careers. For many, their options are sell out or shut down.

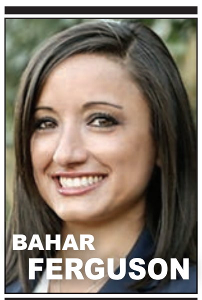
Outlook

I believe there is a lot of money to be made in trucking in the next several months and years. For those who have the capital to pay quality drivers and acquire good equipment, there will be money to be made by taking advantage of rising rates.

Trucking is still an industry with a relatively low barrier to entry, but I see that barrier getting slightly higher. There are fewer and fewer unsophisticated trucking operators out there. Companies who have survived have had to improve their knowledge of technology, finance, equipment and other areas. Those who have improved have seen — and will continue to see — the rewards.

Eric Myers is the managing director of Accutrac Transportation Factoring, headquartered in Park City. Accutrac works with trucking companies of all sizes to provide factoring and working capital.

Technology's impact on some of trucking's concerns



In October, the American Transportation Research Institute released its “Critical Issues in the Trucking Industry” report. Of the top 10 issues, many had an aspect where technology impacted the problem or played a role in a positive result:

• **Industry Concern No. 4: Truck Parking.** Truck parking issues have proved to be a topic highlighting increased dangers, costs and frustrations for drivers. This frustration increases with drivers forced to drive beyond their hours-of-service rules to find adequate parking or who may end up parking in unsafe areas. An area to look toward in the future is the growth of technological advancements to develop real-time solutions regarding parking availability. Various states have banded together to create such programs that will eventually provide drivers real-time availability. Should this prove to provide greater efficiency and safety, other states may seek to either become part of the existing network or create their own program to assist the truck parking issues.

• **Industry Concern No. 5: Driver Retention.** Safety and work-life balance have been shown to be some of the issues affecting driver retention rates. Both of these issues can be assisted through various technology improvements or implementations.

Drivers are often required to work long hours away from family. Creating proper guidelines on personal use on mobile devices can help both protect your company and its information, but allow drivers to maintain a closer connection with their families through video calls, gaming, etc., as well as retain some of their favorite down time activities from home, such as Netflix and other activities. It is important to create appropriate rules for what networks or devices are allowed for personal activities and rules to protect the hardware and virtually accessible information on mobile devices.

Driver efficiency and driver safety are two other areas that can impact driver retention. Reducing the amount of required time for various administrative tasks through proper technology availability can assist drivers in maximizing their down time. Ensuring drivers have a secure, functioning device to be able to perform such tasks during idle time can return the driver to their family or their personal time more quickly after the scheduled route. Driver safety is a significant concern where technology can assist. Cabs with hands-free communication to assist in required call-making can help reduce the chances for distraction while driving.

• **Industry Concern No. 8: Driver Distraction.** Relying on state laws to impose regulations on phone usage while driving is not sufficient. Companies should create policies governing technology usage while in the cab as well as penalties if such polices are violated. Additionally, with the ever-increasing number of onboard technologies, it is important to ensure the balance is maintained between technological safety and operational efficiency.

With the growing addition of technology in the trucking and transportation industry, the risk of security breaches also increases creating a need for constant training and proactive implementation of your IT infrastructure. Along with regular training and updates on the latest IT hacks and scams, it is important to implement various policies to ensure everyone is aware of expectations regarding technology. The following is a non-exhaustive list of polices that may be useful to implement in your organization to help prevent troubles:

1. Acceptable-use policy (AUP), also known as a fair use policy, is an integral component of a company's monitoring procedure. An AUP is designed by the owner of a network or website governing how the platform should and should not be used, explaining various monitoring strategies used to enforce such behaviors and the consequences for policy violations. It is here that a company can define what behaviors are unacceptable, such as excessive use of resources or time-wasting activities, distribution of confidential information, distribution of indecent or offensive data, and other security measures surrounding virus transmission or dissemination.

