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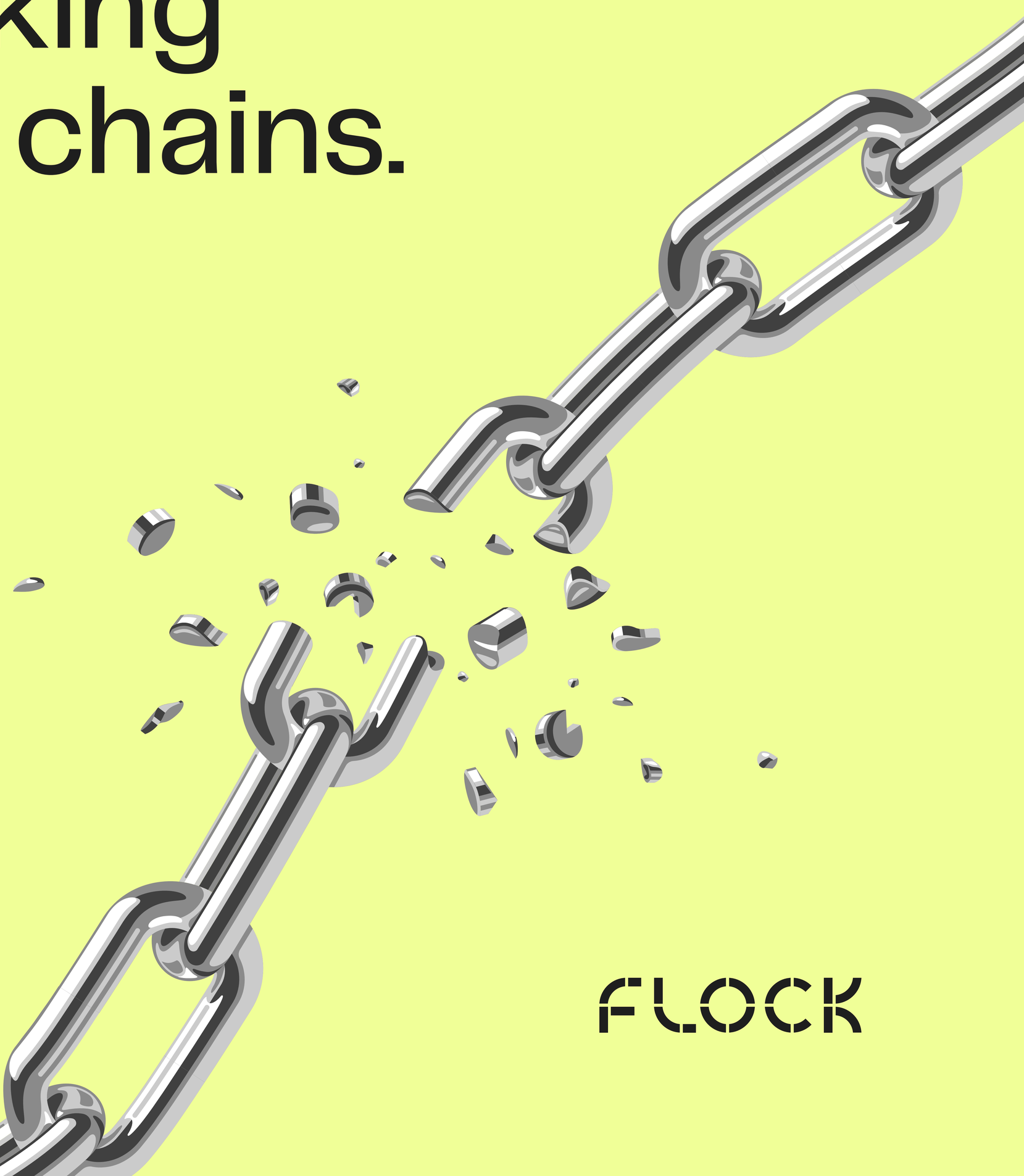
Inefficiency– not just the labor shortage– is breaking supply chains.



