

## **Transportation Success – Evolved Model to Deliver Capacity in a Volatile Market** (Connected Supply Chain Company Growth)

The transportation industry has experienced many changes over the past few decades. Fast-paced and expanding, transportation involves much more than meets the eye. It seems like a simple concept, the movement of goods between locations, however the number of variables and options are unlimited –as are the roadblocks. Challenges in the transportation industry range from the obvious, including the pandemic and its dramatic impact on demand, to the less obvious including the introduction of electronic logging devices, altering customer expectations, and strict driving limits. Additionally, capacity, inflation, and shifts in the labor force all put a strain on transportation companies.

Even with the pandemic in the rearview mirror, consumers have continued to shift many of their purchases towards eCommerce. With pressure mounting for faster delivery, and more transparency on the customer side, the industry challenges continue to grow. Some of the more prominent industry challenges outlined below have affected the way transportation functions within companies.

### **Driving Limitations/ELD**

At the end of 2017 a law was introduced to limit the amount of time spent on the road for truck drivers. This new law, called the Hours-of-Service law (HOS), put a cap on consecutive stretches of driving time and mandated both short and long breaks for the driver. An electronic logging device (ELD) was required to be installed on every truck to automatically record engine time, ensuring these rules were followed. However, many drivers felt this infringed on their flexibility and negatively impacted their job experience. The industry saw a loss of drivers in conjunction with less efficiency as a result of these driving limitations. Capacity became a significant challenge for shippers, shipping rates increased, and ultimately consumers felt the rise.

### **Transportation Capacity**

Drivers steadily left the industry following the enactment of the HOS law and ELD requirements. At the same time, the overall aging of the driver population created more capacity fallout without the normal replenishment of younger drivers to sustain operations. This was worsened during the great resignation which occurred in 2021 through 2022 following the pandemic, which saw thousands of truck drivers stepping down from their jobs in opposition to the rules and regulations imposed on their industry. In contrast, consumer demand skyrocketed despite the rising costs of both products and shipping. Shippers experienced continued bottlenecks in the transportation industry from a dramatic imbalance between supply (transportation capacity) and demand.

### **Solutions not Flexible**

As shippers looked desperately for creative solutions to their shipping challenges, it quickly became apparent that the options were limited and far from flexible. Every shipper, and often every product line, has its own set of unique transit needs. The old transportation landscape was designed to accommodate shipments in a predictable, one size fits all solution, which was no longer the reality. Long-term contracting for fast-moving transactions under volatile market conditions created an imbalanced value proposition between shipper and carrier. Addressing the new supply chain reality requires innovative solutions, which is where [Legacy took the opportunity to pivot and evolve their transportation brokerage offering.](#)

### **Inflation Stains Negotiation Power**

Inflation ebbs and flows – although recently it has risen in historic fashion with no end in sight. Inflation creates additional pressure on the ability of shippers to negotiate shipping costs. In fact, according to Bloomberg, prices showed the costs of transportation and warehousing goods for final demand soared more than 18% in November 2021 to the end of last year (*Golle, 2021*). This rate of change indicates significant constraints to the supply chain and has driven rates to new levels of unpredictability with truck rates soaring nearly 30% in two years. The result of high demand and low capacity, coupled with a shortage in materials and a decrease in drivers, has caused a perfect storm for the continued decline of shipper purchasing power. Inflation is here to stay for the foreseeable future, and there is no denying that it has already negatively impacted the transportation industry. Transportation brokers must find a way to accommodate the rapidly increasing demand to maintain negotiation power in the current industry.

### **Fallout of the Pandemic**

There's no denying that COVID-19 created turmoil across the globe within the transportation industry, and the rise in demand for eCommerce was met with supply chain challenges all around. With the onset of the pandemic, eCommerce saw a sharp uptick that manufacturers, retailers, and consumer goods companies were not prepared for. In a perfect world that alone may not have been enough to disrupt the transportation industry, but there were numerous obstacles that accompanied the pandemic that contributed to the current state of the transportation and supply chain industries. COVID caused mass absences in manufacturing, shipping, and driving leaving teams with a skeleton crew, which impacted both delivery times and costs.

In a unique challenge that every industry grappled with, but especially the transportation industry, unclear vaccine requirements left people frustrated and sometimes prevented entry into certain geographic locations. Transportation operations had to be suspended or altered as each state, county, and even city, changed their policies. The lack of consistent policies and regulations surrounding vaccine standards for those working in the transportation industry made operations of every scale increasingly difficult. If a global pandemic and increased demand was not enough to wreak havoc on the transportation industry, throw in mass inbound port congestion due to systemic infrastructural and labor inefficiencies. This combination of demand and challenges created unprecedented price hikes caused by a multitude of disruptions.

### **Increased Operating Costs – Especially Fuel**

Along with all of the different challenges present in the transportation industry, prices have also continued to increase across the board. Fuel is at an all-time high, insurance costs for transportation providers have dramatically increased, wages must be competitive enough to attract what labor there is, and materials are either impossible to get or significantly overpriced. To make matters more complicated, customers do not want to know about any of these problems, they just want their package at their door, the next day, with free shipping, and no hassle. However, some businesses are now passing along "supply chain surcharges" to their consumer as a line item on a purchase, essentially rebranding "shipping and handling" to be more palatable to customers who are accustomed to completely free shipping. Transportation companies are working overtime to meet the demands of consumers while also complying with the law and weathering the challenges – and capacity is becoming sparse. While transportation carriers can take advantage of today's market from a marginal perspective, they are often falling short in terms of sales opportunity costs due to the ever-increasing list of challenges to predict and overcome in the industry.

### **The Future of the Transportation Market**

Inflation and ever-changing policies are going to be the reality of the transportation industry for the near future. Being able to navigate the volatile market will require innovation and adaptation on all fronts. The

opportunity to establish a new transportation model in the midst of these challenges is major for transportation brokerage groups across the country. A successful future requires the ability to examine past and present operations with an objective approach, while also being able to use the data to look forward and predict potential vulnerabilities or challenges within the transportation model. [Legacy](#) has taken this opportunity to appeal to evolving customer needs for more flexible transportation brokerage solutions, a transition that required a significant investment in people, technology, and process to deliver value on a shipment-by-shipment basis. Legacy listened to their customers and understood the need for a highly customizable approach to transportation brokerage that delivers more consistent capacity. These changes are just the beginning and solidify the foundation for the continued growth of [Legacy Supply Chain's operations](#).

### **About Legacy Supply Chain**

For nearly 40 years, Legacy Supply Chain has been the pioneering, mid-sized 3PL that businesses depend on to enable more control over their dynamic omnichannel supply chains - so they can stay more connected to their consumers and ultimately deliver better customer experiences. With over 30 operations in the US and Canada, Legacy provides truly tailored warehousing & distribution, e-commerce fulfillment, and transportation solutions. For more information, visit us at [legacyscs.com/](http://legacyscs.com/).

*Cited:*

Golle, V. (2021, December 20). Freight rates on every mode of transport are boosting inflation. Bloomberg. <https://www.bloomberg.com/news/newsletters/2021-12-20/supply-chain-latest-how-freight-rates-are-adding-to-inflation>