2. Internet access policy involves the use or restricted use of various websites by an employee. Internet usage should be reviewed as the Internet connects to various assets such as the company server. Further, an Internet access policy can be designed to support the AUP by blocking various sites that are not central to the nature of the employees' position to aid in reducing various time-wasting activities.

3. Email and communications policy shapes the parameters of what is acceptable regarding email and other communications. This policy covers everything from professionalism to protecting the confidentiality of client and company information through such transmissions. This policy should establish any email template requirements, required response times to received communications, personal email usage and texting guidelines. An email and communications policy serves as a great opportunity to remind employees that despite the ease of email, communicating from a company email may be viewed by the receiver as an expression of intention or fact by the company and caution must be used to ensure the correct message is relayed.

4. Network security policy seeks to protect critical company assets by establishing security controls governing use of these assets. Although there may be a variety of classes in an organization requiring different levels of access to the network, the guidelines in a network security policy are generally applied consistently across an organization. A network security policy should address the level of access allowed, what

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TRUCKING COMPANIES

Ranked by Number Of Power Units 2017

THE List

List Development Laneace Gregersen I laneace@slenterprise.com

	Company Name Address	Phone Web	No. Power Units 2017	Gross Utah Sales 2017	Number of Flatbeds	Number of Refrigerated Vans	Number of Tank Trailers	Number of Dry Vans	Full-Load Carrier?	Less-Than-Truckload Carrier?	2017 Miles	Number of Utah Employees	President/CEO
1	**New Prime Inc.** 3720 W. 800 S. SLC, UT 84104	417-866-0001 primeinc.com	5,927	$1.8B	1,273	9,612	486	0	Y	N	912M	1,694	Robert Low
2	**C.R. England Inc.** 4701 W. 2100 S. SLC, UT 84120	800-453-8826 crengland.com	4,215	$1.4B	75	6,930	0	1,100	Y	Y	555M	1,500	Dan England Chairman Chad England, CEO Josh England President
3	**Pride Transport Inc.** 5499 W. 2455 S. SLC, 84120	801-972-8890 pridetransport.com	520	$126.3M	1	820	0	30	Y	Y	55M	644	Jay England
4	**L.W. Miller Cos.** 1050 W. 200 N. Logan, UT 84321	435-753-8350 lwmiller.com	140	$45M	0	100	40	0	Y	N	18M	340	Larry W. Miller
5	**Sharp Transportation Inc.** P.O. Box 3452 Logan UT 84323	435-245-6053 sharptrucking.com	117	$20.6M	0	44	*	134	Y	Y	9.2M	103	Zan Sharp
6	**Godfrey Trucking Inc.** 6173 W. 2110 S. West Valley City, UT 84128	801-972-0660 godfreytrucking.com	115	*	15	0	*	300	Y	Y	11M	100	Scott Godfrey
7	**James H. Clark & Son Inc.** 4100 S. 663 W. SLC, UT 84123	801-266-9322 jameshclark.com	100	*	0	135	0	0	Y	N	11M	125	Gregory D. McCandless
8	**Parke Cox Trucking Co. Inc.** P.O. Box 911717 St. George, UT 84791	435-628-0886 coxtrucking.com	80	*	23	0	0	199	Y	Y	8.7M	118	Donald L. Cox David P. Cox
9	**Halbersleben Trucking** 2875 S. Main St. SLC, UT 84115	801-928-2345 shipht.com	74	$14M	0	106	0	12	Y	N	*	18	Rich Halbersleben
10	**Double D Distribution Inc.** 1550 S. Distribution Drive SLC, UT 84104	801-364-6565 doubleddistribution.com	35	*	2	1	71	11	Y	N	3.4M	35	Mark Droubay
11	**Geodyne Transport** 1235 S. 3200 W. SLC, UT 84104	801-575-1110 geodyne.net	31	$7M	0	12	87	0	Y	N	2M	27	Jaden Kemp
12	**Bakston Freight Systems Inc.** 1522 E. Commerce Drive St. George, UT 84790	435-673-7971 bakston.com	16	$2.7M	0	0	0	40	Y	Y	400K	22	*
13	**Sinclair Trucking Co.** 550 E. South Temple SLC, UT 84102	801-524-2700 sinclairoil.com	13	$3.6M	0	0	20	0	Y	N	1.3M	24	Mark Petersen President

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TECHNOLOGY

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devices may connect to the network remotely, how authentication will occur, maximum user idle time before network termination and the potential penalties for policy violation.

