

**IN OUR EXCLUSIVE SURVEY OF SHIPPERS AND TRUCKERS,
INBOUND LOGISTICS CAPTURES A SNAPSHOT OF THE INDUSTRY
IN UNPRECEDENTED TIMES.**

2020 TRUCKING *Perspectives*

BY MERRILL DOUGLAS

Trucking companies and their customers were already negotiating a complex environment at the start of 2020. On one hand, demand for freight transportation was softening, the price of diesel was rising, and some industry observers were predicting the booming economy might give way to a recession.

On the other hand, the United States and China seemed to be coming to terms on their trade war, easing conditions for U.S. importers and exporters. And the United States, Canada, and Mexico were putting the final touches on a new trade deal to replace NAFTA. Those developments could have increased demand for freight services.

Then COVID-19 arrived in the United States and upended everything. Businesses deemed “non-essential” were forced to close, canceling the need for trucks to move product into or out of their facilities. Consumers changed their buying habits—some spending much less since their jobs had disappeared, others flocking to e-commerce sites to avoid the risks of in-person shopping.

Demand for personal protective equipment and cleaning supplies surged, triggering shortages, along with complaints about breakdowns in those supply chains. Some trucking companies went idle; others struggled to keep pace with demand, while also striving to keep drivers safe.

As we do each year, in 2020 *Inbound Logistics* surveyed

shippers and truckers to discover how they’re faring in the truck transportation market, what they expect from the future, and what issues loom largest.

This year’s survey took place after the United States had felt the full effects of the COVID-19 lockdown. Different regions were starting to reopen at different rates, with various levels of success.

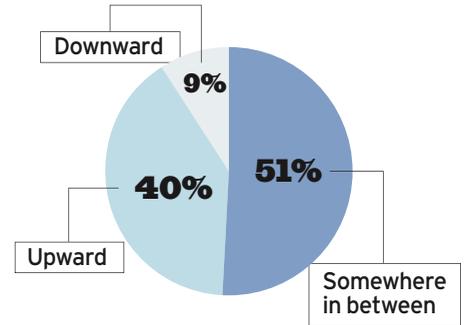
As you’ll see in the following report, some concerns in the trucking world remain consistent, pandemic or no. Shippers still want reliable service at a good price. Truckers still face challenges meeting their operational costs and—even in a softer market—providing all the capacity their customers need.

But we’ve seen some significant changes as well. For example, compared with one year ago, many more truckers worry about how to hold onto their customers and find new ones. At the same time, far fewer respondents at trucking companies worry about fuel prices.

And the data suggests that many companies are operating in survival mode. For instance, relatively few shippers told us they are wrestling with issues related to environmental, regulatory, or security compliance. Those are important issues, but they might have to wait until the pandemic dissipates and we discover how the new normal looks for shippers and the trucking companies that serve them.

TRUCKERS: AS A LEADING ECONOMIC INDICATOR, WHERE DO YOU SEE THE ECONOMY TRENDING?

Truckers have been cheered as heroes during the pandemic for keeping essential goods flowing to hospitals and store shelves. They've also sometimes taken the blame for shipping disruptions. As a leading economic indicator, the trucking industry can offer a hint about where things are headed in uncertain times. Do truckers see a break in the current economic clouds, or after last spring's crash is there simply no place to go but up? Either way, in 2020 truckers feel more optimistic about the economy than they did one year ago. These days, 40% say the economy is trending upward, compared with 30% in 2019. Fifty-one percent say it's somewhere between up and down, and only 9% expect a further drop.



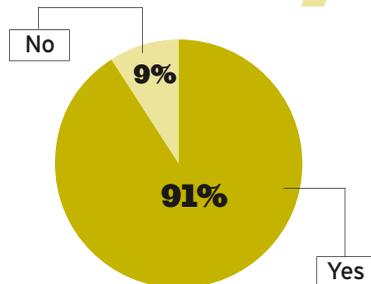
TRUCKING PERSPECTIVES METHODOLOGY

Both shippers and over-the-road carriers gave us their take on industry trends for this annual Trucking Perspectives market insight report, which offers a comparative analysis supported by empirical data and anecdotal observations. Our outreach comprises two parts.

1 More than 300 trucking companies completed a questionnaire that documents their assets, service capabilities, operational scope, and areas of expertise. We also asked carriers to comment on challenges and opportunities in today's market.

