

The Journal of Commerce

2021 ANNUAL REVIEW & OUTLOOK

New twists, risky turns

Logistics managers at the epicenter of
make-or-break decisions in 2021

2021

TPM21: 25 February – 3 March 2021 | A Virtual TPM Experience

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improve customer service. As shippers continue to demand more real-time visibility, it will become a “must-have” piece of infrastructure in every forwarding organization. Finally, automation can be used to reduce the cost of servicing, enabling a better margin on each shipment — particularly interesting given that the continued online movement points toward a future with a more fragmented customer base.

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While e-commerce traffic certainly took a big step forward in 2020, most of that shift is likely

to remain, even as businesses reopen and people go back to shopping in stores again. In talking to UPS, FedEx, and others, we’re hearing that e-commerce growth was essentially fast-forwarded about three years due to the odd chain of events we saw in 2020. And when you’re talking about e-commerce, you’re talking about

“E-commerce growth was essentially fast-forwarded about three years due to the odd chain of events we saw in 2020.”

high expectations from customers for delivery speed. This means more air freight, especially if goods are produced far away. It also means more LTL shipments for replenishment of inventories at the warehouse, as sellers need to make sure inventory is always in stock and can’t wait any more for, say, one truckload per week to restock everything. While many companies were dealing with inventories that were too low the last few

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The year 2020 has been perhaps the most disruptive and challenging in decades for the freight brokerage industry. The COVID-19 pandemic initially threw the market into disarray. Broker employees shifted to working from home. Shippers closed their doors. Loads disappeared, then came surging back. Truckers struggled, and reliable capacity became harder to find. Margins came under pressure.

At the same time, the industry found itself in the middle of a disruptive technology evolution unlike anything experienced in the past. Millions of dollars poured into venture-backed startups as well as existing transportation management system (TMS) providers. New digital freight platforms intent on disintermediating the traditional freight broker and connecting shippers directly with capacity proliferated. What were once clearly defined roles — and the required technologies to support those roles — became increasingly blurred.

“Never has it been more important for today’s freight brokers to have a well-crafted, realistic technology strategy.”

Technology will only continue to accelerate, providing new opportunities for brokers to do more with less, deliver services faster and more efficiently, and build better relationships with those independent truckers and small fleets that provide 90 percent of truckload capacity.

The market is at an inflection point, and that presents a huge opportunity for brokers. Never has it been more important for today’s freight brokers to have a well-crafted, realistic technology strategy. Standing pat or slow-walking technology decisions is not an option, at least for those brokerages that want to survive and prosper.

Don’t get lapped by technology. Improving and upgrading technology is not a “one and done” proposition. It’s a core strategic imperative, the answer to reducing the costs of covering loads, improving margins, engaging employees, and maintaining a loyal and consistent base of carrier capacity. It’s also a journey where picking the right technology partner to join you is critical and, more than anything else, provides the reliable, effective, and enabling digital resources and expertise that will support your continuous journey to growth, profitability, and satisfied customers.

months, going forward, we believe the trend should be to have a little more cushion. This will be facilitated by the trend of companies locating product in smaller warehouses closer to consumers, which will require inventory to be spread out more than in the old model of fewer, bigger warehouses.

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We close 2020 with validation of many core ideals and some new-found insights to take with us into next year.

Despite the march toward commoditization, relationships

still matter. When half the air cargo capacity evaporated as passenger flights ceased, relationships with airlines and brokers were critical to success. Knowing those players locally gained us access and space when our customers needed it most. Chaos at every port and gateway was often overcome by the relationships on the ground.

Relationships with our customers became more important than ever. They were stressed, working from home too; the typical approval process was more cumbersome at the exact moment when decisions needed to be timely. Only insight and trust allowed risky commitments to deliver, and that only comes with keen rapport and understanding.

The crises also demanded we see the world the way it was in the grip of the pandemic, not the way it had been in the “good old days.” How can you move hundreds of millions of

units of PPE when half the capacity is eliminated overnight? You innovate, leverage those relationships, and find a new way. Success is never sweeter.

Our survival and ultimate success were built on recent investments in cloud-based systems worldwide. Data passed from origin to destination in real time, while at times our offices in Asia and the US were closed. Our teams worked from home and didn’t miss a beat. Work from home eliminated commutes and the risks of social spread and gave us more flexibility to communicate across 12 time zones for clarity, and it likely continues to give us options in the future.

Finally, the law of supply and demand is highlighted during a pandemic. Contracts will fall when supply is disrupted. Credit terms will tighten, and cash is king. We observe, evaluate, and write the new battle plan: Stay flexible, be creative, remain calm. We do this again tomorrow. **JOC**