

Transport Topics



Our Evolving Trucking Industry:

A Private Fleet Resurgence

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Nearly everything we touch during the course of a day has been on a truck at one time or another. Companies have raw materials brought in for production or assembly, and finished goods delivered out for sale. Though this cycle never changes, the trucking industry is experiencing a sea change regarding *how* these companies are moving these products.

Private fleets are well-known for their superior, nimble service, but did you know that these fleets also may be your cheaper option these days?

Shippers typically select from three primary modes of transportation to haul their freight: outside trucking companies (common carriers), third-party logistics or dedicated fleet providers, and private fleets.

Historically, companies requiring superior service with specialized, unique or complex internal and external delivery requirements often have chosen to operate private fleets. Approximately 275,000 companies, or half of all truck fleets operating in the United States, belong in this category.

These firms control their destiny and know that their goods and raw materials will be moved when and where needed because they have their own (owned or leased) trucks

and drivers. Private fleets are most efficiently operated when companies have freight that routinely is shipped to and from the same facilities (or others nearby) to facilitate backhauls, which positively impact the value of operating a private fleet.

Though private fleets typically offer more freedom to select technology and equipment for sustainability and optimization, offer less volatility for budgeting and forecasting, and provide more control over freight decisions, other modes of trucking have advantages as well. If a company does not have unique service requirements, doesn't have static return-trip freight hauling opportunities for backhaul efficiencies, or doesn't want this responsibility or have the expertise required to operate a private fleet, they turn to common carriers and third parties to haul their freight.

During this past year, we've seen a significant expansion of the private-fleet model from companies that traditionally have hauled through third-party carriers. *Why?* Our fast-growing driver shortage has contributed to this new trend, but lower cost is another primary reason for this shift to private fleets. If optimized to fully utilize their trucks and drivers, private fleets often compare favorably when factoring in all costs associated with

operating a fleet or using outside carriers. Many CDL drivers have a strong preference to drive for private fleets, and recent technology advancements (dynamic routing, freight-matching software, key performance indicator analytics) and partnership development opportunities (e.g., for backhaul securement) help create efficiencies.

In today's trucking landscape, with truck and driver capacity challenges, changing regulations and the expansion of just-in-time and last-mile delivery requirements to support e-commerce, *those who control the trucks and drivers win.*

Private fleets are usually not the right solution for 100% of a company's transportation needs, but they average roughly 68% of a company's outbound freight shipments, according to the most recent national survey by the National Private Truck Council, a good resource for private fleet benchmarking statistics and fleet start-up support information. Right-sizing makes the private fleet the best solution within an optimal mix of in-house trucks and outside carriers.

These private fleet operators don't have to pay \$5-per-mile spot rates or extra charges to get their freight moved; they have the same driver in the same truck every day with a fraction of the turnover associated with 3PLs and carriers. Also, they typically have excellent safety and compliance records. Management can sleep well at night knowing they won't have production shutdowns due to freight delays, and their goods will be delivered in a timely manner to their dealerships, stores and customers.

Recent examples of companies that are insourcing transportation control or moving from common carriers and 3PLs to private fleets

include Darigold, Dollar General and Amazon.com. Also, we are seeing many private fleet operators growing these fleets into new regions and different sectors to drive these cost and service benefits. Walmart, for example, will be adding more private fleet drivers as it takes some store delivery and intermodal freight away from third parties (as one of our large clients also has done). In recent months, we've had in-depth discussions about private fleet start-ups and 3PL transitions with a few Fortune 250 companies that haven't operated their own private fleets in decades, and have signed a global leader in consumer packaged goods, among others.

Soon after the Great Recession of 2008, three of our four largest clients went out to proposal to determine which of their trucking options made the most sense, with cost as their primary focus. They could keep their private fleets (and our sourced drivers) or outsource and go with common carriers or 3PLs. After extensive review and analysis, all three clients kept their private fleets (and we doubled with one, earning the other half of their business). Fleet cost made sense when compared with outside options, and

they didn't want to jeopardize the excellent service these fleets provided. And, we're still thriving with each of these companies today.

As the supply chain has become a much larger cost and service differentiator within most companies these past few years, top executives are putting more time and resources into this routine transportation validation process — as they did in 2008.

Using common carriers and third-party fleet providers has advantages as well and usually makes more sense for many companies with variable freight requirements and limited backhaul opportunities. I know of many excellent trucking companies and dedicated 3PLs that do a good job for their clients. But, if you're not entirely happy with your current trucking solution, I highly recommend reviewing private fleet possibilities to secure your freight — and peace of mind.

CPC Logistics is a CDL driver sourcing and management company with thousands of drivers dedicated to each client through its 39 regional offices in the United States, Canada and Puerto Rico.



Some major shippers such as Amazon.com have been insourcing more of their transportation needs.