Utilize a Mix of DEDICATED, PRIVATE, and FOR-HIRE TRANSPORTATION to Increase Flexibility and Optimize Your Network
Introduction

Market demands, customer expectations, and the transportation landscape are constantly changing. To keep pace, shippers need a dynamic, cost-effective, reliable transportation solution that can flex with the market, get products where they’re going, and navigate a variety of constraints.

Overcoming challenges is critical in today’s market that is filled with rapidly shifting variables. Capacity remains tight. Drivers are in short supply. Supply chain disruptions continue. What’s more, driver safety, productivity demands, the need for increased visibility, and regulatory and fuel challenges are adding complexity to the trucking industry.

The main drivers of truck freight—retail, construction, and manufacturing—and a surge in imports are keeping demand high for trucking services. At the same time, available capacity has decreased due to a lack of drivers and equipment constraints. The industry is at nearly 100 percent of seated capacity, and the market is bound at 91 percent asset utilization.

The American Trucking Associations (ATA) estimates that the truck driver shortage will hit a historic high of just over 80,000 drivers this year. While all sectors in the industry struggle with finding enough drivers, the driver shortage is most acute in the longer-haul for-hire truckload market. At current trends, the shortage could surpass 160,000 in 2030, and ATA estimates that over the next decade, the industry will have to recruit nearly one million new drivers into the industry to replace retiring drivers and drivers that leave.

There is also a shortage of maintenance technicians, which is expected to worsen as Baby Boomers retire. Baby Boomers currently make up 40-to-50 percent of the current technician workforce, and many plan to retire between now and 2030. The U.S. Bureau of Labor Statistics estimates that there will be more than 28,000 openings for diesel service technicians and mechanics for each of the next 10 years.

Original equipment manufacturers have been unable to keep up with the demand for equipment. Despite rock-solid commercial vehicle demand metrics across the spectrum of medium and heavy-duty vehicle types, industry capacity remains range-bound across a broad front of supply-chain constraints, ACT Research recently reported in its North American Commercial Vehicle Outlook.

As a result of supply and demand dynamics, the trucking industry has faced rate increases. DAT Trendlines reported that van spot rates are up roughly 29 percent from October 2020 to October 2021. Currently, freight rates are at an all-time high, with spot market rates 23 percent higher than 2020, and freight rates are well over $3 a mile. Plus, tender rejections have increased.

Amid all of this, the supply chain has experienced severe disruptions that initially occurred as the pandemic upended operations at ports and border crossings—and have continued as bottlenecks have manifested at nearly every link in the supply chain.

The complexities are unlikely to go away, and there is only one solution to ensure uninterrupted capacity at the lowest possible cost: a truly optimized transportation network that takes advantage of all available mode options to move freight.

This white paper will explain how using a combination of transportation solutions, including private, dedicated, for-hire, and brokerage offerings, enables shippers to improve customer service and achieve cost savings while remaining flexible and agile.
CREATING A MULTI-MODAL MIX

The choice to operate a private fleet, engage a dedicated fleet, or outsource transportation to a for-hire carrier is not an either-or decision. The most effective shippers combine their private fleet and/or dedicated capacity with for-hire options and brokerage solutions to meet their needs.

There are advantages to a more outsourced, flexible model, which balances the cost to serve and enables shippers to scale up and down based on freight cycles. In addition to improving customer service, optimizing the transportation mix can create a 10 percent improvement in transportation cost savings alone from better lane rates, reduced delays, and increased efficiencies.

Shippers need to get their goods to the end destination on time. Ultimately, a multi-modal solution leads to a more resilient supply chain that shippers can scale up and down based on any freight cycle.

Private Fleet
You own and maintain the equipment and employ your own drivers.

Dedicated Fleet
You use a third-party provider to manage your equipment and drivers. The asset is dedicated to your operation.

For-Hire Carriers and Freight Brokers
You use a range of for-hire trucking and logistics companies based on available capacity, lanes, and rates. This could feature truckload or less-than-truckload solutions.
EVALUATING TRUCKING TRANSPORTATION OPTIONS

Private and dedicated fleets ensure that shippers have stable capacity, reliable on-time service, and control over their transportation costs. On the other hand, if operating trucks is not a core competency the shipper is committed to, dedicated contract carriage providers or for-hire trucking companies make more sense.

