

# Food Shipper Report: Selecting Logistics Providers

A report to benchmark the selection and usage practices of supply chain partners by food and beverage manufacturers, retailers and distributors.

SPONSORED RESEARCH IN CONJUNCTION WITH FOOD SHIPPERS OF AMERICA BY:



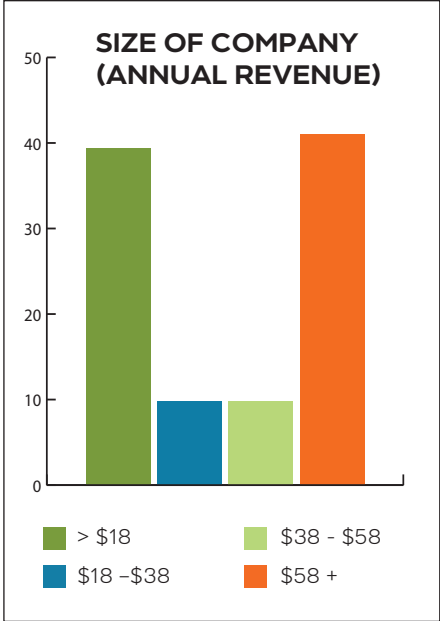
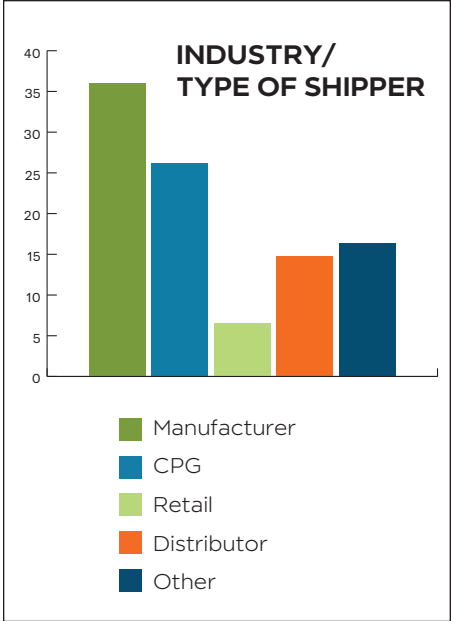
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Introduction

For decades, many manufacturers, retailers and distributors of food and beverage products have relied heavily on partners and suppliers to help manage and support their food supply chains. Whether they need motor carriers, warehousing and distribution companies, multi-modal service providers, or technology innovators, food shippers carefully select their supply chain partners and suppliers based upon the unique business models and logistics requirements of their supply chains.

Because selecting logistics providers can quickly become complicated due to diverse variables and options that food shippers are looking for, most make their partner selections based upon a Request for Proposal (RFP) process, which usually includes details about the supply chain/ shipping operation, volumes, lanes, frequency, seasonality, lead times, key performance indicators (KPIs) used to define success, and other factors.

Loadsmart recently commissioned a research project with Food Shippers of America (FSA) to benchmark the selection and usage practices of supply chain partners by food and beverage manufactures, retails and distributors. Loadsmart is a logistics solutions provider that automates how freight is priced, booked and shipped. This *Food Shipper Report: Selecting Logistics Providers* is an executive summary of the findings of this unique research.



Methodology and Demographics of Participants

An online survey was completed in Quarter 3 2023 after FSA invited participation by supply chain decision-makers with food and beverage manufacturers, retailers and distributors. At the conclusion of the online survey, there were 63 Participants in the survey who provided their experience involving RFP management and deployment along with management of carriers, third-party logistics providers (3PLs) and brokers.

The 18-question survey qualified all participants to identify the type of participating companies (including food manufacturers, grocery chains, consumer packaged goods companies and others) and size of company they represent. Additional qualifying questions ensured all respondents have acceptable responsibilities in supply chain, transportation, logistics and warehousing. The survey also asked critical questions to gain perspectives on their use of transportation management software, make-up and requirements of carriers they use, use of contracted lanes versus spot market, and trends in procurement strategies.

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What are the demographics of participants in this unique research initiative? More than 36% are food manufacturers and another 26% are consumer packaged goods (CPG) companies. In addition, more than 6% are retailers, nearly 15% are distributors, and more than 16% reported in the “Other” category.

Of all respondents, a significant proportion of respondents represent large food enterprises. In fact, nearly 41% of respondents report more than U.S. \$5 billion in annual revenue and another nearly 10% report \$3 billion to \$5 billion. Small- to mid-sized food shippers also participated, with nearly 10% reporting \$1 billion to \$3 billion and more than 39% reporting less than \$1 billion in annual revenue.

Not surprisingly, respondents reported total freight spend in U.S. dollars that correspond logically to their reported annual revenue. In fact, approximately 60% of respondents have freight spends in excess of \$100 million and nearly 23% of respondents report a \$500 million freight spend. More than 13% report a \$300 million to \$499 million, and another 26% report a \$100 million to \$299 million freight spend.