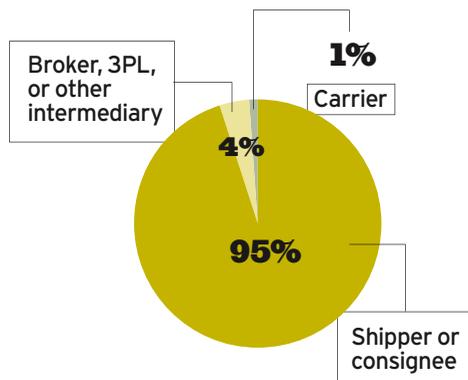
2 We reached out to freight shippers to shed light on industry trends, regulatory challenges, and their partnerships with carriers.

Shippers:



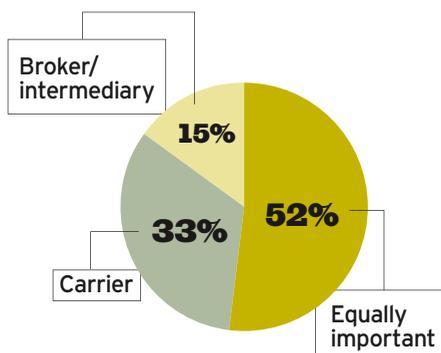
DO YOU BUY OR PARTICIPATE IN THE SOURCING/PURCHASING OF TRUCKING SERVICES?

Ninety-one percent of the shippers who responded to the survey participate in the sourcing or purchasing of trucking services.



WHAT IS YOUR ROLE?

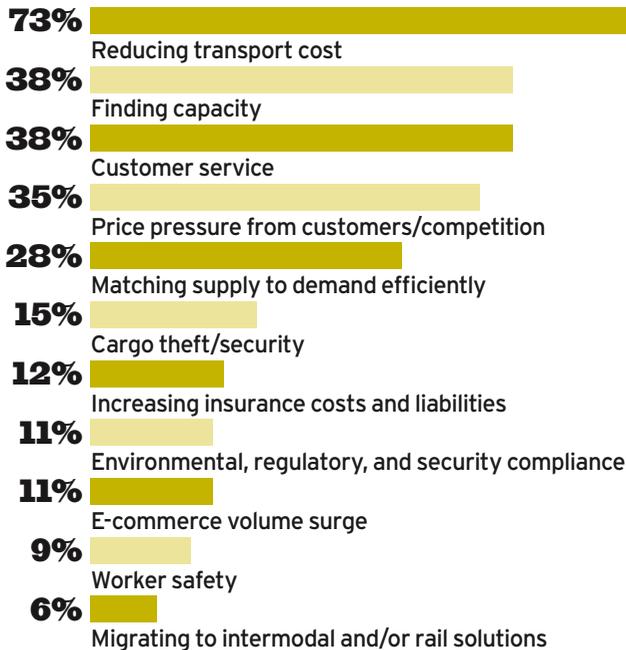
Most of the logistics professionals—95%—who responded to the shipper survey are shippers or consignees. Another 4% are brokers, 3PLs, or other intermediaries, who also buy transportation from trucking carriers.



WHICH IS MORE IMPORTANT, YOUR RELATIONSHIP WITH YOUR CARRIER OR WITH YOUR BROKER/INTERMEDIARY?

A little more than half of the shippers in our survey equally value their relationships with carriers and with partners who procure transportation on their behalf. Another one-third of respondents consider direct relationships with carriers most important.

