

2016 STATE OF NORTH AMERICA INTEGRATED TRANSPORTATION SURVEY, CONDUCTED BY **AVERITT**



SHIPPERS WEIGH IN: 2015 IN REVIEW AND DRIVING FORWARD IN 2016

In December, we invited shippers from a wide range of industries to take part in our first annual survey to gauge the overall transportation and supply chain experience of 2015 and to also gain insight into expectations for 2016.

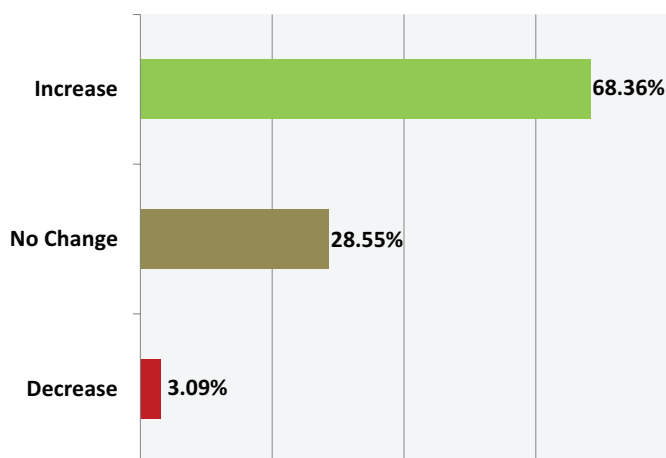
More than 1,200 individuals participated, providing ample data to analyze and develop a clear picture of what the road ahead may look like for shippers throughout North America.

Positive Outlook Amid Global Uncertainty

Given the volatility of global markets last year, particularly in the final quarter, it may come as a surprise that the majority of U.S. shippers expect to see an uptick in shipping volumes in 2016. To that point, just 3.09% of the respondents felt that their businesses would see volumes drop.

The data tends to mirror the outlook of the Congressional Budget Office (CBO), which anticipates the economy will grow solidly through 2017. The CBO forecasts that the real

Question: Compared to 2015, do you anticipate an increase in shipping volumes or a decrease in 2016?



GDP will grow by 2.7% in 2016 as a result of an increased demand for goods and services if current federal taxes and spending hold steady.

Narrowing Down The Carrier Lineup

When respondents were asked how many carriers they used in 2015, the numbers were relatively even when it came to both outbound and inbound shipments. Very few shippers—less than 4 percent—can rely on a single carrier for all of their needs. Just over a third—35%—use more than five carriers in their supply chain.

The vast majority rely on between 2 and 5 service providers.

In many cases, these numbers reflected the fact that the shipper's customers decided upon the carrier. However, when respondents were asked if they were looking to add or reduce their carrier pool, 21% said they wanted to streamline the process while only 6% wanted to add more.

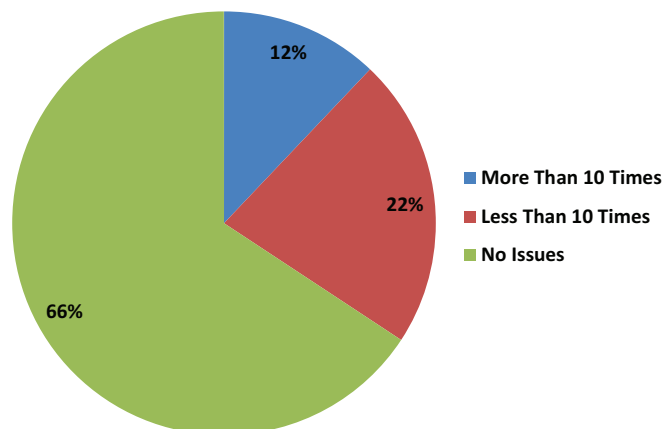
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The remaining 73% were unsure, which could be attributed to the possibility that they are using numerous service providers for different services (LTL, ocean/air forwarding, flatbed) and feel that options are limited. Nonetheless, streamlining to one service provider for most transportation and logistics needs is possible. Averitt, for example, offers a much broader range of services beyond LTL and TL, which helps reduce the headache of juggling several service providers.

Issues With Capacity In 2015

In 2015, the driver shortage was the hot topic of discussion for the transportation industry. Coupled with increasing regulations on carriers, the lack of commercial drivers has contributed

Question: Did tightening capacity among truckload carriers lead to missed delivery targets in 2015?



to capacity shortages across the country, particularly within the truckload services sector.

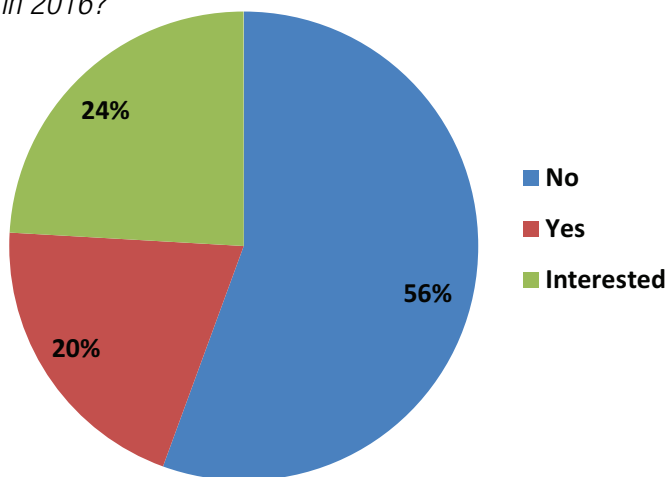
Fortunately, 66% of shippers didn't experience even one missed delivery target. However, that number is sobered by the fact that 34% did face issues with capacity in 2015.

