

# DRIVER DEFICIT

Manufacturers respond to shortage  
with improved carrier relationships

—BY KAREN HUELSMAN

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Baby Boomers' retirements have businesses of all stripes concerned about replacing the talent and experience of workers ready to collect their Social Security checks. On top of the workforce demographics that affect every sector, experts say manufacturers today also must contend with a competitive transportation industry that is woefully short of truck drivers.



Officials with the American Trucking Associations (ATA) say the United States already has a serious shortage of truck drivers, and predictions for a worsening shortage are dire. The current shortfall is in the range of 30,000 to 35,000 drivers, according to the ATA—and the shortage has the potential to mushroom to 240,000 drivers by 2022.

Although the ATA notes that freight volumes have continued to increase since the recession, volume may hit a ceiling because of the lack of drivers to actually move the goods. Bob Costello, the ATA's chief economist, told the group in the fall that the driver shortage was "as bad as ever and is expected to get worse in the near term."

Today's manufacturers have little control over this problem. Only the largest enterprises run their own fleets, so shippers rely on carriers that are pressed to find qualified drivers. And it's up to transportation and logistics managers to see that their customers get the products they've ordered on time.

"We struggle with the consequences of the shortage of drivers every day," says Dan Balascio, manager of transportation and logistics for Roche Diagnostics, a division of the global biotech company. "Thankfully, we don't do a lot of [full] truckload business, and there is more capacity in less-than-truckload (LTL). But we have other constraints because we ship medical devices and [chemical] reagents. A lot of our products need to be refrigerated, and the trucks we use can't be used for foodstuffs."

Balascio works out of Indianapolis and says Roche is fortunate to be a large and consistent

customer of its trucking brokers. "We've been partners with our [transportation] brokers for a long time. It gives us a good, although indirect, relationship with our carriers," he says.

Improving the relationship with a carrier or its representative is one of the best ways a shipper can become a "preferred customer" on a carrier's list, says Karl Manrodt, PhD, a professor of management, logistics, and supply chain management at Georgia College and State University.

"Shippers have to start thinking about what their actions mean to carriers," Manrodt says. One of those actions involves the willingness of shippers to negotiate multi-year contracts. "If your contract is only for a year, then the carrier is taking all of the risk because he will have to invest in equipment and a driver," he says. "If [the carrier] isn't sure he will be tapped again the next year, his investment is at risk."

Manrodt encourages shippers to look for compatibility with a select number of carriers. He says carriers are getting more sophisticated and can better serve a shipper if the client's strategic goals are spelled out such that both parties work toward a common end. "Think about how many good friends would literally bail you out, no questions asked, if you were in trouble," he points out. "You don't develop that kind of a relationship with an annual Christmas card."

Negotiating long-term carrier contracts and treating carriers as partners can go a long way toward improving service in the midst of the driver shortage, agrees Jeffrey R. Brashares, the senior vice president of TTS LLC, a third-party

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logistics provider based in Frisco, Texas. "Favor a limited number of carriers," he says. "Pay them well. Treat them well."

Balascio says Roche sees the value in longer-term relationships, and most of his domestic contracts cover three years. Because of its cargo and customers, Roche has specialized transportation needs. The company delivers to research facilities, universities, hospitals, reference labs, retailers, and wholesalers—many of which operate 365 days a year under strict regulation. Therefore, Roche's deliveries must meet stringent handling and timing requirements. "There is no 'deal of the day' with us," Balascio notes.

## Creativity at work

The diagnostic equipment manufacturer tries to be smart about what products move by parcel carriers and what must move by truck. "We have a sophisticated transportation management system that helps us make those decisions," Balascio says. "Sometimes the answer is cutting

the frequency of deliveries to a customer. It's not always the most popular with the customer, but it helps get the job done."

Coupled with that solution is the effort to educate customers—and sometimes even Roche's own internal staff—about the shortage of truck drivers. "We try to get in there and mitigate some of the downside about what's going on. The customer really doesn't care why he doesn't have his product." So Balascio says he works to offer customers alternatives in a tight transportation market. "We ask a customer if we can try something a little different because we're having trouble in their area," he explains. "Can they order different quantities? Can they consider lengthening their lead time or ordering extra safety stock?"