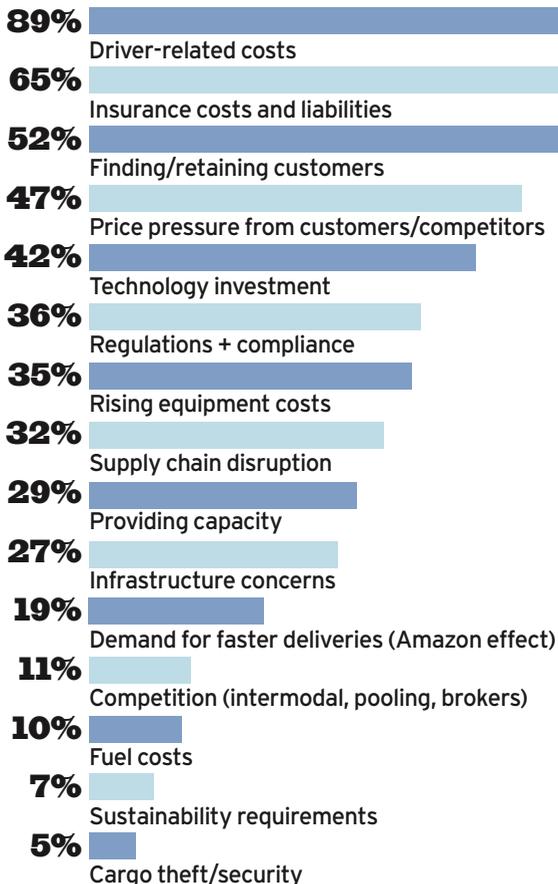
SHIPPERS: WHAT ARE YOUR GREATEST CHALLENGES?



Shippers face a wide range of challenges, but the most common of them all is how to reduce transportation costs, an issue 73% of respondents cite. No other challenge sparks concern among nearly as many shippers. But 38% mention the challenge of finding capacity— somewhat more than the proportion of truckers who say they have challenges providing capacity. Among shippers, 38% also cite challenges with customer service.

Almost as many—35%—say that price pressures from customers and their competition pose important challenges. Despite the recent growth in e-commerce, only 11% mention surges in e-commerce volume as a notable challenge.

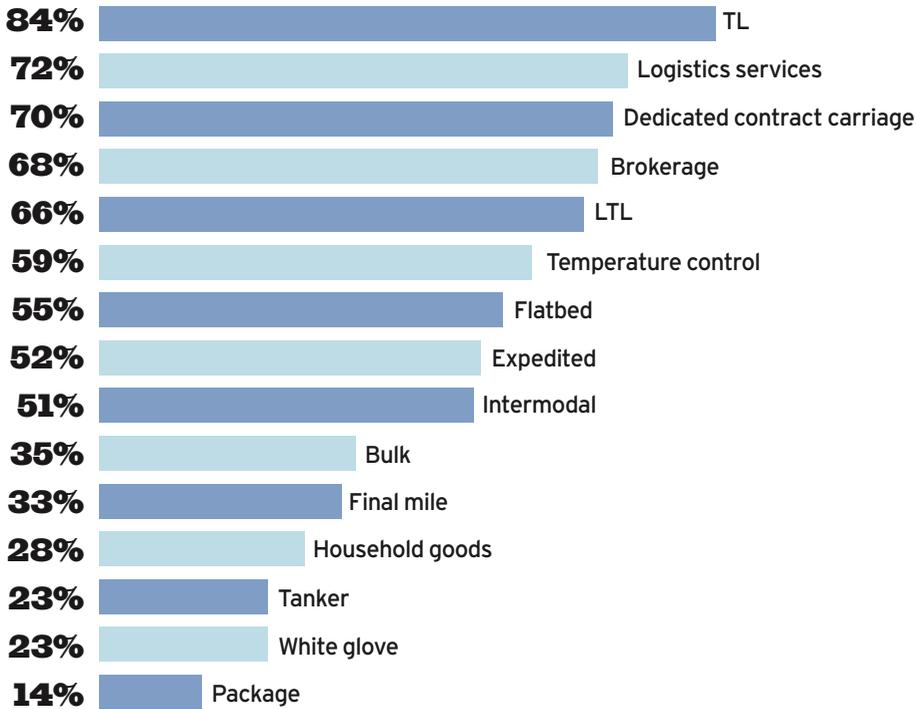
TRUCKERS: WHAT ARE YOUR GREATEST CHALLENGES?



What a difference a lockdown makes. In 2019, only 6% of truckers listed “finding and retaining customers” as a major challenge. In 2020, that number jumps to 52%, reflecting the way “non-essential” businesses shut down for weeks and consumers revamped their buying habits. At the same time, even with demand softening, trucking companies don’t find it any easier to provide all the capacity their customers need. This year, 29% of respondents mention “providing capacity” as a top challenge, up from 21% in 2019.

The cost of recruiting, retaining, and training drivers remains the biggest challenge, cited by 89% of truckers. Other important issues include insurance costs (65%), price pressure from customers/competitors (47%), and technology investment (42%). Also notable is that while 21% of truckers cited fuel costs as a challenge in 2019, that fell to 10% in 2020, reflecting the Administration’s energy policy impact on fuel prices.