With no immediate end to the driver shortage in sight, carriers and shippers are having to work more closely than ever to keep businesses running smoothly. This requires the carriers to think outside of the box in their service offerings and for shippers to lock down capacity ahead of time and to even look beyond traditional dry van offerings.

A Strong Interest in Rail Service

Amid the tightened capacity felt by many shippers in 2015, intermodal services became a beacon of hope for some. Nearly half of all respondents said they will use or are interested in using intermodal services in 2016.

Question: Do you plan on using intermodal services in 2016?



Of course, lower diesel prices can help reduce the costs of road transportation, but pricing won't fix capacity crunches. Furthermore, diesel prices are subject to fluctuations. When oil-producing nations flood the market, transportation costs can lower. However, when the flow of oil is restricted, prices can jump quickly.

And that's one of the other strongpoints of utilizing intermodal services within a supply chain. Rail service is more energy-friendly and not as adversely affected by the price of oil.

While intermodal transit times tend to be slower than road transportation, good logistical planning and working with the right minds can generally help to offset lead times and even cut down on the overall costs of transportation.

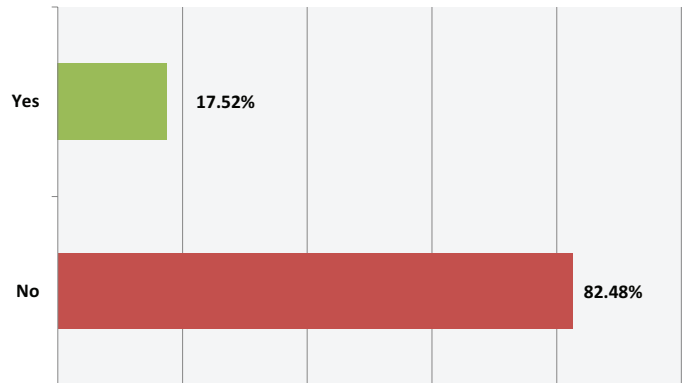
For example, Averitt's Asia-Memphis Express service uses intermodal transportation from Los Angeles to the Southeast. This unique service helps shippers streamline the importing process via in-house customs clearance while cargo is still in transit on the water or rail. This helps avoid customs holdups at the international entrypoint and can reduce the overall import process by up to 10 days.

Growing Number Look To Shift Away From The West Coast After 2014-2015

During the 2014-2015 West Coast container congestion and port labor crisis, countless international shippers experienced long delays in transit, and many took financial hits as a result.

During that time, Averitt worked with many shippers to reroute their cargo to ports along the East and Gulf Coasts. Since then, there has been a growing number of shippers that are permanently rerouting away from the West Coast.

Question: Will you ship less cargo through the U.S. West Coast in 2016 due to congestion and delays experienced in 2015?

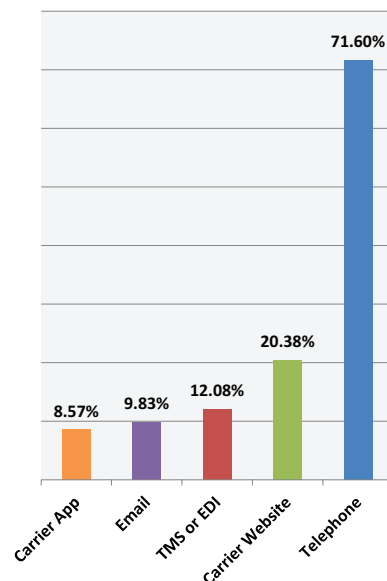


Nearly 1 in 5 said they will use West Coast ports less than before. Additionally, there are many other factors that are driving cargo away from the traditional West Coast gateways, including mega-vessels, the expansion of the Panama Canal, and infrastructure development along the East and Gulf Coasts.

How Shippers Are Scheduling Pickups

When it comes to technology and scheduling pickups, shippers are still more comfortable dealing with a human voice on the other end of the line.

Question: In which ways did you schedule a shipment in 2015?



Nonetheless, 1 out of 5 shippers booked a shipment through their carrier's website in 2015. Additionally, carriers are also looking to other tools to schedule pickups, including email and smartphone apps.



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Addressing Challenges of 2015 & 2016

When we asked shippers what they believed would be their biggest challenges in 2016 with regards to transportation, the responses were nearly identical to their biggest challenges in 2015.

First and foremost, freight damages topped the list for both years. This is a problem that has existed since the concept of delivery by truck was conceived. However, that doesn't mean shippers and carriers have to settle for a "status-quo" service.

Identifying a carrier partner should involve checking in to their track record when it comes to damages and claims. At Averitt, we take pride in the fact that our overall claims ratio in 2015 of .57% was well below the industry average.

Additionally, shippers are worried about on-time deliveries in 2016. Not unfounded, these issues are often the result of working

with carriers that are not proactive. The key to success in 2016 and beyond for many will involve identifying carriers that go above and beyond to address underlying issues that can lead to negative service performance, such as not being aggressive when it comes to driver retention.

Conclusion

All in all, our survey results seem to show that 2016 will be a year with both new challenges and old ones. The ever-diversifying transportation industry will continue to grow and bring new challenges to the marketplace. However, the challenges that your business will face in 2016 may be as unique as you are.

As you seek to turn 2016's challenges into opportunities, connect with your carrier partners to find mutually-beneficial solutions that grow your relationships. The power of your carrier partnerships will fuel your business for 2016 and beyond.



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