He says the most creative move Roche has made lately involved air transport, which trickled down to improve the trucking challenge. "We now have our imported freight flown directly to Indianapolis. Trucking products from airports in Chicago or Newark, New Jersey, was expensive. Now we just have to move it across town," Balascio observes.

In addition, Roche sometimes breaks up large truckload shipments into LTL shipments to take advantage of available capacity. "Sometimes it's not the best from the customer's standpoint, though, if [the company] would rather receive one big delivery versus two or three LTLs."

But like it or not, Manrodt says the carriers "are holding the better cards right now." That's why he urges shippers to consider if they are a good fit for a specific carrier. "Carriers are blunt about it; if you want to treat me like a commodity, I'll give you a commodity price," Manrodt points out.

## Outside viewpoint

The Michigan Economic Development Corporation recently adopted an agenda to encourage workforce development and to work with shippers to be more resourceful. Peter Anastor, managing director of logistics, supply chain, and manufacturing for the state agency, says tackling logistics is a "relatively new mission in the economic development community," despite the fact that he often hears about the lack of truck drivers.

## A PROBLEM OF THE AGES

American Transportation Research Institute

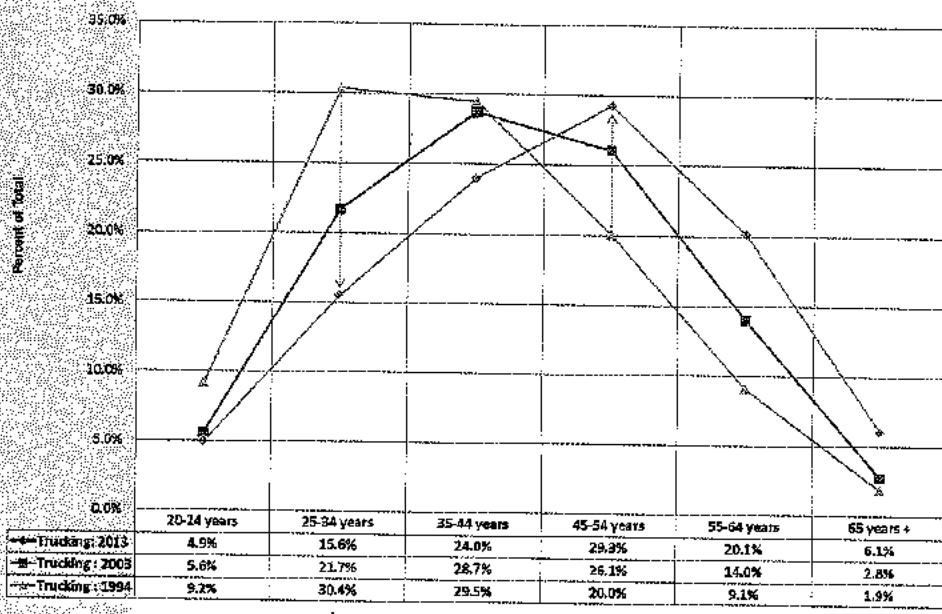


Figure 1: Distribution of truck transportation employees by age; 1994, 2003, and 2013

**THE REALITY FOR TRANSPORTATION MANAGERS** is that the truck driver pipeline is not going to be replenished with adequate numbers of younger workers any time soon. According to the nonprofit American Transportation Research Institute (ATRI), which bases its figures on Bureau of Labor Statistics data, the trucking workforce has a higher median age than other industries. The median age of workers in truck transportation is 46.5 versus a median of 42.4 for the overall 2013 US workforce.

ATRI also looked at the last 20 years of data that shows the demographic shift in the industry has been worsening for years as shown in Figure 1. The 25-to-34-year-old component of the industry decreased to 15.6 percent in 2013 from 30.4 percent in 1994. The largest cohort of truck transportation employees in 2013 was between the ages of 45 and 54 years old.

The institute reports that the industry seems to be "disproportionately reliant upon a single generation," which sets up the potential for a far greater shortage in the future.

**TO DOWNLOAD** the complete ATRI white paper "Analysis of Trucker Drive Age Demographics Across Two Decades," visit [atri-online.org](http://atri-online.org).



## "We struggle with the consequences of the shortage of drivers every day."

"By bringing together partners in industry, training providers, and educational institutions that include community colleges, we're trying to create better linkages to people who would consider driving as a career," he says. "We've included the automakers in Michigan and started to brainstorm about the issue," Anastor says.