To develop additional context and understanding of RFP/carrier use trends identified in the online survey, live interviews with decision-makers with food and beverage companies were conducted following the close of the online survey. Their relevant comments are included in this Executive Summary.

## Leveraging the Core Provider Business Model

Food shippers continue to rely heavily on trucking for the delivery of their raw

materials and ingredients, packaging, and finished products. The pattern of capacity contraction in 2023 is expected to continue in 2024 at a non-disruptive pace with net contraction of both operating authority and trucking jobs leaving the fore-hire market largely oversupplied.

Given this extraordinary shift in capacity, food shippers continue to widely use the “core provider” business model as part of their supply chain strategy. Core providers can help food shippers maintain consistent service levels, reduce complexity and disruption in their supply chains, and maintain consistent standards in safety and quality. In fact, the majority of respondents in this survey (more than 65%) say they work with more than 30 service providers. Another 13% work with 20 to 29 service providers. Only 8% say they work with less than 10 service providers.

## Asset Versus Non-Asset-Based Providers

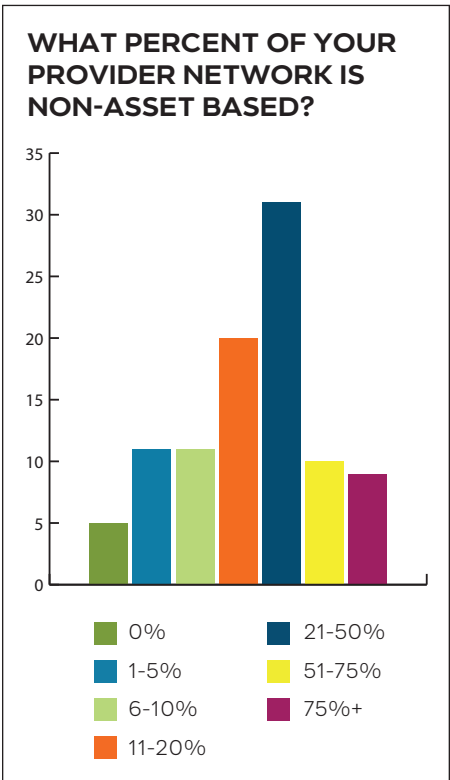
Food shippers see primary value in using asset-based providers because they typically have a greater ability to provide direct control over the entire shipping process, from pick-up through delivery. They can manage the job with their own fleet of assets, ensuring the highest level of service quality. In fact, approximately 20% of respondents in the survey maintain no more than 10% of non-asset-based providers in their network.

However, as the market shifts, many food shippers do experience high value in using non-asset-based providers in their network. This is because they can leverage flexibility in accessing a significant number of trucks,

other equipment, and resources to serve their customers. Interestingly, approximately 33% of respondents in this survey say that between 21% and 50% of their providers are non-asset based but another 20% say that only 11% and 20% of their providers are not asset-based.

Case in point: One food shipper interviewed for this research project has a network saturation of business coming out of four states in the Pacific Northwest. This company has roughly 35 providers in its network with a healthy balance with assets versus non-assets.

“Our strategy is to have a healthy balance of asset-based providers and non-asset-based providers,”



says the transportation executive responsible for provider selection and management as well as the company's technology platforms. "We are about 50/50 because we find the guarantee of assets valuable from those who have them but also find value in the flexibility in service and capabilities from providers who are non-asset-based."

### Modal Usage in Food Chains

Food shippers rely heavily on trucking for their food chains. In fact, approximately 86% of respondents say they mostly utilize full truckload for their food and beverage shipments while another nearly 59% say they use less-than-truckload (LTL) for their food and beverage shipments.

However there is a growing use of rail/intermodal in the industry in lanes that are conducive to an alternative to trucking. Nearly 53% say they use rail/intermodal as part of their food chain strategy. While there is an emerging trend of food shippers to use nearshoring as a business strategy and bringing operations closer to their operations in the United States, there are still more than 27% indicating they are global companies that use ocean container services.

### Use of Technology in Food Chains

What about the use of technology in managing food chains? Automating routing guide decisions seems to be an emerging trend of food chain management strategy. Approximately 60% say they believe automating routing guide decisions would be valuable to them.

Another food shipper interviewed for this research project says they have already incorporated automated routing decision processes into their operations.

"We are able to automate the tendering function and as a result we minimize cost, optimize service levels, and create flexible business process automation within our transportation and logistics networks," says the executive who manages the transportation function for the company. "The TMS platform we use creates an information bridge across functional silos, geographic regions, and business units – and it supports customers from basic transportation needs to highly complex logistics requirements."