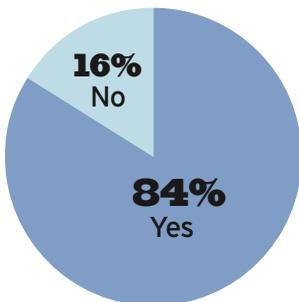
TRUCKERS: WHAT PRIMARY TYPES OF SERVICE DO YOU OFFER?



Full truckload is the service you're most likely to find among trucking companies that responded to the survey: 84% of them can haul a trailer filled with your goods. Seventy-two percent complement their transportation offerings with broader logistics services, and nearly as many, 68%, can serve as transportation brokers.

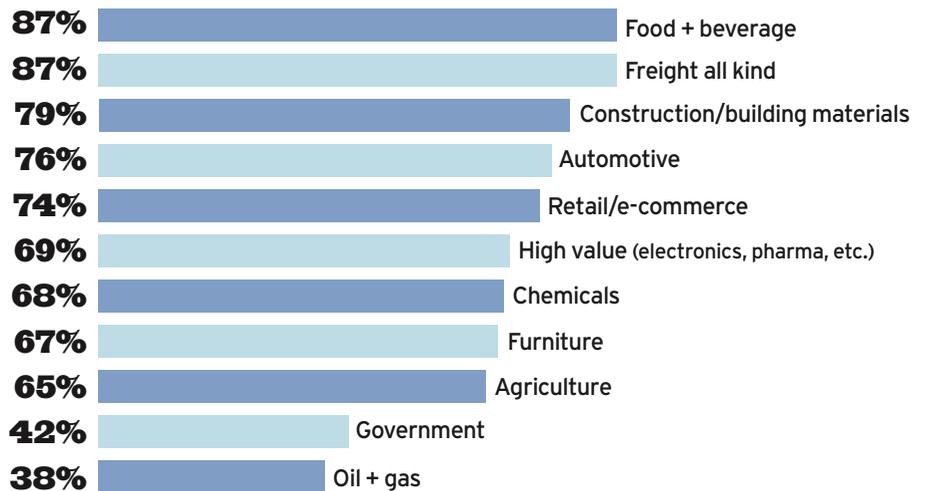
Other services easy to find among respondents include dedicated contract carriage (70%), less-than-truckload (66%), temperature-controlled transport (59%), flatbed (55%), and intermodal (51%). For companies that sell direct-to-consumer, one-third of respondents can provide final-mile transport and about one-quarter offer white-glove services, but only 14% transport small packages.

TRUCKERS: DO YOU HAVE A FREIGHT BROKERAGE OR LOGISTICS SERVICES DIVISION/SUBSIDIARY?



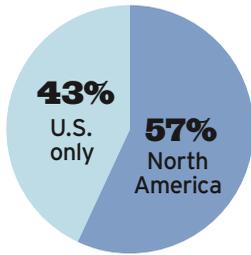
A large majority of the trucking companies that participated in the survey—84%—have a division or subsidiary that provides freight brokerage or logistics services.

TRUCKERS: WHAT INDUSTRIES/COMMODITIES DO YOU SERVE?



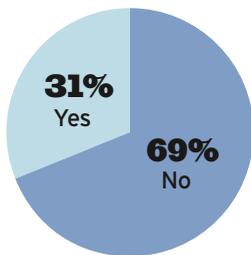
Most of the carriers who responded to the survey, 87%, are prepared to carry "freight all kinds" or loads that include different categories of product. The same proportion serve the food and beverage industry, the most popular market segment among responders. Other commodities respondents haul down the road include construction and building materials (79%), products used in the automotive industry (76%), and the miscellany of products sold by brick-and-mortar and online retailers (74%). In addition, more than two-thirds of respondents transport high-value products, chemicals, or furniture. Only 42% of respondents provide transportation for government organizations, and 38% serve the oil and gas or energy markets.

