

The State of the Market - June 2022

Why our new, newer & newest normal - volatility - is here to stay

Emerge

Introductions



George Abernathy

President, Emerge

“I’ve been chasing optimality in transportation procurement for greater than two decades”

All freight starts with the RFP.

Best Practices.....Network Effect.....Scenario Management.....Optimization based bidding



What we'll talk about today:

1. Discuss **market volatility in freight today** and explain how we have dramatically changed from a carrier to shipper market.
2. **Always be benchmarking.** Detail why benchmarking is crucial first step in any successful RFP event.
3. **Discover tips & tricks for carriers** trying to navigate an unpredictable market
4. **Intellectual Curiosity** will serve you well

The New, Newer, Newest Normal.

- Market volatility is a constant
- The spot market is bottoming out, and shippers are returning to contract rate at a record pace.
- Historic best practices are being upended by forward-thinking Freight Procurement practices like shorter bid cycles

From a Carrier Market to a Shipper Market in Just two months.

“We think another sharp, painful downturn in the U.S. truckload market is imminent, and it could be as bad as 2019.”

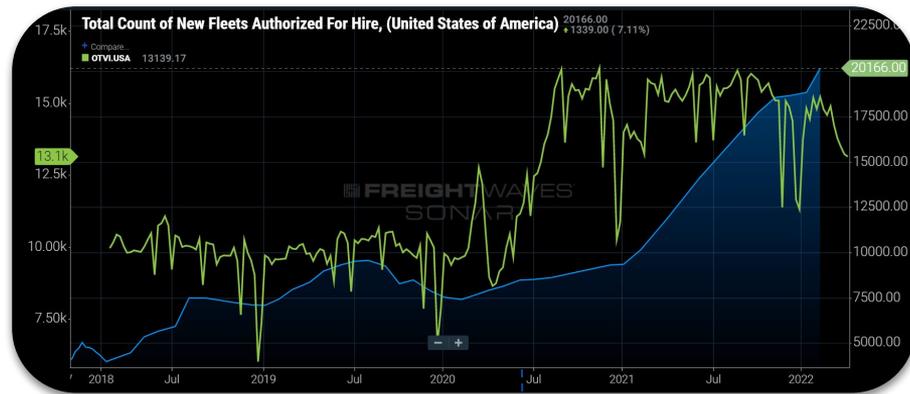
- FreightWaves CEO Craig Fuller

Just 3 years after 2019’s trucking bloodbath, another is on the way

Craig Fuller, CEO at FreightWaves Thursday, March 24, 2022 4 minutes read



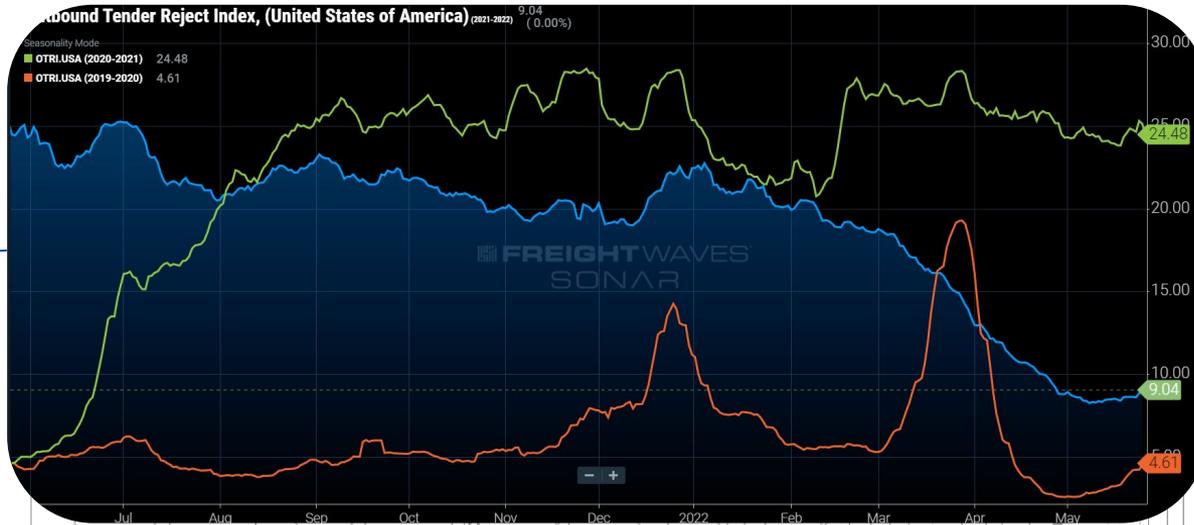
Is the truckload market about to suffer a major downturn? (Photo: Jim Allen/FreightWaves)



