LTL shipping: Looking at the road ahead.

Looking at what lies down the road for shippers.

The landscape of less-than-truckload shipping has changed dramatically over the last decade. With the continuing growth of e-commerce and the evolution of technologies, the industry will continue to evolve well into the future. Here, we'll take a look at the factors reshaping LTL and what you as a customer can expect to change over the coming years.

E-commerce will increase demand for LTL.

From 2017 to early 2019, e-commerce grew from around 11 percent of U.S. retail sales to near 17 percent. According to ZD Net, a major retailer expects that to increase to 35 percent in 2020. This is the single largest factor reshaping LTL.

With other industry leaders offering expedited delivery, many online retailers are putting pressure on LTL to not only offer home delivery, but expedited home delivery. As a result, retailers are completely redesigning their distribution models.

In the past, large retailers received product at regional distribution centers and then shipped it to brick and mortar stores. Now, freight is moved to regional distribution centers instead of stores, then moved last mile to homes on demand. It's not practical or possible to receive full truckload shipments when these distribution centers have to store a large number of SKUs in a relatively small urban footprint. To help with the shift to e-commerce focused operations, many shippers are also turning to freight consolidation (bundling multiple items headed into the same direction into a single shipment) to help keep costs lower.

On top of expedited residential delivery, e-commerce is causing retailers to put pressure on providers to offer added service levels with the hope that an even better delivery experience will attract new customers and keep them coming back.

There will be more LTL carriers and logistics providers.

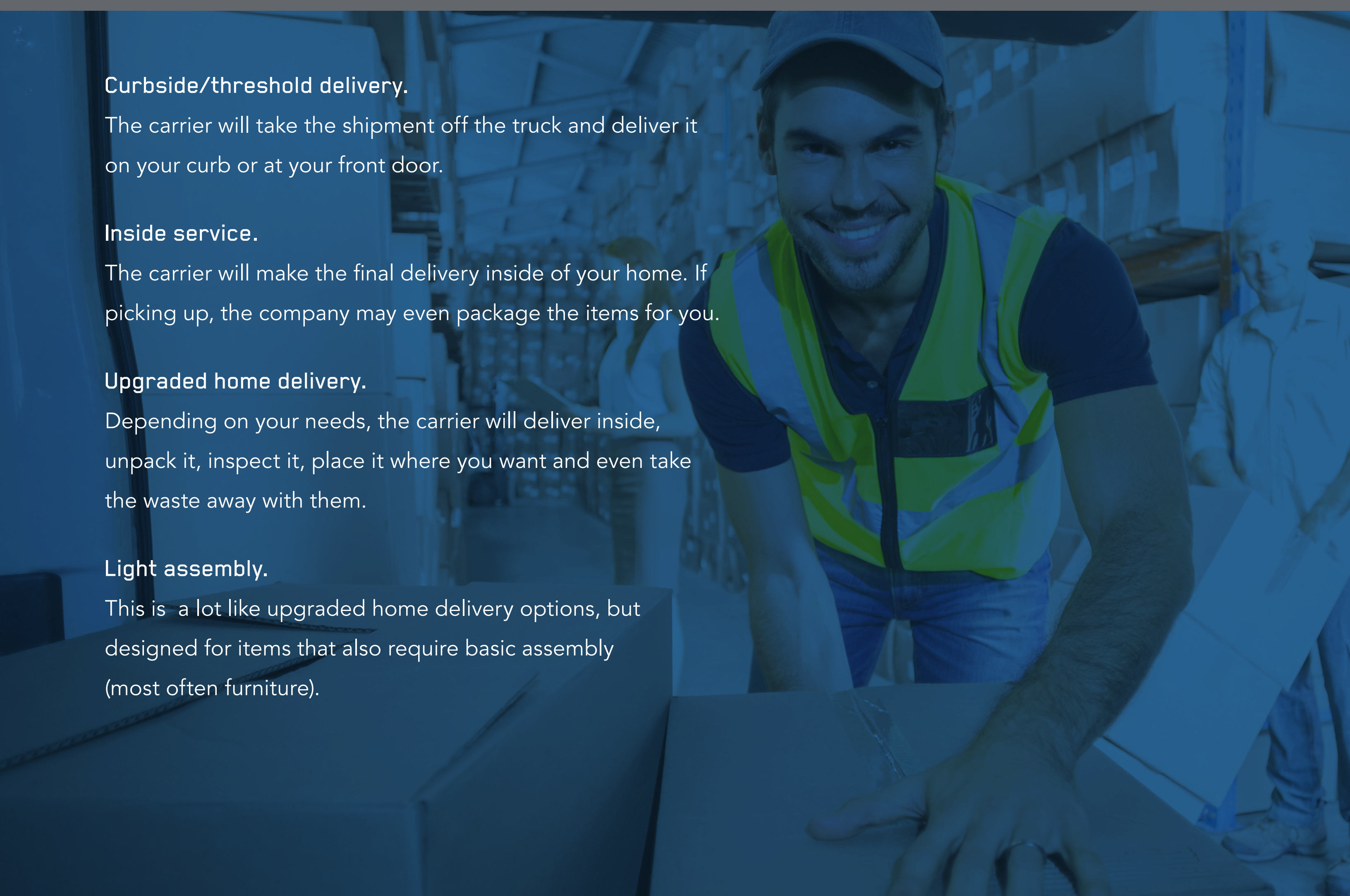
As the demand for LTL increases, more small LTL carriers and third-party logistics providers will likely arrive on the scene to take advantage. Should these companies manage to find drivers to fill their trucks, they will help alleviate capacity challenges. However, shippers should beware: while these new third-party logistics providers may offer cheaper rates to bring in new customers, these new companies will not have established proven relationships with their carriers or experience managing retail compliance requirements.