**TRUCKERS:
WHAT IS YOUR
OPERATING
AREA?**



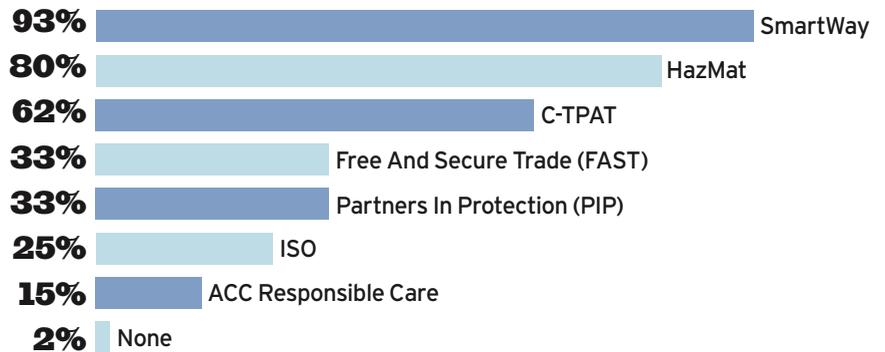
In 2019, 65% of carriers in the survey said they served all of North America, while 35% said they covered the United States only. This year, truckers seem to be pulling back from the borders. Only 57% say they cover North America, while 43% restrict their services to the United States. Despite closing their borders to non-essential traffic during the COVID-19 emergency, the three parties to the new United States-Mexico-Canada Agreement (USMCA) still allowed trucks to cross. But volatile customer demand has clouded the situation.

**TRUCKERS: DO YOU
PROVIDE GLOBAL
SERVICES BEYOND
NORTH AMERICA?**



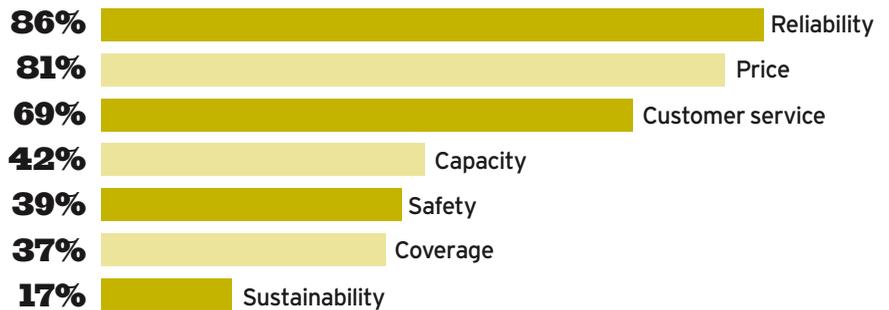
Global activity has grown slightly more common among carriers in the survey. In 2019, 27% said they offered services beyond North America. In 2020, that number is 31%.

TRUCKERS: WHAT CERTIFICATIONS DO YOU HOLD?



The certification that carriers in the survey are most likely to hold is for the U.S. Environmental Protection Agency's SmartWay program, under which they document and share information about their efforts to reduce fuel use and carbon emissions. Ninety-three percent are SmartWay members. And 80% are certified to transport hazardous materials. Sixty-two percent participate in the Customs Trade Partnership Against Terrorism (C-TPAT) program, which can ease transactions at ocean ports and airports as well as at international borders. But only 33% are certified in the Free And Secure Trade (FAST) program for commercial vehicles, designed to ease border crossings. That's down from 46% in 2019—a drop in keeping with the decrease in the number of carriers who serve all of North America.

**SHIPPERS: WHAT ARE THE MOST IMPORTANT FACTORS TO
CONSIDER WHEN CHOOSING A TRUCKER PARTNER?**

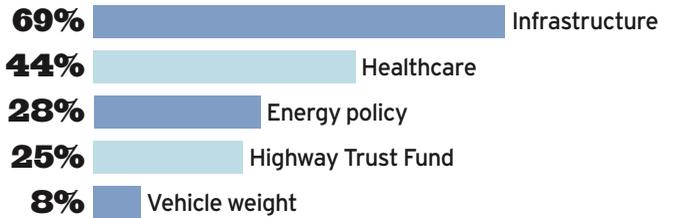


Price is only the second-most important criterion for shippers when selecting a carrier. Among respondents, 81% point it out as a crucial factor to consider, but even more—86%—name reliability. At companies that strive to match incoming product orders to actual need, it's essential carriers deliver freight as promised. The third-most important consideration is customer service, cited by 69%. Some comments we received from shippers reinforced these concerns about reliability and customer service. When asked which carriers provide the best service, one respondent points to "small niche players," noting, "some large companies are failing in service." Another shipper comments, "Smaller carriers are more reliable."