5. Remote access policy governs the usage of the company network when the employee is accessing the network from a remote location. It is important to establish a remote access policy that integrates with the network security policy to govern the transmission of data over untrusted networks. A remote access policy should outline the rules for both remote users to ensure document and network security and outline the maintenance of the network to provide for a safer transmission of information. This upkeep should include a policy for continual, proactive review to ensure adequate protection — such as firewalls and security patches — are installed and current.

6. Encryption policy seeks to protect a company's digital assets (data, files, personal information, company resources) from theft or breach between communicating devices over the Internet. Many believe a strong encryption policy is a must-have for all mobile devices. It is important to clearly define the devices covered and keep the policy up to date. This policy should cover all email and attachments, files, external devices, mobile devices and recovery and backup in case of an emergency.

7. Bring your own device (BYOD) policy covers the requirements governing employees' personal devices being used for on-the-job purposes. BYOD is often viewed as beneficial to employees as it allows for greater device and platform familiarity than may exist with company-issued devices. However, companies must strive to ensure such devices are accessing sensitive company information in ways to avoid unauthorized dissemination of information or the introduction of vulnerabilities entering the network. It is imperative that companies use the BYOD policy to establish password protection measures, automatic lockout requirements, anti-virus and encryption requirements, synchronization prohibitions and rights held by the company to review the device to ensure compliance.

Bahar Ferguson is president of Wasatch I.T., a Utah provider of outsourced IT services for small and medium-sized businesses.

Are ELDs the cause of rising freight rates?

How good can you forecast the weather? Does your knee start to hurt? Can you feel it in your bones? For most people that is a “no.” It’s been like that lately with rates for moving freight throughout the nation. A select few truly have their finger on the pulse and the others seem to be throwing darts at a board.

What is the cause? I think it’s ELDs.

Electronic logging devices (ELDs) have been mandated for all trucks across the nation. These devices are to be used by drivers to create log book records and replace the paper logs that drivers used to keep. The premise is that if the drivers are using the log books correctly and obeying the rules for their hours of service, they will be more alert and attentive while driving. There is logic to it and the lawmakers see the value in it. However, it seems to have put pressure on the entire industry in general — from shippers to trucks to brokers. As a limited-information advocate, I decided to reach out to some trusted sources that deal directly with the changes daily.

The first company I spoke to told me about one of their drivers who had been driving for over 20 years. He always did his best to obey the hours-of-service laws, but before the ELDs were implemented, you could split up the time differently. He would do this so that he could drive during the day as he preferred to do. He felt he was most alert and safest when he did so.

Once the ELDs were implemented, he was forced to drive overnight to not lose a full day of work. He took his 10-hour break during the day. As a result, at about 3 a.m. one morning, he fell asleep at the wheel and ended up totaling the truck, trailer, and the load he was hauling. Subsequently, he lost his job. This happened

