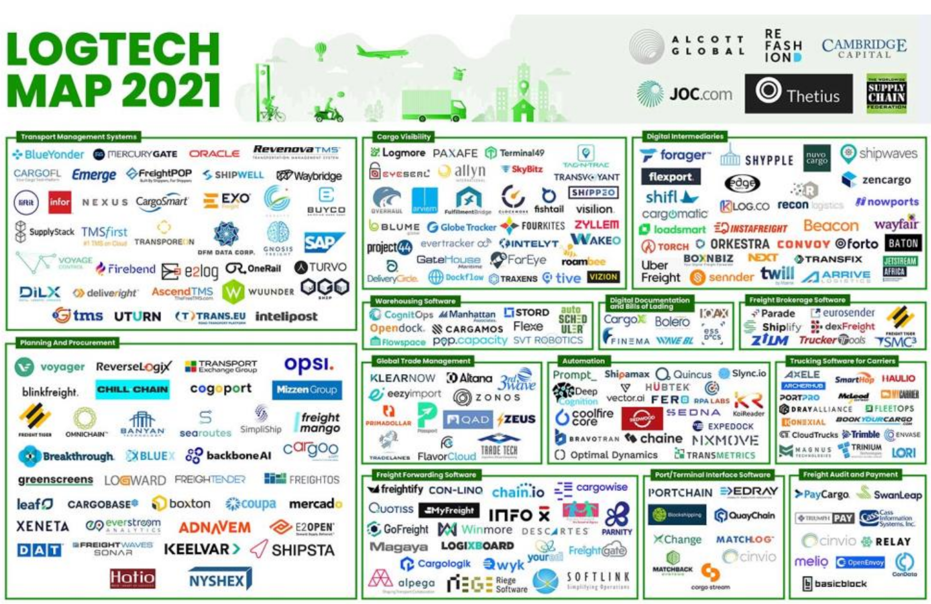
LTL and Truckload Monthly Market Update: January 2022

As we kick off a new year, there are several "hangovers" from 2021 that will be affecting domestic transportation in 2022. The January market update focuses on the three primary areas that all shippers have in common regardless of mode and/or industry vertical. Shippers and their 3PL partners will be focused on (1) improving delivery performance, (2) ensuring mode specific capacity, and (3) off-setting costs in a rising rate environment.

If you have not started discussions with your 3PL, now is the time to be asking the experts. As we look forward in 2022, shippers should be focused on (1) connecting current or new technology that improves visibility and performance, (2) contracting for capacity and equipment guarantees, and (3) reviewing how to increase lead times from order creation to shipment to give 3PL partners the opportunity to secure alternative capacity.

Technology landscape:

The technology landscape has never been stronger as we enter 2022. Investment from Private Equity and Venture Capital have funded exponential growth in supply chain technology. The illustration below shows a solid view of the major areas of supply chain management as well as many of the companies that focus on one or more areas.



Shippers should be asking their 3PL how best to connect or add technology to automate processes and workflow that historically have been manual. *"New technologies such as Artificial Intelligence, Digital Twins, and Robotics Process Automation, created the perfect setup for out-of-the-box business models with vast cost-saving potential innovations for the logistics industry."* (Alcott Global)

Contracting for capacity and equipment:

Shippers do not have to be the size of Amazon or Wal Mart to investigate and potentially invest in fixed or guaranteed capacity as part of their overall strategy to meet shipping demands. While 2021 saw multiple acquisitions in truckload, LTL, and brokerage, none of these events added capacity to any Parcel/Ground, LTL, or Truckload markets.

"Record-high spot market volumes and rates are also being driven by all-time high routing guide failures. Dry vans are currently at 20% and reefers are at 16% routing guide failure. This means that the more loads that are rejected by the primary carrier, the deeper the shipper must go in the routing guide to move a load – and the higher the rate." (DAT Freight & Analysis)

Shippers and 3PL's should use historical shipment data to identify consistent and repeatable activity. By identifying these lanes, 3PL's can approach carriers regardless of mode to "contract" for capacity, which increases control as well as protects against surging transportation costs (although it may be an increase over historical cost).

The drawbacks in contracting for capacity include (1) the Lead-time to get started and (2) the duration of the commitment. Carriers still face hiring challenges when adding drivers as well as dedicating equipment for specific shippers. However, *"Private fleet turnover is 14.25% – albeit a rate much lower than that of small and large for-hire truckload fleets, which are 69% and 90% respectively."* (Freight Waves)

The commitment for contracting with a carrier is at least one year. And while this may seem restrictive to some shippers, knowing that a percentage of our business is secure allows the shipper and the 3PL to focus on other areas and the volatility that exists throughout the year.