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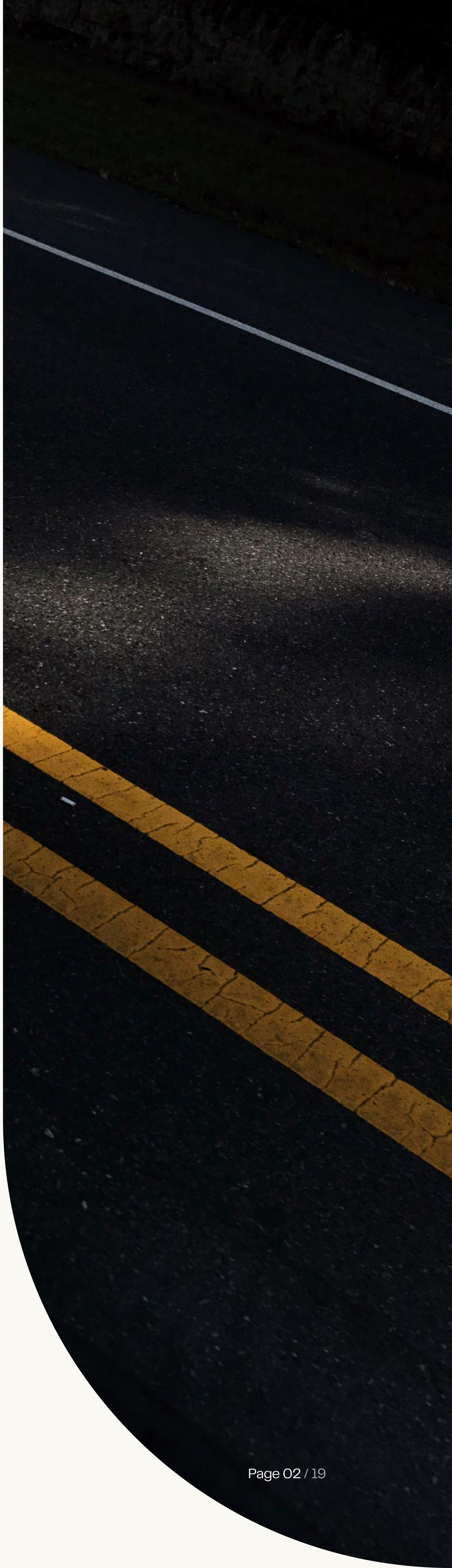

Summary

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Traditional shipping modes are shaping modern supply chains, and shippers may not be better off.

News reports covering major supply chain disruptions have highlighted delays at ports and driver shortages, but have missed a key piece of the transportation equation: half the trucks clogging dockyards and highways are moving at less-than-maximized capacity.

Unused trailer space is evidence of broader inefficiencies — including freight size restrictions and unnecessary handling — that increase costs and deliver shipments late. Such inefficiencies exist in two traditional over-the-road (OTR) shipping modes: less than truckload (LTL) and truckload (TL).

This report reveals new data and actionable insights to help today's shippers overcome their most pressing challenges.

Unused trailer space is evidence of broader inefficiencies… that increase costs and deliver shipments late.

The state of freight shipping ↘

High consumer demand is driving a challenging freight landscape, and post-pandemic supply chains are still tangled, but relatively stable market conditions are helping shippers rise to the occasion and stay competitive in today's market.

The capacity crunch didn't worsen in February 2022 thanks in part to consistent freight volumes. However, volumes have been unusually high for a first quarter, so shippers haven't experienced the increased capacity and reduced rates that are typical this time of year.

OTR trucking capacity isn't tight just because of elevated shipment volumes; strained intermodal space and a steady influx of containerized imports are keeping LTL and TL backlogs full. As a result, shipping costs aren't likely to decrease soon. Capacity might be tight, but carrier rejection rates are at a two-year low.

In February 2022, tender rejection rates fell 10% on a year-over-year (YOY) basis, providing some relief for shippers in a freight landscape that's allowed carriers to drop customers. Forecasts don't indicate that this current willingness to accept freight — especially contracted freight — will last, though.