He provides additional context around the value of automating routing guide decisions: "We streamline operations with intelligent routing by harnessing AI algorithms to analyze the vast amounts of data to generate optimized routes that include historic transportation data, weather conditions, traffic patterns and real-time information. Intelligent routing not only minimizes travel time and fuel costs, it helps to avoid congestion, delays and potential risk. We've found that with automated route planning, we can achieve greater operational efficiency, reduce transportation costs, and improve overall satisfaction of our customers."

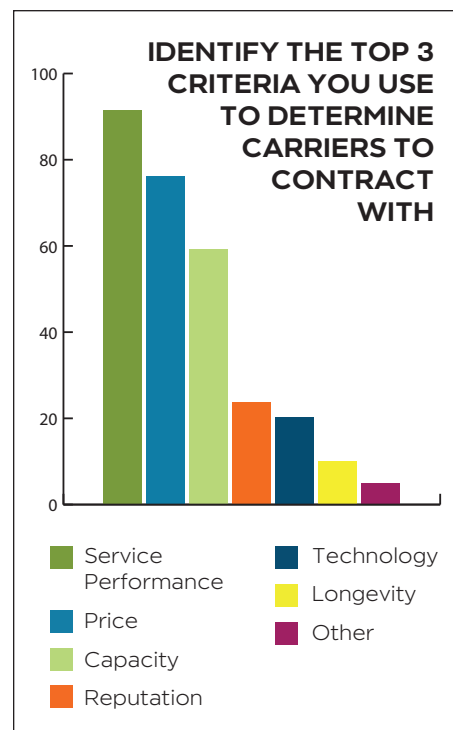
### Winning the Business: What Shippers Look For

Service, price and capacity are the top three criteria required by food shippers

when determining their contract provider network. In fact, the ability to meet service requirements by far is the most critical criteria needed by food shippers – with nearly 92% stating "Service Performance" as one of their top three criteria in determining contract providers. More than 76% of respondents identified "Price" in their top three criteria and nearly 60% said "Capacity" is among their top three criteria.

Other criteria that landed in the "top three criteria" for respondents are as follows:

- Reputation (nearly 24%)
- Technology (approximately 20%)
- Longevity (more than 10%)



"We are able to automate the tendering function and as a result we minimize cost, optimize service levels, and create flexible business process automation within our transportation and logistics networks."



More and more, food shippers and their providers are creating a competitive advantage through their ability to see into every corner of their food chains.

According to one food shipper interviewed for this research initiative, “One of our top criteria in selecting our partners is that they must have a strong presence in this region.” This executive interviewed is the transportation director who has overall responsibilities for the company’s transportation provider network and related technologies. “If they don’t have a strong presence in our areas of operation, we simply don’t work with them,” he continues. “And we place a deep importance on working with providers who are focused on adding value to their relationship with us. Those who seek out ways to go above and beyond in service, capacity, price, and customer experience are those we want to work with. Sometimes that means the provider has the assets to cover our needs.”

How can non-incumbents win lanes from an RFP? In alignment with top criteria required by food shippers, respondents said that quality service, competitive rates, and value-added services are by far ways non-incumbents can win lanes from an RFP. In fact, nearly 80% say quality service would earn the business, while nearly 75% say better rates and approximately 34% say reputation would earn the business. Another 22% say tracking is among the top three factors to earn the business.

**The Importance of Price: RFP Frequency, Contract Versus Spot Market**

As mentioned earlier in the report, price is among the top three criteria required by food shippers when determining their contract provider

network. Given this fact, how frequently then do food shippers update their contracted rates? A majority of respondents (more than 56%) state they update their contracted rates each year. Nearly 44% say they update their contracted rates quarterly.

