

2018 STATE OF THE NORTH AMERICAN SUPPLY CHAIN SURVEY, SPONSORED BY **AVERITT**



AMID UPBEAT ECONOMY, SHIPPERS BEGIN TO FEEL PINCH OF TIGHTENED FREIGHT CAPACITY – CHALLENGES AND OPPORTUNITIES SEEN FOR 2018

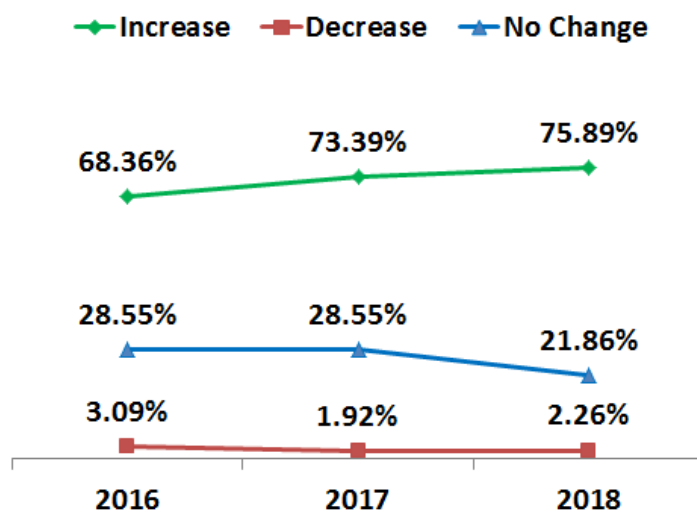
As 2017 came to a close, we asked shippers throughout North America to participate in our third annual supply chain survey. **More than 1,600 participants** told us about the supply chain challenges they faced in 2017 and which issues they foresee as being their biggest hurdles in 2018.

Upon analyzing the results and making comparisons with data collected from previous years, we have developed a comprehensive overview. The data illustrate the prevalent challenges and opportunities that shippers may need to consider as they make strategic decisions in the year ahead.

Business Looks Good As Capacity Shrinks

Despite the temporary impact of the multiple hurricanes that struck the U.S., 2017 turned out to be an otherwise healthy year for business growth. Partly driven by strong business spending, GDP growth exceeded 3% in the

Question: Compared to 2017, do you anticipate an increase or decrease in shipping volumes in 2018?



second and third quarters after a lackluster beginning to the year at 1.4%.

When we asked shippers if they felt shipping volumes would increase or decrease in 2018, 75.89% said they expect volumes to move upward. This marked a **2.5 percentage point increase** over the previous year's results.

While shipments were up in 2017, particularly in the less-than-truckload sector, capacity challenges emerged. **Nearly 1 in 5 respondents** had experienced issues with capacity last year. In comparison with 2016, **capacity issues nearly doubled** for shippers.

Numerous factors contributed to tightening capacity in 2017. The primary force at play was the ongoing professional driver shortage, which shows no signs of slowing down. At the same time, manufacturing growth has put more pressure on truckload capacity throughout North America.

The outlook for 2018 suggests that capacity will be the primary hurdle for shippers, particularly with full-load transportation. With the electronic logging device (ELD) mandate now in effect, its impact on carriers and shippers will begin to play out over the year. **Shippers and carriers will need to work very closely together** this year to find mutual solutions to capacity issues.

Customer Service-Related Issues Improve

While capacity challenges became ever-present in 2017, there were several improvements in

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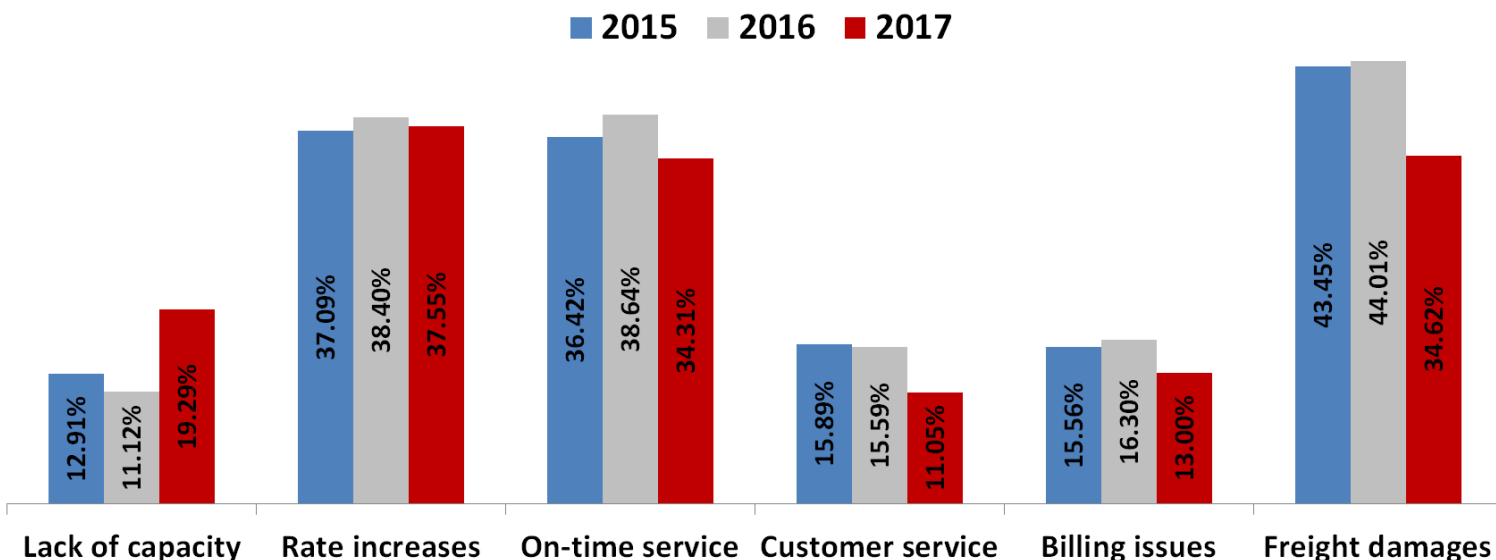
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the shipping process that shined through in the survey's results.