Current state

Another factor that's reduced rejections is the narrowing gap between contract and spot rates. The common ground shippers and carriers have found with pricing is fueling compliance. Contract rates are up nearly 25% YOY (just cents below the January high), while spot rates are down from the 2021 holiday season. Shippers should expect pricing to increase come the second quarter, however, especially in an environment where carriers hold rate-negotiation power.

Such market conditions create a shipping landscape that's anything but simple. The last thing directors of logistics and operations need is inefficiency bogging down their complex shipping businesses. Ever since companies like Amazon introduced same-day delivery, consumer expectations for rapid and inexpensive shipping have peaked.

To leverage faster and cheaper shipping (and ultimately maintain an edge in today's market), shippers must deliver freight as quickly as possible and implement solutions that keep costs down.

To discover if traditional modes support these objectives, technology company Flock Freight® — in partnership with market research firm Drive Research — conducted a study that revealed the 2021 freight-shipping experiences of 200 shippers.

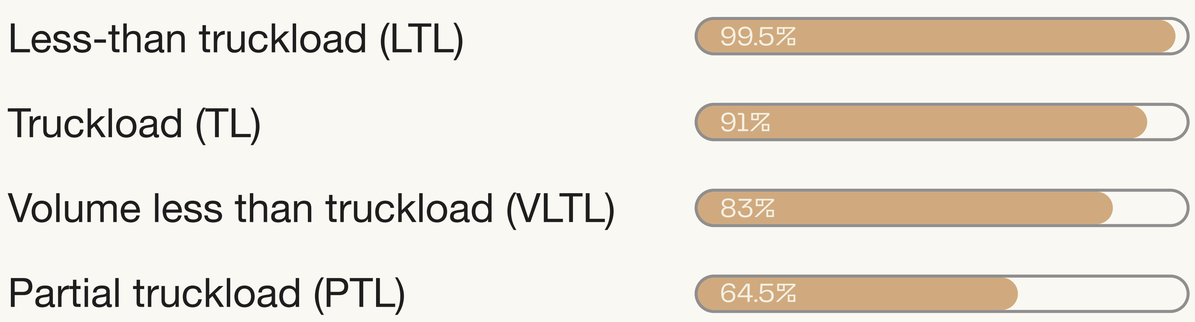
By leveraging insight into the current shipping landscape, shippers can build strategies to navigate inefficient and costly freight transportation.

The intent of the study is to understand if, barring tough market conditions and supply chain disruptions like port congestion and equipment shortages, the LTL and TL shipping modes house inefficiencies that jeopardize shippers' ability to meet high consumer delivery expectations.

Consumers have a need for speed.

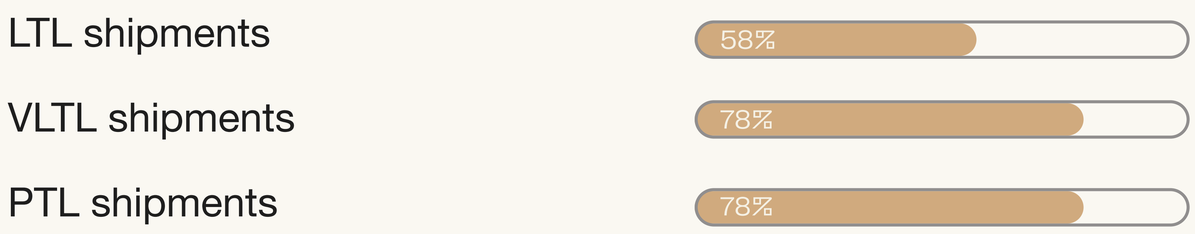
The majority of OTR freight moves via LTL and TL — that's no surprise. What is surprising is most shipping providers haven't optimized these modes to deliver freight efficiently.

Freight modes shippers booked in 2021:



Freight shipping delays in 2021:

Shipments that were 1-2 days late, by the amount of freight:



100% of LTL shippers experienced late delivery last year.

Delays averaged 1–2 days, while some freight arrived as many as 5–6 days late.

Almost 96% of LTL shippers reported delays of 1–4 days.

Consumers have a need for speed.

In addition to supply chain gridlocks, inefficiency within the hub-and-spoke network can cause LTL and VLTL delays. Inefficiencies inherent to the LTL and VLTL modes are shown on the right.

