

Published in ISSA Online

LTLs and the Jansan Industry

As with most segments of the economy, the trucking and transport industry is being heavily impacted by the current slowdown. Decreased demand means fewer items ordered and therefore fewer items shipped. This downtrend is also affecting less-than-truckload services (LTLs), which are an important component of the supply chain for many manufacturers and distributors.

Unlike full-truckload services (FTLs), in which full truckloads are typically picked up at just one location and then carried to a single destination, LTLs collect large and small freight from multiple suppliers or manufacturers and deliver to multiple distributors and locations. “They collect and ship anywhere from 100 pounds to 15,000 pounds of freight,” says Mike Schaffer, President of Tornado Industries[®], a leading manufacturer of professional cleaning equipment. “The freight is then taken to a central terminal, where it is weighed and verified and then sent on to drop-off locations or another hub terminal.”

Schaffer explains that because many shipments do not fill an entire truck, these carriers meet a vital need, especially for the jansan industry. However, because LTLs are typically smaller freight operations, they can be impacted severely when the cost of fuel escalates or, as is happening now, the

economy takes a downturn or the need for their services drops or increases significantly.

At this time, many LTLs appear to be staying above water. But some wonder how long they can survive in the current economic climate and how their potential troubles could impact the jansan industry.

“This is important because LTLs are very common in the jansan industry,” says Bruce Seich, CFO and Director of Operations for Pro-Link, a jansan-focused marketing and buying group. “At the distributor level, it is the most prominent form of delivery transport used in the industry.”

Schaffer adds that one of the only exceptions to this is paper product shipments, which are often large enough to make use of FTLs. Another exception might be chemicals. Some of the megadistributors may receive FTL shipments, but beyond that, the industry has traditionally relied on LTL shipments.

Concerns about LTLs

As common and critical as they are to the industry, both manufacturers and distributors still have some concerns about using LTLs. For instance, Schaffer says freight damage is a potential concern. Once an LTL shipment is picked up from a supplier, it might be off- and on-loaded multiple times before arriving at its final destination. “Very often the shipment is delivered by a completely different carrier than the one that originally picked up the delivery,” he

says. “Some LTL carriers have better track records than others when it comes to delivering undamaged freight, and the shipper usually has little or no say on how its products are transported or by whom.”

Seich says that distributors must make sure the LTL is providing the level of service necessary to deliver goods properly and safely and that they do not take shortcuts with maintenance costs or insurance in order to save money. “Also, make sure the [high] fuel surcharges they charged distributors last year have been reduced or eliminated,” he says. “Those costs have dropped significantly in the past year.”

In most situations, delivery costs are negotiable, and suppliers are often able to negotiate better rates than dealers. When oil and diesel costs soared last summer, negotiating more cost-effective rates obviously became difficult. However, fuel costs, as Seich mentioned, have come down, and distributors should pass on a good percentage of these savings to their dealers.

LTLs and the Economy

A developing concern that could impact shipping costs is the possibility that only a few LTL carriers might survive the current economic downturn; the remaining carriers would have less competitive pressure, potentially impacting pricing and service levels. “This would directly impact our industry at a time when many manufacturers and dealers are

trying to cut costs and keep prices down to build sales,” says Schaffer.

Seich, however, believes that a consolidation of LTLs could actually be beneficial for the jansan industry. He explains, “A consolidation could improve efficiency within the transport system, something that is sometimes lacking now. Products moved more efficiently can lower transport costs.”

At the moment, however, Schaffer believes many LTLs have little room left for negotiation. Like the airlines, many freight carriers have cut there fleet and routes to gain efficiencies. With decreased sales, it takes too long to build a full truckload for certain clients; as a result, more suppliers are turning to LTLs, often finding it difficult to book the space they need.

Reacting to Changes for LTLs

“This downturn will likely result in a number of changes to several industries, including freight delivery and transport,” says Schaffer. “It’s too early to tell what these will be. The only advice I can offer for manufacturers and distributors is to stay closely attuned to these changes, to be flexible, and to have a ‘Plan B’ ready if necessary.”

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