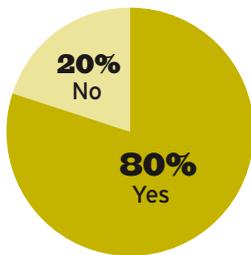
As one might expect, the ability to provide capacity rates high with a significant number of shippers; 42% of respondents choose that as an important criterion. Safety is a key consideration for 39%, and a carrier's coverage area comes into play for 37% of respondents. Only 17% of shippers in the survey name sustainability as an important factor. While this factor might carry more weight in a better economy, in the midst of a pandemic-triggered economic meltdown, environmental responsibility apparently is not top-of-mind for most shippers.

TRUCKERS: WHAT LEGISLATIVE MEASURES HAVE THE GREATEST IMPACT ON YOUR BUSINESS?

After 40 years of talk about improving America's roadways, 69% of truckers still say legislative measures on infrastructure (or the lack thereof) have the greatest impact on their business. The second-biggest concern is healthcare legislation, an issue for 44% of respondents. Also, 28% mention energy policy, perhaps reflecting truckers' concerns about a possible Green New Deal.

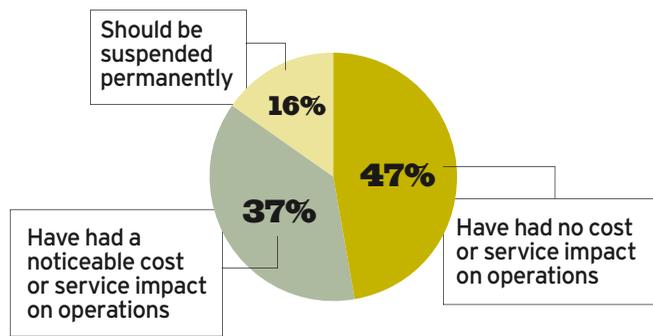


SHIPPERS: HAVE YOU EXPERIENCED RATE HIKES APART FROM FUEL SURCHARGES?



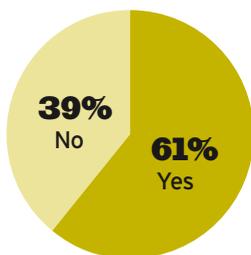
Fuel prices may be low right now, but trucking rates are not. Eighty percent of shippers report rate hikes, separate from any fuel surcharges. This is not surprising in a market where capacity often remains scarce.

SHIPPERS: HOW DO YOU FEEL ABOUT CSA REGULATIONS?



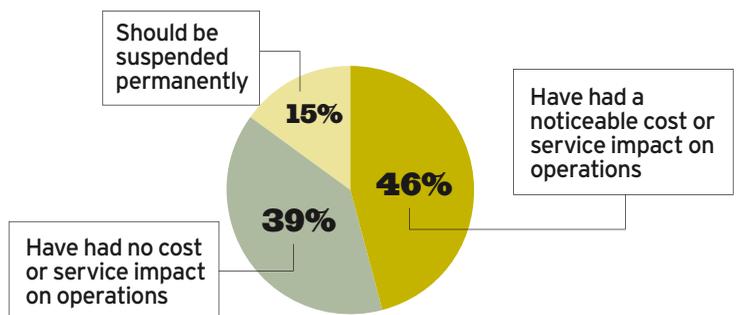
More than one third of shippers in the survey say that the Federal Motor Carrier Safety Administration's Compliance, Safety, and Accountability (CSA) regulations have affected the cost of their operations or the service they receive from carriers. Even so, shippers seem to have no desire to suspend those regulations; only 16% of respondents say CSA regulations should be suspended permanently.

SHIPPERS: HAVE YOU EXPERIENCED A SHORTAGE OF TRUCK CAPACITY?



There's a good reason why finding capacity is among the top three biggest challenges named in 2020. Sixty-one percent of respondents to the survey say they have experienced a shortage of truck capacity.

SHIPPERS: HOW DO YOU FEEL ABOUT HOURS-OF-SERVICE REGULATIONS?



Federal regulations that govern the number of hours a driver can operate a truck seem to pose a bigger problem for shippers than do CSA regulations. Forty-six percent of shippers in our survey say that Hours-of-Service (HoS) regulations have had a noticeable cost or service impact on their operations. But only 15% say those HoS rules should be suspended permanently.