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THE FUTURE OF SHIPPING

What is Automatic Load Sharing?

Logispics

Introduction

IF YOUR PARENTS WERE ANYTHING LIKE MINE, they could never remind you enough about the ethical implications of food waste. "After all," they would say, looking at a pile of broccoli. "Just think of what a starving child would think about you throwing away that perfectly good food."

Waste in the shipping industry might have less dire implications, but there is certainly a cost that results from trailer underutilization. According to the Department of Transportation, the average trailer is running at only 64% full. More than one-third empty.

That waste doesn't cause suffering to theoretical children, however. It causes suffering for your company, and your job.

Every one of those miles comes at a cost. According to Business Insider, the value of the truckload industry is nearly $600 billion. If only 64% of the space in those trucks is used, that means almost $216 billion in trailer space is being bought, but never used.

If your parents wanted to rub in the ethical implications of empty miles, and not just the financial ones, consider fuel waste. If 36% of every trailer is empty, that suggests up to 36% of trailers could be taken off the road if they were used more efficiently. That's billions of gallons of gas wasted, leaving a massive carbon footprint.

The empty space on your trailers is obvious. The solutions might not seem as simple, but they exist. Read this white paper and find how to find savings, and even profit, in the underutilization problem.

Brian Augsburger
CEO, Logispics

ABOUT US

Logispics is a startup formed in Columbus, Ohio, by experienced supply chain specialists. We saw trends leading to empty trailers, and we wondered how to find profit in otherwise unused space.

Logispics has created apps to push a new revolution in shipping: Automatic Load Sharing. Rather than letting empty space stay empty, we allow large shippers to sell their unused trailer space to smaller companies who need it. Big shippers don't waste cash on empty trailers. Small shippers don't waste cash getting their own trailers for less-than-truckload routes. Everyone wins.

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PART 1

Problems that lead to underutilized trailers

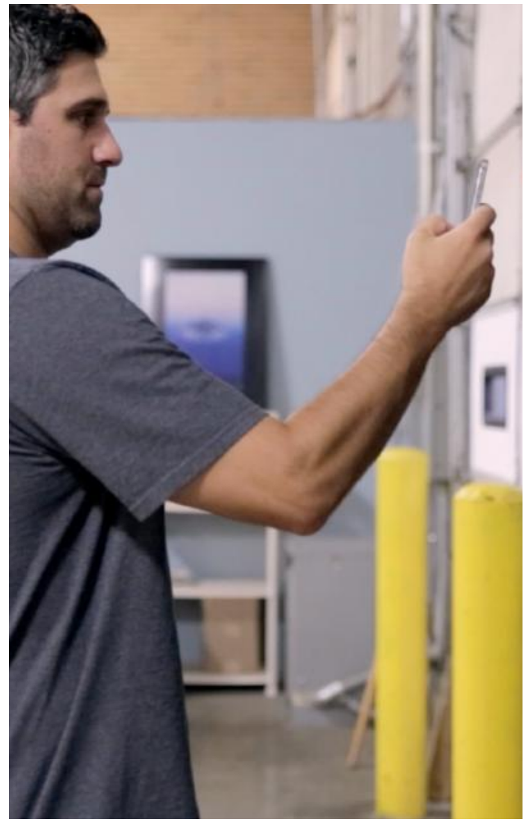
"To achieve great things, two things are needed; a plan, and not quite enough time."

–LEONARD BERNSTEIN

Technological advancements have helped improve many of the world's problems across the last few decades. Unfortunately, these same advancements have made trailer utilization even worse.

We live in an age where anything can be done here-now-fast thanks to Just-in-Time practices. Orders placed, delivered and shipped in as little as two hours. The negative side effect is that buyers expect the same sort of efficiency for all materials. Shippers and manufacturers don't have the luxury of waiting for a full shipment to develop, thus they send truckloads that aren't full in order to match the speedy expectations of their clients.

Manufacturing has experienced this to an even greater degree. Consider automobiles: It's less efficient to make every part in the same location than it is to produce greater loads of specified parts in a different locale, and then ship them to a third site for assembly. For example, around half of the Ford F-150's parts are made in the U.S. Another 15% are made in Mexico, with other contributions coming from Canada, China, Germany and elsewhere. This emphasis on specialization results in smaller loads that are shipped in custom packaging. It leads to better, more innovative products, but it also makes the supply chain more convoluted and confusing.



The speed demanded from modern clients and consumers also leaves little time for another task: Developing plans to combat the scourge of empty miles. Potential "milk runs," to pick up multiple loads along one route, are ignored. Companies don't search for better routes.

That doesn't mean that shippers and manufacturers are completely ignoring the problem, however.

PART 2

What are companies currently doing?

"The per-mile costs of operating a truckload carrier are going up at a pace twice that of the pricing power currently being achieved."

That's how Donald Broughton of Avondale Partners explained the trends of the trucking industry. Prices of operation are going up, but earnings aren't rising to meet these costs. Shippers understand the issue, and have started making moves to finding solutions.

