Ex Works, Inc.
information exchange: smarter, better, faster

Ex Works WatchDog

April 5, 2022

WatchDog seeks to keep our clients better informed about the issues facing airport and seaport truckers.

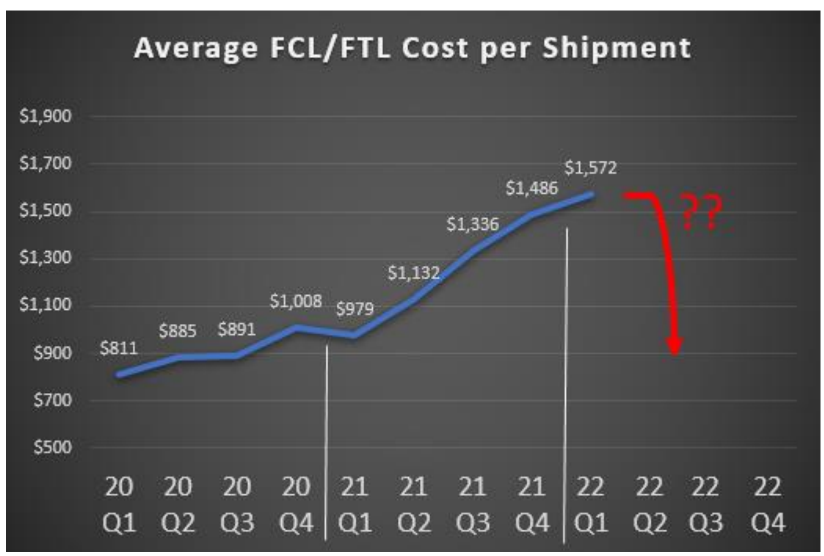
ARE TRUCKING RATES ABOUT TO PLUMMET? Craig Fuller, CEO of *FreightWaves* is one of the more savvy analysts of the trucking industry. If you haven't read his two most recent articles (titled Just 3 years after 2019's trucking bloodbath, another is on the way and Why I believe a freight recession is imminent), you should. As the headlines communicate, he is convinced that a dramatic, and immediate, reversal of the supply/demand balance is suddenly underway, with huge implications for trucking companies – and of course for the forwarders who so depend on them.

What's happening

March saw an unexpectedly soft market for trucking services – just as many new entries brought additional supply to the industry. As comedian Don Novello's Father Guido Sarducci noted in "The Five Minute University": "Economics? Supply and demand. That's it."

So we can expect trucking rates to come tumbling down. The unknowns are exactly when it will turn, how rapid will be the decline, and what the broader implications may be.

Is **this** the moment the market turns? We don't pretend to know. But turn it will – and forwarders need to be ready.



BASED ON BLENDED AVERAGE OF ALL SHIPMENTS BOOKED THROUGH EX WORKS.

Why it matters

Today forwarders are paying about 47% more than they did pre-pandemic for the typical loose freight shipment – and **93% more for the typical container move**.

It's big, big money. Those forwarders who stay close to the market and follow the market price when it drops will be positioned to simply out-compete the forwarders who wait for their vendors to generously inform them that the bottom has dropped out of today's inflated pricing.

X

What you can do

Several things you may want to keep in mind:

1. Stay flexible. Given the enormous challenges in finding drayage capacity, it may be tempting to sign agreements with fixed capacity and pricing. However, this may not be the best time to tie yourself down.
2. Encourage your people to keep abreast of movement on pricing – and the best way to do that is to shop around. For the last two years, their truckers have informed your staff that the market price is higher, simply by refusing loads without steep increases – a clear and immediate message. Those same truckers are not likely to be nearly as helpful about keeping them aware of a *declining* market. **Comparison shopping works.**
3. But while your people must stay informed, remain loyal to your core vendors. Insist on fair pricing consistent with the market – but respect the fact that port delays remain a huge issue, and fuel is at record levels.
4. Redouble your vetting to ensure your core vendors are stable. *FreightWaves* believes that there is a "bloodbath" is coming that will result in multiple bankruptcies. If that comes to pass, you don't want your client's cargo stranded.

We can help

Being in touch with the market means understanding pricing options – and Ex Works has the bases covered.

Our clients are able to compare tariff rates from multiple truckers on virtually every shipment, and then select the vendor that best matches the service/price requirement.

And we have unique tools for negotiating pricing as well.

Our "named price" feature enables a forwarder to select a group of trucking vendors and specify the price to be offered. All truckers are notified simultaneously, and the first to accept your offer gets the booking.

Or, you can select a group of truckers and run a spot quote.

The bottom line is that we bring your people information and control about your trucking costs – more important than ever as our industry approaches a critical inflection point.

Trucking prices will be coming down – it isn't a matter of whether, but when, and how drastically. The return to pre-pandemic norms will create a tremendous opportunity – but only for forwarders who manage it aggressively.