Increase lead times for planning and optimization:

If 2021 taught us anything, we are all in a rising rate environment. General Rate Increases (GRI's) that were announced and taken at the end of 2021 for parcel/ground, LTL, and Truckload averaged between 4.9% and 8.9%. In addition to increases in base rates, accessorial fees have also increased significantly. Scooter Sayers of Sayers Logistics published an update of LTL Carrier over length accessorial fees as of 10/29/2021 vs. 1/1/2022 and the changes are significant.

As of 10/29/2021

Feet	AAA Cooper	ABF	AD Pyle	Averitt	Central T	Dayton	Estes	FedEx	Old Dominion	Pitt Ohio	RoadRunner	R&L	Saia	Southeastern	Tforce	Ward	XPO	YRC
>=8	$100.00	$125.00		$95.00	$99.75	$110.00	$100.00	$107.00	$125.00	$85.00	$85.00	$85.00	$116.50	$85.00	$120.00	$85.00	$117.50	$120.00
>=11		$200.00															$131.50	
>=12	$150.00			$160.00	$157.50	$250.00	$150.00	$207.00	$175.00	$135.00	$150.00	$150.00	$169.50	$150.00	$215.00	$150.00		$300.00
>=14		$275.00																
>=15																$150.00		
>=16				$230.00		$450.00	$200.00			$185.00		$250.00	$233.00				$242.00	$600.00
>=18																$275.00		
>=20	$265.00	$550.00		$390.00	$525.00	$550.00	$350.00		$300.00	$400.00	$250.00	$385.00	$381.50	$250.00	$500.00		$553.25	$1,200.00
>=24												$770.00						
>=27		$2,750.00																$3,000.00
>=28	$525.00						$500.00			$550.00				$350.00				
>=40							$750.00											

11/1/2021 - 1/03/2022 updates

Feet	AAA Cooper	ABF	AD Pyle	Averitt	Central T	Dayton	Estes	FedEx	Old Dominion	Pitt Ohio	RoadRunner	R&L	Saia	Southeastern	Tforce	Ward	XPO	YRC
>=7			$111.20			$125.00												
>=8	$250.00	$185.00	$277.45	$110.00	$150.00		$185.00	$169.00	$1,000.00	$190.00	$120.00	$170.00	$250.00	$85.00	$250.00	$85.00	$222.00	$200.00
>=10						$200.00												
>=11		$300.00															$452.00	
>=12	$375.00		$498.80	$185.00	$350.00	$275.00	$265.00	$329.00		$450.00	$275.00	$300.00	$1,000.00	$150.00	$450.00	$150.00		$400.00
>=14		$385.00				$350.00												
>=15																$150.00		
>=16	$535.00		$608.00	$260.00		$450.00	$385.00			$775.00		$500.00					$1,128.00	$750.00
>=18						$550.00										$275.00		
>=20	$920.00	$750.00	$1,000.00	$425.00	$1,000.00	$650.00	$750.00			$1,100.00	$550.00	$770.00		$250.00	$1,000.00		$3,500.00	$1,200.00
>=24	$1,375.00					+$75/Ft						$1,540.00						
>=27		$3,000.00																$3,000.00
>=28							$1,000.00			$1,500.00				$350.00				
>=40										$2,200.00								

While the reasons for these increases are debatable (punitive or truly based upon carrier costs), these represent real increase for 3PL's and their clients. Many TMS tools will properly calculate costs for accessorial(s) like over length during the rate shopping process on the day of shipping. While this will minimize your cost, shippers and 3PL's miss out on the opportunity to mode shift. Whether parcel/ground, LTL, or truckload – adding 24 hours to the planning cycle allows your 3PL to rate shop, mode switch, and lock in capacity for specific shipments. For parcel/ground or LTL, this could mean eliminating an over length accessorial using shared multi-stop truckload capacity. For truckload, this could mean paying 905 to 95% of the current market rate because a carrier has committed their capacity a day before instead of charging a premium for "Day of Capacity."

As we start 2022, Shippers and their 3PL's are in a rising rate environment with service levels at historic lows. Connecting existing technology, making capacity commitments, and updating lead time as shippers are three ways to focus on taking costs out of your current operation. As a shipper, you may be able to tackle one of these areas on your own. But remember what a 3PL like IL2000 can do for you (1) Leverage best in class technology, (2) identify and build additional capacity solutions, and (3) assist in change management and redefining workflows.

Cheers to a successful 2022!

Sources: Alcott Global, DAT Freight & Analysis, Freight Waves, Sayers Logistics