- New fleet registrations were up to 20,166 last month alone. This is unprecedented. The last peak was in August 2019; with 9,511 new trucking fleets

Truckload Demand

PLACE
O AWARD
ARKING



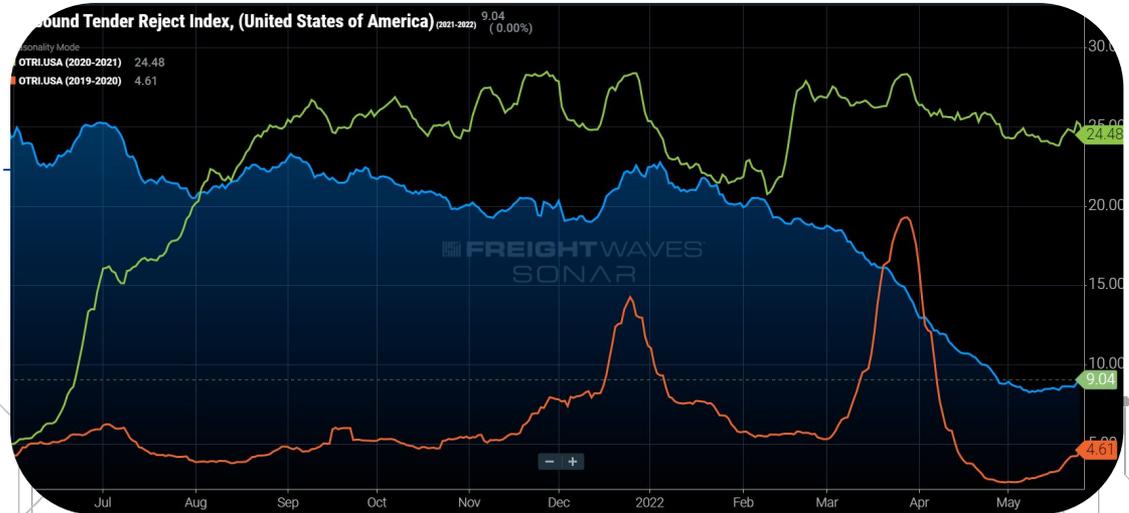
KEY HIGHLIGHTS

- **Outbound Tender Volume Index** - based on a 7-day rolling average of truckload tenders, base value of 10,000 on March 1, 2018.
- OTVI has dropped 17.81% over the past month. Lowest non-holiday level since Feb 2021. The past 3 years have not been the same.

Carrier Compliance

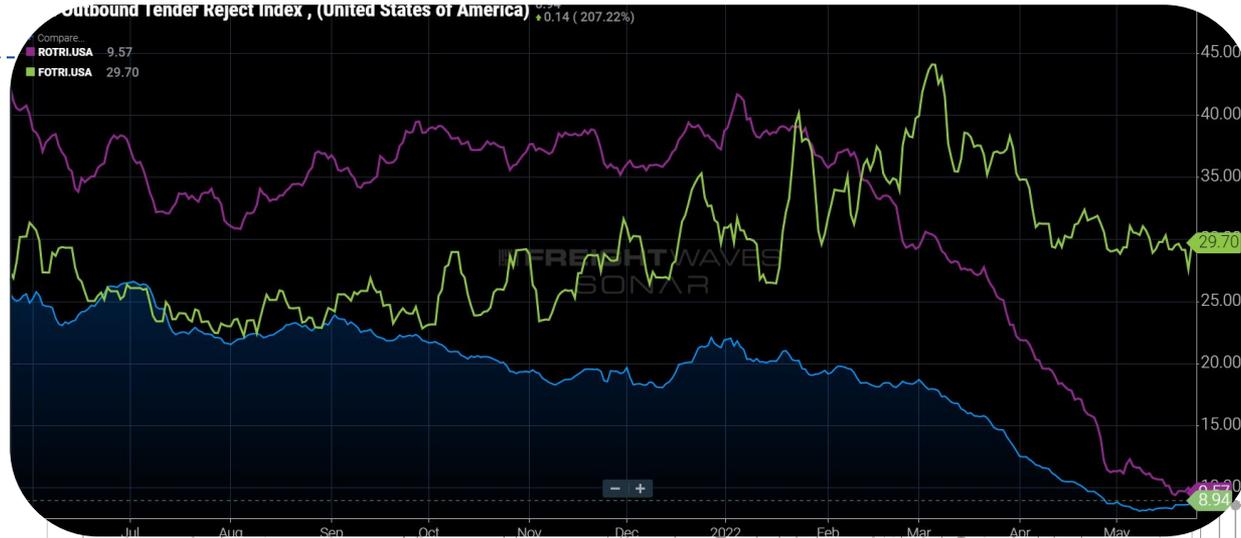
KEY HIGHLIGHTS

- **Outbound Tender Rejection Index** - % of tenders rejected by carriers. Higher #s = tighter.
- OTRI is declining at the fastest pace since January 2021—dropped from 18.46% on March 6 to 13% on April 3. Lowest value since June 2020.