The relatively low pay of a driving career—where most drivers are paid by the mile rather than the hour—discourages some young people from pursuing the field. "It's not a job that's been portrayed as innovative and tech-based," Anastor says. "But it is a skilled trade, and we've done a bit of a disservice to the younger generations by not showcasing it as desirable."

Coupled with the pay is the fact that former drivers are seeing the now-recovering construction industry as a more desirable career. Add to that the lifestyle dilemmas for long-distance drivers. Drivers rearing a family are reluctant to be away from home for days at a time. "But the [driver] shortage is so severe, even local companies are having trouble attracting drivers who come home every night," he says.

The economic agency is also looking at the other side of the coin. "We're doing training for shippers. We're talking about what they might do to build a better relationship with their carriers," Anastor says. For example, if a shipper wants to be on the top of a carrier's list, then the shipper has to follow some etiquette rules. "If you ask for a driver at a specific time, is your product ready to go then?" Anastor asks. "If it's not, the carrier won't want to come back the next time."

On a macro level, Anastor says shippers may have to consider partnering with other shippers to consolidate loads. "There are companies out there now that are thinking about this," he observes. "It's reaching a point where they will need to be creative."

He notes the topic of the driver shortage seems to sit in the background at many manufacturers. "I think people need to be more concerned about it than they are," Anastor observes. "The retiree issue could have a big effect on our economy. It could end up holding back economic growth."

### It pays to be nice

Carriers have been dealing with a shortage of drivers for about 10-to-15 years, says Dave Closs, PhD, chair of the department of supply chain management at Michigan State University. That, in turn, prompted manufacturers to leave the driving to somebody else. "Manufacturers wanted out of the transportation business—it's not their core competency."

As a result, he believes that a company needing to move goods by truck must make itself preferred by drivers. "It could be something as simple as ensuring that drivers have accessible restrooms and rest

areas to use while a vehicle is being loaded," Closs says. "It might not have to be a big change."

That view is spot on, according to Brashares, the third-party logistics (3PL) provider. "Driving a truck is a hard life," he contends. He says it would be wise for shippers and receivers to be kinder and gentler to the driver and the carrier. "The driver is the only person who may see your customer because he or she picks up and delivers the load. Yet [drivers] are treated as second-class citizens," Brashares says.

Some shippers have a history of charging a late delivery penalty against the carrier. But, at the same time, shippers warn drivers not to arrive early. And adding to the driving challenges of not being early or late are the warnings against drivers sleeping on the shipper's property, Brashares observes.

He says this is a sign that shows not all shippers understand the lack of capacity in trucking. "There is not a truck available for every load, every day, to every destination," he says. If a shipper is alienating the drivers and carriers it relies on, that shipper cannot expect to have service available every time he needs it, he adds.

Transportation rates are going up because of the lack of capacity, Brashares observes, and driver pay is increasing slowly. But the driver shortage is not following the traditional economic equation of offering more pay to increase the applicant pool.

Anecdotally, Anastor says he is hearing that trucking firms, including the largest in Michigan, are increasing wages and offering signing bonuses. But he says trucking doesn't fit neatly into the supply-and-demand model of wages most of us learned in our introductory economics class. He says the competitive nature of the industry still allows shippers to have a lot of options for moving their goods. Although the competition serves the interest of shippers, too much of it may be keeping rates lower than are required to allow for the expected pay increases.

### Better management

In addition to building relationships, experts agree that shippers are wise to embrace continually evolving technology and services. "It is the shipper's job to have the best technology to build his or her product," Brashares observes. "It is [the 3PL's] job to provide the best technology to move the product safely and efficiently."

Closs agrees that a 3PL can offer the economies of scale that a single manufacturer can't attain. "Today, shipments are getting smaller because no one wants to hold a lot of inventory," he says. "Yet trucks are getting bigger. So a 3PL can ensure that the trucks it sends out are full with goods from several shippers, which saves money for every business along the supply chain."

In addition, a specialist can provide sophisticated transportation management systems and tracking. "High-level tracking can help a supply chain manager reduce inventory or respond quickly to a stock-out," Closs says. "If you are doing 3,000 shipments a day, then having accurate tracking becomes a big issue."

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