Unoptomized routes

LTL and VLTL freight doesn't move on direct, optimized routes; it zigzags through hubs and terminals before reaching its final destination, adding unnecessary transit time.

Trans-loading

Because LTL and VLTL shipments move from one truck to another during transit, risk of freight loss is higher. LTL and VLTL shippers can wait for misplaced freight to turn up or replace orders altogether. Either way, misplacing freight delays delivery.

Damage risk

Since the LTL and VLTL services involve more handling than other shipping modes, freight damage is common.

In 2021, 100% of LTL shippers remanufactured, then reshipped damaged freight, prolonging transit. 26% of shippers replaced and reshipped goods "often."

Consumers have a need for speed.

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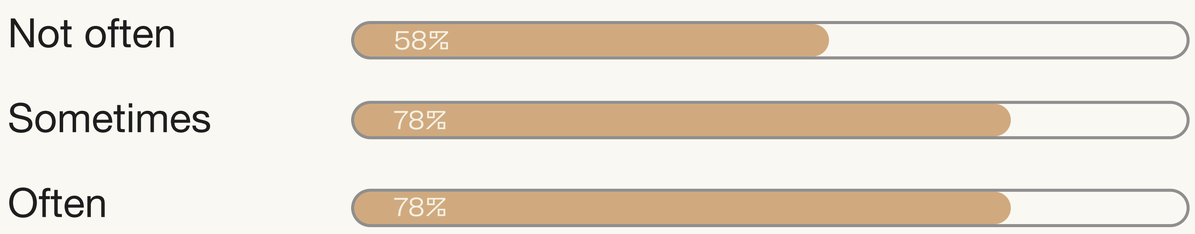
How often shippers needed to replace and reship goods due to damage in 2021:



Such service performance doesn't help LTL shippers meet consumer expectations for fast delivery.

On the other hand, TL shipping (often the most expensive mode) delivers freight quicker than other methods. Despite gaining access to this benefit, last year, approximately 1 in 3 TL shippers "often" waited to send freight until it filled an entire trailer, delaying the delivery of finished goods.

2 in 3 truckloads are sent after enough finished goods accumulated to fill trailers.

In this scenario, shippers recognized they'd be wasting money and fuel to send underutilized trucks, yet didn't leverage rapid delivery. Why would shippers willingly sacrifice one of the biggest benefits of TL service while opting to pay such a high price tag? The answer lies in another inefficiency of traditional LTL: size restrictions.

Approximately 1 in 3 TL shippers "often" waited to send freight until it filled an entire trailer, delaying the delivery of finished goods.

Consumers have a need for speed.

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In the current freight landscape, LTL size restrictions push shippers to book TL service. In fact, 99% of TL shippers booked truckload because of volume less than truckload (VLTL) size restrictions in 2021.

LTL carriers implement size restrictions — including linear-foot cutoffs, skid caps, and weight limits — because the hub-and-spoke network isn't optimized for large, bulky shipments, creating a conundrum for shippers with midsize freight, or "partials."

Historically, shippers with partials have had three types of service to choose from.

1 PTL

PTL moves freight through a clunky network of consolidators and risks longer transit times.

2 VLTL

VLTL can damage shipments, deliver late, prioritize small freight in tight markets, and come with near-TL rates on lanes with limited backhaul availability.

3 TL

Doesn't optimize deck space for freight dimensions and can result in wasted money and fuel on half-empty truckloads.

Consumers have a need for speed.

Over 1 in 7 TL shippers facing this choice in 2021 “often” booked truckload because they weren’t sure another mode would deliver freight on time.

This inefficiency has existed on a large scale for years.

To make matters more complex, carriers can change size restrictions anytime and don’t adhere to a uniform set of rules. In recent years, LTL carriers have been reducing size restrictions to attract smaller freight.

According to the study, 100% of LTL shippers experienced tightening size restrictions in the past five years, with most of the respondents reporting decreases in pallet-position and linear-foot cutoffs over the same time period.

To summarize, LTL delays, TL waste, and shrinking size restrictions are inefficiencies inherent to traditional shipping modes that shippers’ best efforts can only manage, not solve.