National Tender Rejections

By mode



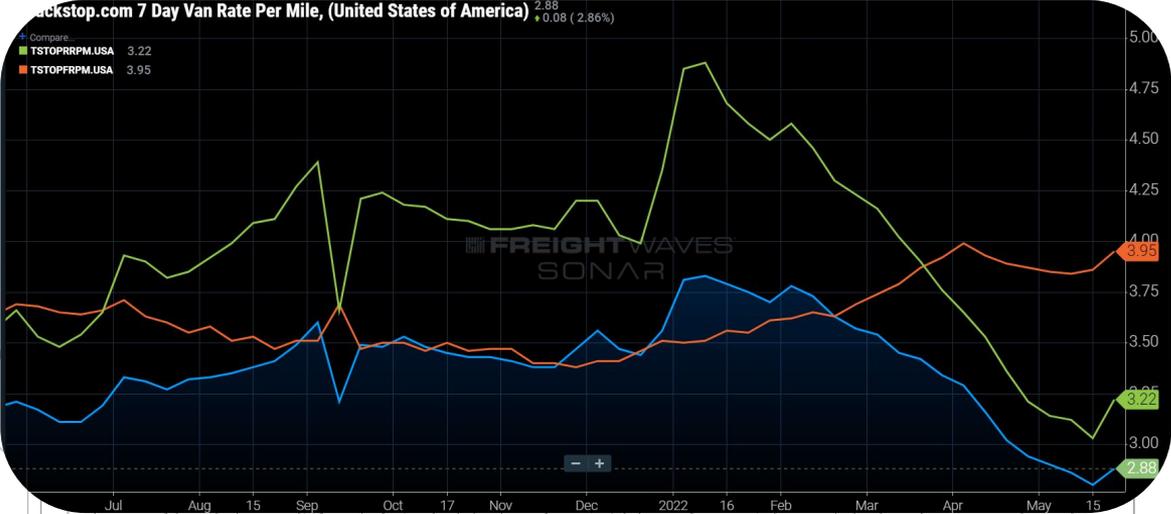
KEY HIGHLIGHTS

- Tender reject index divided into van, reefer, and flatbed
- Refrigerated rejection rates have dropped from 37% to 21% since Feb 9.
- Flatbed capacity tightening on strong housing and industrial (energy) sectors.

Spot Rates

KEY HIGHLIGHTS

- All-in spot rates from Truckstop.com top 100 lanes for Van, Reefer and Flatbed.
- Spot rates moving in same direction as rejection rates for each mode in near-term.

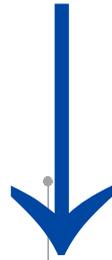


Warehousing Costs & Inventory Levels



KEY HIGHLIGHTS

- **Logistics Manager's Index** - diffusion index like the PMI where values above 50 indicate expansion and below 50 are contracting. **Inventory levels = 80** (record expansion).
- Inventory levels grew at record pace in February. Indication of over-ordering and potentially waning demand—cost of holding inventory spiking. *Inventory management is a nightmare.*



17.81%

OTVI for April YOY

All freight starts with an RFP

Tips for **Shippers**

Best Practices For Freight Procurement

Ending the Pain Spreadsheets and Email



RFPs

THEN

NOW



- Annual RFPs
- Conducted via spreadsheets and email
- Fully Manual Consolidation

Seasonal Bids

Prepare for seasonal volume increases with short term bid durations.

Mini Bids

Test market contract rates in real time with smaller bids for identified lanes.