Shippers that cited **freight damages** as a major challenge last year **declined by nearly 10 percentage points**. On-time service issues also dropped by more than 4 percentage points. Other areas, including billing, customer service and rate increases, also improved.

These improvements could be attributed to a variety of factors. Technology enhancements may have played a role in some regards, but communication is more often than not the cause of a better relation between carriers and shippers.

Question: What were your biggest challenges with carriers in 2017?





Uptick In Use Of Alternative Transportation

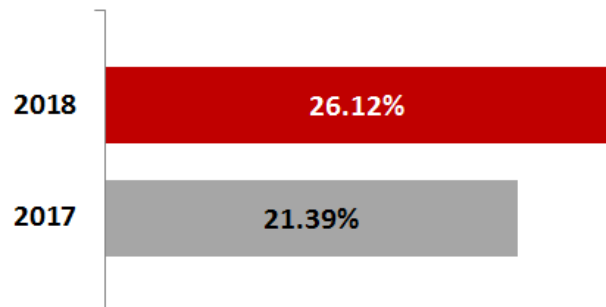
Increased use and interest in rail and air services signal another potential impact of capacity constraints on the road. In comparison with the previous year, data from the survey showed a **22% increase of shippers that plan to use air services** and a **28% increase of those that plan to use rail services** in 2018.

Last year was record-breaking for air cargo transportation as monthly volumes continued an upward march. November numbers from Europe to North America, for example, rose by 28% year over year. Demand for international and domestic air cargo services have been pushed in part by increased e-commerce growth.

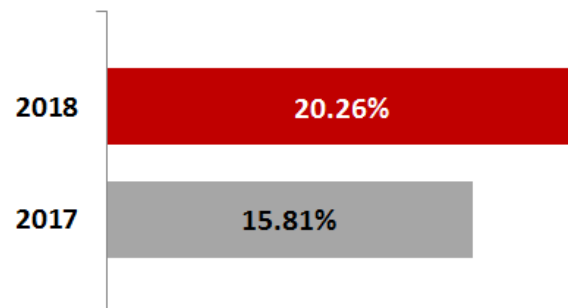
Rail carload and intermodal volumes rebounded in 2017 from lower levels seen in the previous year. Industry experts predict that 2018 will bring about more gains for intermodal shipments. **Capacity shouldn't be an issue** in most cases as the major rail operators have been preparing ahead of time to allocate equipment and labor as needed.

Question: Do you plan on utilizing air or rail services within your supply chain in the upcoming year?

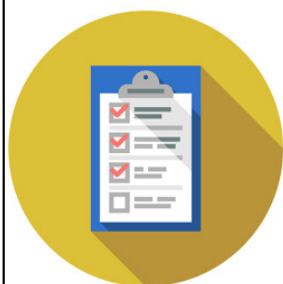
Air Services



Rail Services



Shippers that frequently ship long haul or expedited freight may want to **initiate discussions sooner rather than later** with their service providers to identify potential opportunities to utilize rail and air services in 2018.



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U.S. International Trade Rebounds In 2017

Foreign trade of U.S. goods came out strong last year when compared with the decline in imports and exports seen in 2016. According to the U.S. Census Bureau, total trade of goods increased 6.9% year over year in 2017 (January-November). When we asked shippers what services they used in 2017, **import and export services grew by more than 25% each.**

In terms of North American trade, the survey showed that shippers who used cross-border services between the U.S. and **Canada climbed to nearly 23%** – a 4.89 percentage point increase over 2016. Also, services between the U.S. and **Mexico increased to approximately 16%** – a 4.22 percentage point jump from 2016.

Customs Clearance Remains Top Issue

According to international shippers that were surveyed, the biggest logistical roadblock was customs clearance. Approximately **33% of respondents said they had challenges** with customs clearance in 2017 – a 4.58 percentage point increase over the previous year.

Additionally, international shippers experiencing **issues with using multiple service providers jumped by nearly half** from 11.33% in 2016 to 16.27% in 2017. At the same time, damage issues with international cargo declined slightly by 1.65 percentage points to 12.84%.



Challenges With Customs Clearance? 3 Best Practices To Avoid Cargo Customs Clearance Disasters

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In Conclusion

If one solid takeaway can be found from the survey's results, it's that shippers will need to pay extra attention to capacity in 2018 and beyond. Issues nearly doubled over the course of one year, and there are no quick-and-easy fixes to the situation on the horizon.

The economy looks healthy and shows no signs of slowing down over the course of the year. Still, supply chains will become an increasingly important factor that can encourage or limit business growth in hospitable times.

Whether it's moving freight domestically or abroad, shippers and service providers will need to work together to find mutual success.

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