Companies operating private fleets have said utilizing their own equipment and drivers can increase customer service, minimize capacity-related issues, and stabilize costs. Private fleets also guarantee minimum levels of committed service and increase shippers’ control. Private fleets work to position themselves for stability, handling the freight and lanes where they can provide cost-effective service. In turn, they outsource the markets, lanes, or hauls that are uncompetitive.

When determining what to handle in-house and what to outsource, shippers often examine cost-to-serve, geography, customer service, and key performance indicators. They may also look at backhaul availability, capacity constraints in the for-hire market, driver availability, and utilization.

There are several questions shippers can ask themselves to determine if a multi-modal solution is right for them, including:

- How stable is our network?
- How flexible are we?
- Are we getting the level of service and capacity we need at the optimal cost?
- Do we have the technology to obtain the tracking and analytics we need?
- Can we provide our customers with a single point of visibility into shipments?
- Are we taking advantage of backhaul opportunities?
- How much activity do we require from drivers when delivering goods?
- Do we have the ability to hire, train, and retain drivers both today and in the future?
- Would I rather invest in my fleet operations or my core business?

Providing Detailed Information on Movements

Today’s shippers, customers, and supply chain executives demand visibility into the supply chain. Ryder uses a visibility collaboration tool called RyderShare, an open digital platform for real-time visibility of goods moving across the supply chain from a day-to-day execution standpoint. The collaborative logistics platform enables the sharing of data with all stakeholders to make decisions and take actions on exceptions in the transit of products. RyderShare enables companies to achieve cost savings by reducing redundancies, driving efficiencies, and creating a more predictive supply chain.

Ryder draws on this data to uncover the total cost to serve, overall performance, and new opportunities. The findings can unlock discussions surrounding potential network improvements and the ideal mix of solutions.
CREATING THE IDEAL TRANSPORTATION MIX

The ideal modal mix is different for every customer shipper. Still, it starts with identifying the shipper’s unique pain points and goals, which could include improving service, lowering costs, or both.

Finding the right combination of private, dedicated, and for-hire carriers is critical to get the cost balance, coverage, and control shippers are trying to achieve. The solution depends on each shipper’s network, unique goals, and performance needs. When determining which solution is best for a specific lane, shippers should look at cost, freight levels, driver availability, handling needs, and service requirements. They also need to consider the number of stops, distance traveled, and the types of equipment required.

For example, dedicated may be the best option for networks with a round-trip, closed-loop model. Shippers needing special handling activities may opt for a dynamic model of outside carriers. Networks with underserved lanes may utilize a private fleet to ensure service. Shippers that experience a peak season may use a dedicated fleet year-round and flex with for-hire carriers for surges in demand. It all depends on the specific needs at a given time.

The current operating environment also shapes the ideal mix. During periods of tight capacity, more shippers are considering dedicated service as they look to secure capacity at the optimal cost. Given today’s labor challenges, some shippers that have utilized a private fleet are diversifying or divesting their own operations and turning to dedicated fleets to ensure they have drivers available.

Shippers also need to take a long-term view and consider not only what they need today but also what their solutions will look like when we come through the current cycle of tight capacity. The ideal modal mix should be re-evaluated at a macro- and micro-level periodically by customer segment, channel, or lane to keep up with the changing operating environment.
MOVING FORWARD

By creating flexibility and focusing on partnerships, shippers build in the ability to maintain the network of providers and the strength of execution through various freight cycles and in a way that each mode adds value at the right time. However, using a mix of transportation solutions requires planning and control to manage the different providers, equipment, and drivers. Shippers need to have the right processes, procedures, and visibility in place to manage the network. They also need to build in transparency and visibility to monitor how operations are executing relative to the key performance indicators.

Shippers that lack the size and scale or the time and core capabilities to develop and manage a multi-modal network could benefit from partnering with a third-party logistics provider for guidance and support.

Ryder can customize a multi-modal, strategic solution with the ideal mix of private, dedicated, or for-hire trucks as well as drivers, fleet maintenance, routing, technology tools, compliance, and administrative support to keep your business moving more efficiently at a lower cost.