Because LTL and TL lack the fundamental optimization required to transport freight efficiently, shippers who book these modes don’t position themselves to meet the delivery expectations of modern consumers, ultimately risking the ability to remain competitive — even in the most favorable market conditions.

Pallet-position cutoff

38.7%

An LTL restriction that decreased in 2021 by 38.7%.

Linear-foot cutoff

35.7%

An LTL restriction that decreased in 2021 by 35.7%.

Weight cutoff

26.1%

An LTL restriction that decreased in 2021 by 26.1%.

Shipping fees & TL waste undermine cost savings.

In addition to causing unnecessary delays, the LTL and TL modes produce inefficiencies that increase costs not just on freight shipping, but also finished goods. Realizing cost savings throughout the shipping process can lower prices down to the consumer level and help maintain customer satisfaction.

To achieve cost savings, shippers strive to implement strategies that combat rising fees. Shippers can look to their bottom lines to identify fees, specifically accessorial and on-time, in-full (OTIF) fees.

Accessorial fees, charges for extra services carriers provide during transit, make up LTL profit centers and significantly impact the total cost of shipping. Like size restrictions, accessorials are tools by which LTL carriers disincentivize shippers to move large, bulky freight through the hub-and-spoke network.

Before dismissing accessorial fees as a necessary evil, shippers should assess whether or not these charges are driving up the firm's LTL shipping costs.

Shipping fees & TL waste undermine cost savings.

According to the Journal of Commerce, “Over the past year, LTL carriers have increasingly used…accessorial charges to manage what comes into their terminals and the flow of freight. The temporary ‘volume controls’ FedEx Freight imposed in the second quarter of last year and ODFL’s $1,000 surcharge on oversized freight are two prominent examples.”

The findings support these claims. In 2021, 100% of LTL shippers incurred accessorial fees. In fact, 27% of LTL shippers incurred accessorial fees “often.”

In 2021, LTL shippers spent an average of $411,239 on accessorials. Notably, shippers moving building materials paid even more — an average of $607,353 — on accessorials.

According to the study, all shippers reported moving freight that was subject to OTIF requirements last year. The average OTIF fee per shipment in 2021 was $566, while the average spend on OTIF fees was $290,242.

Implementing solutions that reduce OTIF fees will help shippers realize cost savings.

Accessorial fees aren’t the only bottom-line costs for shippers to analyze; OTIF fees can be just as detrimental.

Shipping fees & TL waste undermine cost savings.

Small & midsize businesses $10–$99 million in annual revenue

Accessorial spend
$113,614
Average amount spent on accessorials in 2021 by small and midsize businesses.

OTIF fees per shipment
$408
Average amount spent per shipment on OTIF fees in 2021 by small and midsize businesses.

OTIF fees total
$66,176
Average total amount spent on OTIF fees in 2021 by small and midsize businesses.

Midmarket shippers $100–$499 million in annual revenue

Accessorial spend
$397,985
Average amount spent on accessorials in 2021 by midmarket shippers.

OTIF fees per shipment
$568
Average amount spent per shipment on OTIF fees in 2021 by small and midmarket shippers.

OTIF fees total
$212,683
Average total amount spent on OTIF fees in 2021 by midmarket shippers.

Enterprise shippers $500+ million in annual revenue

Accessorial spend
$880,384
Average amount spent on accessorials in 2021 by enterprise shippers.

OTIF fees per shipment
$699
Average amount spent per shipment on OTIF fees in 2021 by enterprise shippers.

OTIF fees total
$613,229
Average total amount spent on OTIF fees in 2021 by enterprise shippers.

Shipping fees & TL waste undermine cost savings.

While shippers can book TL service in an effort to avoid accessorial and OTIF fees, the cost of moving underutilized trucks offsets any potential savings.

How many truckloads move with less-than-full trailers? The findings indicate over half. 49% of TL freight filled trailers to capcacity in 2021, while 51% didn't.

Booking TL service to reduce the risk of incurring accessorial and OTIF fees isn't a sustainable strategy if freight doesn't maximize deck space.