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LOGISTICS COMPANIES

Ranked by Number of Full-Time Utah Employees

THE List

List Development Laneace Gregersen I laneace@slenterprise.com

	Company Name Address	Phone Web	No. of Utah Employees	2017 Revenue	Services Offered	Industries Served	Notable Clients	Year Est.	Owner/ Top Officer
1	**New Prime Inc.** 3720 W. 800 S. SLC, UT 84104	417-866-0001 primeinc.com	1,694	$451.6M	Transportation	Reefer, flatbed, tanker, intermodal	*	1970	Robert E. Low
2	**England Logistics** 1325 S. 4700 W. SLC, UT 84104	801-656-4500 englandlogistics .com	369	$431M	Freight brokerage firm & supply chain management	FTL, intermodal, parcel, dry LTL, cold chain	*	1995	Jason Beardall President
3	**Data2Logistics LLC** 6056 S. Fashion Square Drive Ste. 300 SLC, UT 84107	801-287-8400 data2logistics.com	102	*	Freight audit, payment & professional services	We service clients in all industries	Cisco Systems, Chrysler Corp, Best Buy	1962	Platinum Equity LLC
4	**Godfrey Trucking** 6173 W. 2100 S. West Valley City, UT 84123	801-972-0660 godfreytrucking .com	95	*	Full logistics & transportation of goods	All industries needing logistics or shipping	R.C. Willey, Post	1965	Scott Godfrey
5	**DST Logistics LLC** 444 W. Spring Creek Place Springville, UT 84663	801 491-3781 dstdistributorsInc .com	35	$7M	Trucking, warehouse & storage	Packaging, bottling, warehouse solutions	*	1986	D. Scott Tollestrup
6	**Arrow Moving & Storage Co. of Utah** 3960 S. 300 W. SLC, UT 84107	801-263-5342 arrowmoving.net	34	$4.5M	Warehousing, distribution, storage, transportation, relocation	Commercial, residential & government	University of Utah, Hill AFB, GSA, State of Utah	2000	David Ottoes Mike Ottoes
7	**Sharp Logistics Inc.** P.O. Box 3452 Logan, UT 84323	435-245-6053 sharptrucking.com	7	$20.3M	Transportation	Food, packaging, sporting goods	Aaron Packaging, Little Dutch Boy, Industrial Container	2003	Zan Sharp
8	**DMC Logistics LLC** 4980 W. Amelia Earhart Drive SLC, UT 84116	801-355-8991 dmc-logistics.com	*	*	Same/next day, scheduled on-demand, conjunctive, dedicated, distribution, line hauls, 3PL partnering	National retail, wholesale pharmaceuticals, payroll, finance, & medical lab specimen industries	*	2003	Stephen A. Griego President/CEO

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*Did not disclose. Please note that some firms chose not to respond, or failed to respond in time to our inquiries.
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FRIEDMAN

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came clear that the client would benefit from bringing another carrier in by conducting an RFP. Out of courtesy, they brought their incumbent in for a meeting to alert them of this decision. As expected, the carrier insisted that they wouldn't get better rates anywhere on the market and that they were risking their relationship with an RFP. Though shaken by the incumbent's reaction, the company decided to proceed with the RFP anyway.

During the first round of bidding, the incumbent held fast to its existing rates while the competitor severely underbid. However, the incumbent didn't just have to contend with one competitor. The client had offices in Texas and California, so it also had to vie with regional carriers from those states. As negotiations proceeded to the third round, the incumbent was ready to do anything to retain its client. The client ended up saving 33 percent ($2 million annually) while a good business relationship remained intact.

Case Study No. 2: Avanced analytics saves manufacturer 63 percent annually.

It's a clear demonstration that collecting sophisticated shipping intel will achieve nothing if businesses don't know what to do with it.

It's not enough to have access to all data. Not performing regular analytics on your data could result in significant, unneeded strain on your budget. It's crucial to continuously examine your shipment-level data (modes, carriers, service levels) to fine-tune cost optimization.

Management was placing pressure on a global manufacturing firm to identify saving opportunities. They sought outside assistance for advanced analytics and discovered that they were spending vastly more than they needed to on the wrong transportation mode. For deliveries made for less than 600 miles, they were using air freight, a costly mode of transport. They could have shipped with LTL, which would have gotten their shipment there on the same day for 63 percent less — nearly $1 million annually.

This outcome was made possible by the client's investment in a full-time resource to identify savings opportunities. Once a month, this analyst receives freight payment data from the client to analyze. He then uses his findings to advise the client weekly on opportunities to optimize transportation cost.

Case Study No. 3: Market assessment spotlights overspending, saves electronics retailer $8 million.

While the RFP was what won them a better contract, it was the market assessment that alerted the client that they were paying far above their means.

A market assessment is the first integral step in an RFP process. It's a look at carrier freight and accessorial rates to compare how they match up to those of companies with like volumes.

