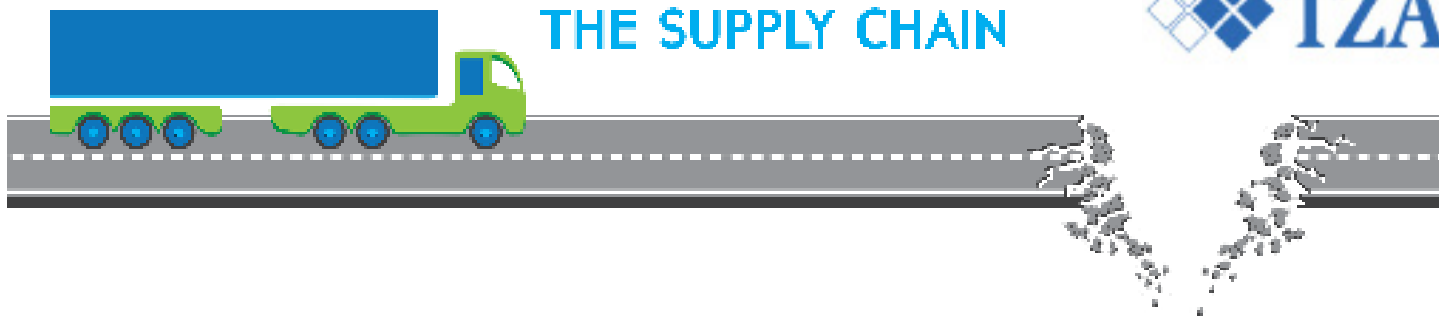# HOW RISING TRANSPORTATION CHALLENGES ARE AFFECTING
THE SUPPLY CHAIN

Few businesses feel the impact of today's industry changes more than those in logistics, supply chain and transportation.

And though transportation is a vital link at the end supply chain, it's often distributors and manufacturers who are partially responsible for mounting transportation challenges. That's why the time to increase awareness and educate the industry on ways to mitigate transportation challenges is now.

Driver Shortages

Over the last decade, the transportation industry has struggled with a shortage of drivers. According to the American Trucking Association's Truck Driver Shortage Analysis 2017, driver shortages number just over 60,000 and could climb as high as 175,000 by 2026.

What's behind this staggering shortage? To start, available qualified drivers are in short supply, while a strong economy has reduced unemployment rates to the lowest they've been in years, resulting in a tight labor market. In addition, up-and-coming generations are less inclined to be drivers: for instance, 4 in 10 millennials have at least a bachelor's degree and seeking white collar jobs. This is especially problematic when you consider that, according to the same Truck Driver Shortage Analysis 2017, "over the next decade, the trucking industry will need to hire roughly 898,000 new drivers, or an average of nearly 90,000 per year. Replacing retiring truck drivers will be by far the largest factor, accounting for nearly half of new driver hires (49%)."

And as if this all weren't enough, a final contributor to the driver shortage is the current industry turnover rate, which is nearly 100%, partially attributable to retirement and more substantially attributable to the "churn" that happens as drivers move from one carrier to another. The result is trucking companies being forced to compete for the same resources in shrinking labor pool, trying to entice other carrier's drivers with sign-on bonuses, higher pay, newer trucks and better routes.

Increasing Customer Demands

The driver shortage is a significant challenge on its own; unfortunately, those in transportation have to face rising sales and what might seem like unreasonable customer demands thanks to the "Amazon effect." Customers want what they want, when they want it, placing more pressure than ever on companies when it comes to meeting – or exceeding – delivery expectations.

Another offshoot of the Amazon effect is the overall increase of online purchasing. With more consumers ordering off the internet, last mile delivery costs are skyrocketing and have become the most expensive part of the product journey. This is due to the increased need for drivers, free shipping and return offers, same-day delivery options, and smaller, customized batch orders. This puts companies in a struggle to balance competing priorities – the need to keep the supply chain moving quickly while still protecting profit margins.

SHIPPING OPTIONS:
- ☐ 5-7 DAYS
- ☐ 3-4 DAYS
- ☐ 1-2 DAYS
- ☑ SAME DAY
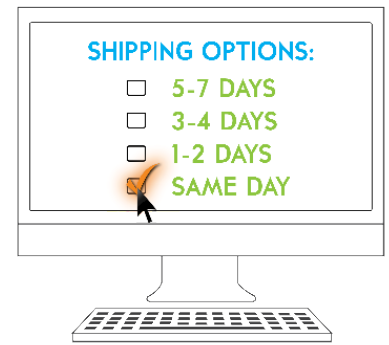
Capacity Crisis

If there weren't driver shortages, changing customer demands or logistical commerce issues, the transportation industry would still face a major challenge – a growing trucking capacity crisis.

According to Freight Transportation Research Associates' Vice President of Commercial Vehicles, Don Ake, "There is an enormous demand for trucks due to burgeoning freight growth and extremely tight industry capacity. However, supply is severely constrained because OEM supplies cannot provide the needed parts and components required to build more trucks fast enough. This bottleneck is causing fleets to get more orders in the backlog in hopes of getting more trucks as soon as they are available". The same article reported that "North American Class 8 orders for June 2018 neared 41,800 units, making it the highest June ever recorded up to that point and signaling a 140% increase above the same time in 2017." This lack of available capacity – combined with the driver shortage and increasing customer demands – further compounds the pressure on today's supply chain.

What Can Distributors and Manufacturers Do to Mitigate Challenges?

Driver shortages, increasing customer demands and the lack of trucking capacity are all working to slow down the movement of goods. As a result, distributors and manufacturers are challenged to find new ways of making their supply chains as more efficient and cost-effective.

And with every challenge comes opportunity. In this case, that opportunity comes in the form of Labor Management Software (LMS). Using an LMS, distributors and manufacturers can leverage predictive analytics using both real-time and historical data to better optimize their current workforce and forecast future demands. Having more predictable demand allows organizations to proactively scale or reposition drivers and other employees as needed or work with their transportation providers to lock up needed capacity. This allows companies to better navigate today's supply chain challenges and ensure they are maintaining high levels of service to their customers, while keeping transportation costs in check.

If you'd like to learn more about how TZA helps companies overcome transportation challenges and embrace Labor Management technology, call 1-800-229-3450 or visit www.TZA.com.

Contact Us Today

TZA
3880 Salem Lake Drive
Long Grove, IL 60047
(800) 229-3450
info@tza.com

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