The most popular option—perhaps because of shippers' lack of time—is to hire third-party logistics companies (or 3PLs) to figure out these problems for them. The 3PL industry has grown tremendously in value, starting at around $100 billion as of 2012, and it's projected to grow another 50% by 2020.

These companies try to calculate the most profitable route for shippers by using proprietary optimization software and trailer management systems (TMS) to optimize client networks. This is a good start, but flaws emerge when you consider the specialization problem. There are so many producers creating individualized parts. Optimization is reliant on a vast network of suppliers and other 3rd parties that aren't always looking out for their customer's transportation costs. Without gaining the necessary level of supplier compliance to the shipping process, optimization is likely be suboptimal.

The best option in theory so far is a Shipper Consortium, which is an arrangement where multiple large shippers band together to share freight, converting LTL shipments to full truckloads and maximizing trailers. The problem is maintaining this success when the human element comes into play. Without an automated platform which protects delivery requirements on both ends, the parties almost inevitably begin to feel slighted by another member of the Consortium. Competition overtakes collaboration

What Bad Data Looks Like

This is a real photo of a Fortune 100 manufacturer's trailer, which was taken by a member of the Logispics team. This wasn't a one-off, but rather a milk run that had been running for years. Obviously it's an exaggerated example, but it indicates just how much wasted spending big shippers are willing to swallow because of bad data. Companies need tools to properly, and consistently, measure trailers.

Shippers shouldn't settle for truckloads such as this. The question is how to redeem the value that dwells in this trailer's empty space.

PART 3

The future is automatic load sharing

"If you think of standardization as the best that you know today, but which is to be improved tomorrow; you get somewhere."

–**HENRY FORD**

Sometimes it pays to step back and look at the rest of the business world in order to find a solution to modern problems.

Right now, the hottest trend in startups is based around the idea of a "Sharing Economy." Airbnb allows you to share someone's residence for cheaper overnight stays. Uber allows you to share rides for cheaper personal transport. Why shouldn't there be a way for companies to share trailers for cheaper business transport? This is an idea that we at Logispics call "Load Sharing."

There are two kinds of shippers that struggle with empty space. The first consists of major companies who ship "full" truckload—even when they don't have enough product to fill the trailer (there are many reasons for underutilized trailers, which you can review in our whitepaper)—in order to keep up with the quickness demanded by customers . The second group includes smaller shippers who can't fill, and would rather not pay for a full trailer. They're only other option is less-than-truckload shipments, which tend to be slower, costlier and more susceptible to damage claims.

Logispics brings these two parties together. The Anchors, or big shippers, have empty space to give. Hitchers, or small shippers, can use that empty space to send their own goods both cheaper and quicker. The big shippers, in turn, have their own shipping prices decreased thanks to the "rent" paid by their trailer partners. In an ideal situation, the big shippers can actually make money by shipping their own goods.

We didn't invent the concept of Load Sharing, but we are developing the technology that will finally make it automatic and effective for shippers of all sizes.

This technology includes two elements: First, the Logispics mobile app allows dock workers to measure and report their available space in real time for ideal partnering. Secondly, a network that finds suitable companies for load sharing, based on route and space available.

Something must be done. Less empty space means decreased line haul costs, less spent on fuel and, accordingly, lower carbon emissions.

Make Automated Load Sharing part of your goal. Your company, your customers, and the environment will thank you.

CLAUSTROPHOBIA

Scared of sharing your trailer space?

Change is a scary thing, and is often fearsome enough to frighten potential benefactors away from making the leap toward something better. But consider the alternatives.

As it stands, if you're sending out trailers that aren't full, you're losing money even if you don't realize it. And the Just-In-Time environment doesn't make it easy for many shippers to send truckloads that are honestly full.

Shippers have reservations, and that's understandable.

After all, someone was nervous before they booked a ride using a mobile app instead of calling a cab. Someone was wary before ordering a book online, instead of going to the store. Someone shed some sweat before sending a piece of mail digitally, instead of with a stamp. Soon enough, these actions were second nature to humanity. Shipping is about to undergo a similar revolution with Automatic Load Sharing. It won't hurt you to jump on the bandwagon a few years down the line. But it could save you millions, and offer a significant competitive advantage, to jump on the truck now.

TAKE ACTION

Your Role in Optimizing The Supply Chain

Where do you fit in the grand scheme of Automated Load Sharing? Are you an Anchor or a Hitcher?

Anchor:

- ✔ I’ve got plenty of extra space in my trailers because I can’t wait for a full load.
- ✔ I struggle to fill my trailers because of the delivery expectations of my clients.
- ✔ I’ve got consistent routes but not neighboring freight to build fully optimized milk runs.
- ✔ I swallow the costs of empty space because what other choice do I have?

Hitcher:

- ✔ I don’t produce enough to justify a full truckload.
- ✔ I turn to inefficient LTL shipments because it’s still cheaper than ordering a “full” trailer.
- ✔ I struggle getting accurate, consistent quotes for routes because that’s just how LTL is.
- ✔ I swallow the costs of shipping LTL because what other choice do I have?