In this case, the client's volume had gone up. Due to these changes in volume, they wanted to determine if they could get their incumbent carrier to lower market rates. After an assessment, they found that they were spending well above their means and above market rate. However, the incumbent proved to be extremely uncooperative about renegotiating the contract. So, it soon became apparent that an RFP was in order.

During the RFP, the incumbent lowered their rates but it was not as competitive as the other large national parcel carrier. After three rounds of negotiation, the client ended up switching to another carrier and saving 10 percent ($8 million) annually.

While the RFP was what won them a better contract, it was the market assessment that alerted the client that they were paying far above their means.

Summary

In today's fast-changing, competitive business landscape, you need to continuously fine-tune your expenses or lose the competitive advantage you worked so hard to build. The good news is that there are now tactics at your disposal to arrest rising costs.

FA&P can only do so much to reduce costs. To achieve higher savings, improve efficiency and increase profitability, you must do more than just FA&P to mitigate rising expenses and falling revenues.

Harold B. Friedman is senior vice president for global corporate development at Data2Logistics, a global authority on supply chain logistics, cost management and shipping bill process and payment.

ELD

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immediately after taking the mandatory 10-hour break the ELDs required. This company strongly dislikes the ELDs.

Another company has had drivers be within just a few minutes of being able to go on duty and accidentally start their "on-duty" clock early, which results in the driver being forced to take another 10-hour break in his log book. They currently do not have a way to adjust it. With paper logs, things could be adjusted easily and work out for everyone. "I'm not talking about hours; I'm talking about accidentally bumping it three or five minutes early when they are checking to see if their hours are ready to go. It put the truck out of service for 20 hours. It has happened multiple times," the owner said.

I spoke with yet another company who stated that they are losing drivers because drivers aren't getting time off at home and are having to spend even more time away from the families and friends than they were before. They have to take the 34-hour resets that are required while out on the road.

A local company here in Salt Lake City said they have been working their local fleet to the bone to ensure that the trailers are always ready to go and loaded for the over-the-road drivers. They have some simple 500-mile runs to Denver and back that shouldn't be a problem legally, but because they can't break up the clock at all, the drivers have to ensure that they use the facilities, get a snack or a drink, then park at the receiver so they don't start the on-duty clock until after they are unloaded. They must sleep as close to the receiver as possible so that they don't have to count that time. If they stay at the nearest truck stop, which is about an hour away, they will have the facilities and niceties that we all enjoy — like a bathroom, shower, something to eat, a movie, etc. — but then they go and unload, spend four hours there, drive to a different location to load and have to take another break at times before getting home to Salt Lake City.

"It messes with their home time," the owner said.

She asked me, "How many hours a day do you work?"

I replied, "Quite a few, but not all sitting at my desk."

She said, "Exactly. We are trying to educate the customers that those hours loading and unloading are precious. It's not like the good old days when you could clock out if you weren't working. They are literally sitting at their 'desk' doing nothing until they can drive again. If they sit there too long, they lose money because they are paid to drive and if they can't clock out while they get loaded, it cuts into their money-making time." This company has also "had quite a few drivers hang up the keys, because they are 'old school.'"

As a freight broker, I excel at being able to make sure that trucking companies are loaded and unloaded in a timely manner and have a fair rate given to them. Every effort is being made to ensure that the customers understand the need for effective scheduling of loading and unloading times and how precious those hours are. We do our best to impress upon the shippers and receivers that they can no longer take advantage of the money-making potential that the trucks have.

We are fighting daily to further this understanding in an industry that is struggling to maintain a sufficient supply of product to the consumer while battling a major driver shortage. We keep a good pulse on the markets and do our best to forecast the best pricing for all involved. In the end, if this trend continues, I believe that the result of all of this will be a complete market shift upwards in price.

My two cents: The industry was due for this shift with rising prices of equipment and fuel and I believe ultimately this will end up costing the consumer more. Again, that is my opinion and I am not an economist. The true outcome will only be determined by time.

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