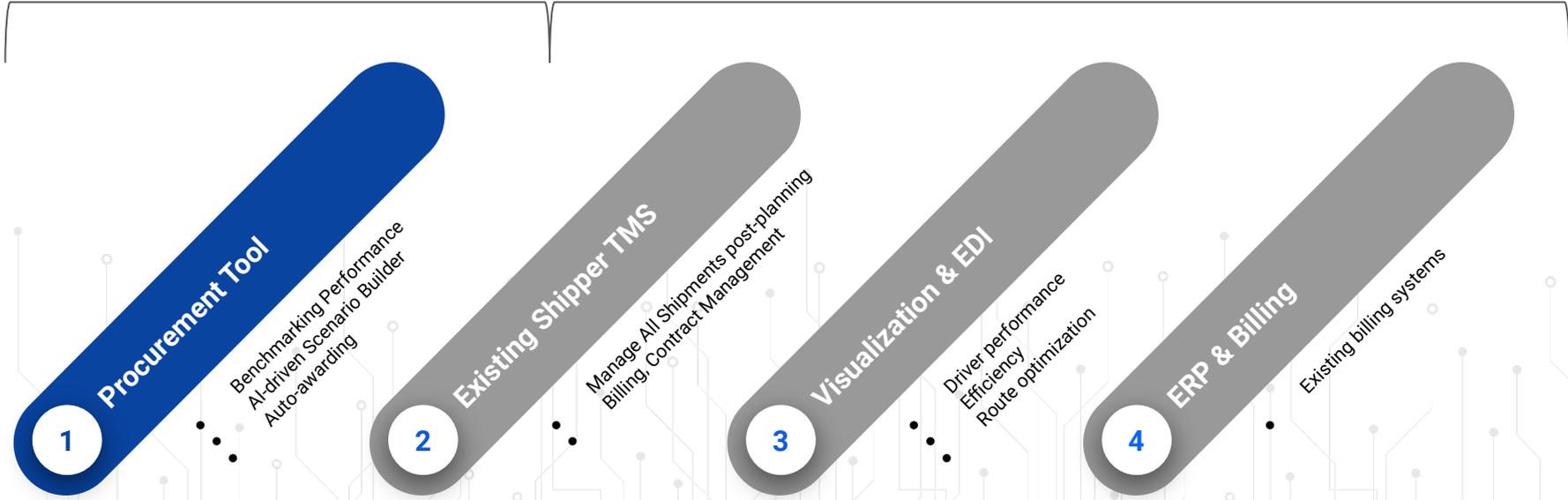
Quarterly RFPs

Replace Annual RFPs with Quarterly RFPs to ensure that current rates are as competitive as possible on identified lanes.

The New Freight Tech Stack

Planning

Execution



Your First Step: Benchmarking

CLOSE

Top Grocer

Summary

Lanes

Network Partners

Rate Analyzer / Top Grocer / Lanes

Lanes 10

Search

Route Guide Performance Equipment Type

Lane ID	Route Guide Performance	Origin POC	Destination POC	Equipment Type	Current Spend	Total Spend vs. Market	% vs. Market
Lane 1	Below Market	80301	85054	Van	\$9,999.99	\$9,999.99	-10% ↓
Lane 2	Above Market	80301	85054	Van	\$9,999.99	\$9,999.99	10% ↑
Lane 3	Below Market	80301	85054	Van	\$9,999.99	\$9,999.99	-10% ↓
Lane 4	At Market	80301	85054	Van	\$9,999.99	\$9,999.99	2% ↑
Lane 5	Below Market	80301	85054	Van	\$9,999.99	\$9,999.99	-10% ↓
Lane 6	Above Market	80301	85054	Van	\$9,999.99	\$9,999.99	10% ↑
Lane 7	Below Market	80301	85054	Van	\$9,999.99	\$9,999.99	-10% ↓

Shippers: It's time to Procure Better

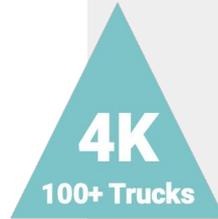
1. **Benchmark your lanes - see how rates are trending**
2. Determine your timing on **WHEN** to go to bid
3. Determine your **LENGTH** of the bid
4. Be **QUICK AND NIMBLE** with your Bid
5. **BE OPEN** to new carriers, especially if it doesn't take any more time.

Lock them in

Tips for **Carriers**

The Capacity Problem

Poor freight matching means higher costs for shippers and 20%+ empty miles for carriers.



The average shipper can only manage 20-100 large carrier relationships directly.



Midsize carriers have the scale to serve large recurring lanes but don't have a sales force and rarely have access to bids.



Small carriers are dependent on brokers to access most shippers, causing poor asset utilization.

Carriers: It's time to lock in rates

1. Evaluate your **load-to-quote ratio**
2. Lock in as many **longer-term contracts** as you can
3. Change your bids based on current market conditions, **use data from DAT or SONAR** to make better decisions

Thank You, TMSA!

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