In conclusion, to cut shipping costs and lower prices down to the consumer level, shippers can:

- Build strategies around reducing accessorial and OTIF fees.
- Avoid underutilized truckloads.

49% of TL freight filled trailers to capcacity in 2021, while 51% didn't.

The story missing from news reports.

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LTL and TL inefficiencies can cause late delivery and increase shipping costs.

This report highlights inefficiencies of the traditional LTL and TL freight modes that undermine shippers' ability to access faster and cheaper shipping.

The mechanisms LTL carriers use to edge out midsize shipments exacerbate inefficiency, pushing shippers to book TL and wait to send freight.

LTL inefficiency also increases bottom-line costs; hub-and-spoke delays can cause shippers to violate OTIF rules and incur fees, while shrinking linear-foot requirements can lead to accessorial charges.

Unwilling to pay for underutilized truckloads, shippers can feel trapped in a wasteful and costly system. In fact, no shippers surveyed were completely satisfied with their OTR shipping modes. Only one in seven shippers were highly satisfied with their current shipping process for midsize freight.

Only 1 out of 7 shippers are highly satisfied with their current shipping process for midsize freight.

- Unoptimized routes ✕
- Trans-loading ✕
- High damage rates ✕
- Size restrictions ✕
- Accessorials ✕

The story missing from news reports.

In light of supply chain disruptions and current market conditions, how can shippers mitigate the risks inherent to traditional modes, maximize efficiency, and cut costs? The findings indicate shippers need a better freight mode.

Shippers who are interested in finding a cost-efficient way to improve service performance can work with a partner like Flock Freight. Flock Freight's shared truckload (STL) solution, FlockDirect™, enables several shippers to share trailer space in one multi-stop full truckload. FlockDirect freight travels on technology-optimized routes that avoid hubs and terminals.

Because FlockDirect freight stays on the same truck during transit without trans-loading at shipping docks, risk of damage is 0.1%.

Direct routes, zero stops at processing facilities and low risk of damage eliminate several inefficiencies of traditional modes that slow down delivery. Other benefits of FlockDirect related to speed include:

- Shippers move finished goods right away.
- Shippers enjoy complete control over pickup and delivery dates.

The benefits of shared truckload extend beyond transit time and into cost efficiency.

By reducing potential for shipping delays, FlockDirect helps shippers meet strict OTIF requirements and bring fees down accordingly.

The story missing from news reports.

Flock Freight bases FlockDirect pricing on pallet position, an incremental cost structure that lets shippers stack pallets for no added charge. FlockDirect shippers pay only for the space they need and, since there's no need to designate class or cube, never see rate changes because of LTL corrections.

By maximizing efficiency, FlockDirect gives shippers faster and cheaper shipping in the midst of supply chain disruptions and fluctuating market conditions.

Request a consultation or read about FlockDirect.

Survey methodology

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From Jan. 14-Feb. 3, 2022, Drive Research surveyed 200 shippers with confirmed roles of sole or shared decision-making responsibilities. Shipping businesses represented a strong mix of freight types and ranged from small to large, with revenue spanning $10 million-$500 million.

With a probabilistic sample, a total of 200 responses at the 95% confidence level offers a 7% margin of error. If Drive Research conducted the survey with another random pool of 200 respondents, the results would yield within +7% or -7% of the stated totals in the reports. The margin of error serves as a guideline for understanding the reliability of these results.

Target titles

- Transportation buyer
- Load manager
- Transportation manager
- VP of supply chain
- Director of transportation
- Logistics manager

Target industries

- Food and beverage (non-refrigerated)
- Retail
- Industrial goods
- CPG
- Household goods
- Paper and pulp
- Furniture
- Energy
- Cosmetics
- Electronics

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Drive Research is a market research company that works with clients across the United States in a variety of industries. To help clients answer burning business questions, Drive Research designs qualitative and quantitative studies, manages projects, analyzes data, and provides consultations on survey findings.

FLOCK

Flock Freight is a technology company that's creating a smarter, more sustainable supply chain. Our patented technology finds and fills trucks' empty spaces so shippers can save money, carriers can earn more money, and goods move terminal-free with more accuracy and fewer emissions.