LTL carriers will adapt to demand and competition with improved service.

In response to customer demand for increased service levels and new competition in the market, LTL providers will adjust their business models in several ways.

First, LTL providers will work to figure out the best way to offer "last mile" solutions to get products to doorsteps as quickly and efficiently as possible. Many LTL providers are already partnering with third parties to offer this service. Others will look to add drivers and equipment like pup trailers to cut out the middleman and offer the service directly.

LTL providers are also working to offer services to retailers so they can lure new customers with an even better delivery experience and keep them coming back. This might include:



Curbside/threshold delivery.
The carrier will take the shipment off the truck and deliver it on your curb or at your front door.

Inside service.
The carrier will make the final delivery inside of your home. If picking up, the company may even package the items for you.

Upgraded home delivery.
Depending on your needs, the carrier will deliver inside, unpack it, inspect it, place it where you want and even take the waste away with them.

Light assembly.
This is a lot like upgraded home delivery options, but designed for items that also require basic assembly (most often furniture).

Technology will improve tracking and optimize operations.

More than ever, retailers and end consumers want to know exactly where an order is at any time. In the past, LTL's tracking sophistication has lagged behind its parcel counterpart. Updates were few and far between, usually happening at pickup, as it passed through a major hub, and after delivery. A shipment could sit in a trailer for days and you'd have no idea if it was parked or in transit. You could waste hours on the phone trying to track down where a package was and when it would reach its destination.

All of that is quickly changing. LTL carriers and third-party logistics companies are investing in better tracking technology. Many freight service providers will aggregate tracking data for multiple shipments and multiple carriers into a single interface. APIs and other software solutions allow retailers to repackage tracking information and serve it up to end consumers through their own websites.

Improved tracking doesn't just benefit shippers and end consumers. LTL carriers are getting better at using data to optimize routing. It can even be used to optimize pickup and delivery times (to best avoid detention). Soon, artificial intelligence could even help determine which loading bay a carrier should request for efficiency.

Higher demand and added services come at a cost.

While improved service and new technology from LTL carriers is likely to make your job a whole lot easier, it isn't all good news. These advancements, coupled with increased demand, will almost assuredly drive LTL rates up. Consider all the costs carriers will incur:

Residential delivery takes time and fuel.

Large trucks can't navigate urban streets easily or with great fuel efficiency. This will cause longer delivery times and increased fuel surcharges.

Added services demand more manpower.

Upgraded home delivery and assembly services in particular require more hands. In addition, longer delivery times mean fewer deliveries per day. Carriers will need to staff up to keep up. Considering the current driver shortage within the industry, this new staff will be expensive to onboard.

New equipment is needed.

Increased demand means a need for more trucks. Some carriers may also invest in new types of equipment like pup trailers to better facilitate residential delivery.

Carriers and customers can both work to keep rates low.

The industry will adjust to help mitigate the impact of rates. Here's how carriers and freight customers can respond:

More carriers, more options.

As mentioned earlier, new companies will try to take advantage of LTL demand. Once established, the competition and capacity these carriers provide could help keep rate increases reasonable. Existing companies will likely try to increase capacity as well. However, all of this is dependent on their ability to overcome the current demand for new drivers.

Freight consolidation.

By consolidating freight, you may be able to switch modes to full truckload and find capacity and improved rates. Co-loading (where you'd combine your partial load with a partner company's partial load) is becoming more common as well.

Consider contracts.

By guaranteeing a provider a certain amount of freight over time, you can insulate yourself from rate spikes and gain predictability of your freight spend. Contracts also help secure capacity and set performance expectations for both you and the carrier.

Work with a freight service provider.

At Freightquote by C.H. Robinson, we've looked ahead and put ourselves in the best possible position to help our clients through the next evolution of LTL. We've been industry leaders for more than 20 years, so we keep our finger on the pulse of the industry and can help you adjust to changing factors before they impact your bottom line. Through C.H. Robinson, we offer a robust portfolio of service levels and a vast network of carriers to help overcome capacity challenges. As a technology-first company, we can also help you integrate our services into your e-commerce platforms and offer a seamless experience for your customers.

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