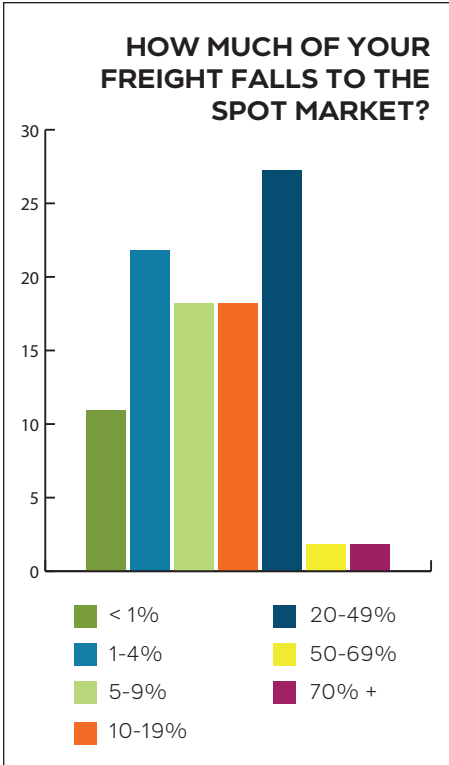
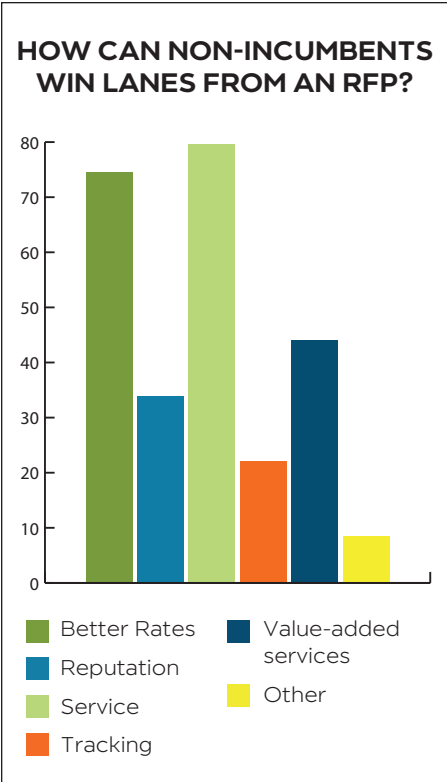
Related to this, how much of food shippers’ freight falls to the spot market? A majority of respondents (nearly 51%) say that less than 10% of their freight falls to the spot market. However, more than 27% say between 20% and 49% of their freight falls to the spot market.

When it comes to contracted lanes, more than 49% of respondents say that 75% or more of their contracted lanes materialize with volume. Another 20% report between 50% and 74% of their contracted lanes materialize with volume. Only 16% of respondents say they have less than 25% of contracted lanes materialize with volume.

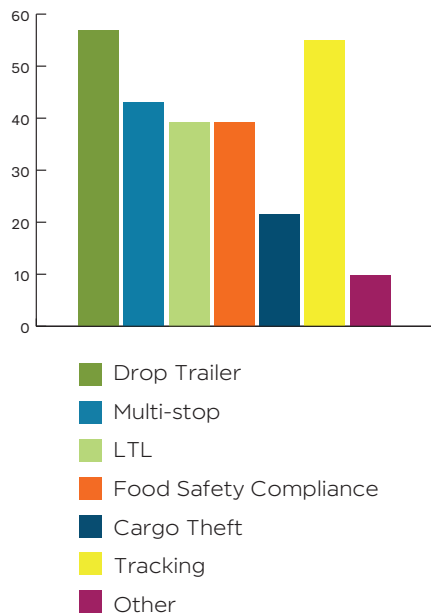
**Food Shipper Practices in Outsourcing**

How likely are food shippers to expand their provider network? A majority of respondents (approximately 55%) say they are like to expand. But food shippers are not only looking to expand their options, their wanting to expand value in their food chains.

Outsourcing is not foreign territory for most food shippers. In fact, many small- and mid-sized food businesses begin their outsourcing journeys with a co-packer, as it’s generally more affordable and easier to coordinate. In addition to co-manufacturing and co-packing, food brands also outsource warehousing, distribution, transportation and freight forwarding, reverse logistics, and fulfillment needs to an outside party.



### WHAT AREAS DO YOU FEEL LOGISTICS PROVIDERS COULD FURTHER SUPPORT OR IMPROVE IN THE FOOD AND BEVERAGE INDUSTRY?



Looking forward, food shippers are looking for ways that their service providers can add more value or support their food chains. When asked to identify the top three ways providers could further support or improve upon, more than 56% say drop trailers and nearly 55% say tracking. More than 43% say multi-stop and nearly 38% say less-than-truckload (LTL). Another 37% say food safety compliance is critical.

As we look closer at what market segments are looking for ways their providers can add more value to support their food chains, CPG and retail companies rank drop trailers very high (78.5% and 100% respectively). CPG, retail and manufacturing companies rank multi-stop capabilities as high (64%, 50% and 40% respectively). Approximately 55% of manufacturers rank food safety compliance as the highest area, while CPG, retail, manufacturing companies and distributors rank cargo theft as important (28.5%, 25%, 25%, and 14.29% respectively).

In 2023, approximately 53% say they are changing their procurement strategy. Another 48% of respondents expect to make major changes to their network if the soft market flips.

### Conclusion

*This Food Shipper Report: Selecting Logistics Providers* is an executive summary of the findings of how many manufacturers, retailers and distributors of food and beverage products select the partners and suppliers to help manage and support their food supply chains. This report highlights some of the best practices used by food shippers to carefully select their supply chain partners and suppliers based upon the unique business models and logistics requirements of their supply chains.

If you're looking for additional related resources and content, visit [FoodShippers.org](https://FoodShippers.org) or [Loadsmart.com](https://Loadsmart.com).

