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***COVID-19's Impact on Freight Flows  
and Supply Chain Hiring***

**David Porter, Partner**

April 10, 2020



# Agenda

- ▶ Employment Trends Macro
- ▶ Employment within Supply Chain
- ▶ Supply Chain Activity Levels
- ▶ Expectations Post-Virus
- ▶ Positioning your Supply Chain for Success Post-Virus



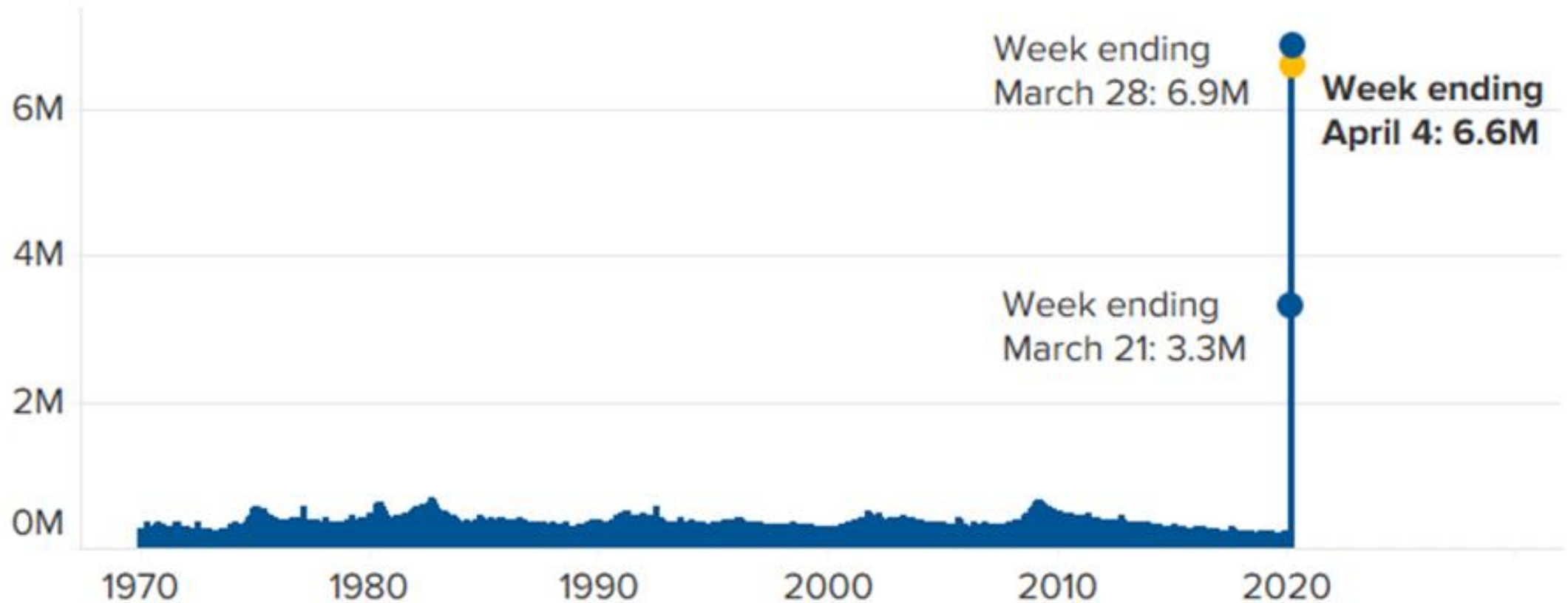
It's tough to make predictions  
....especially about the future.

- Yogi Berra



# Initial claims continue record-setting pace

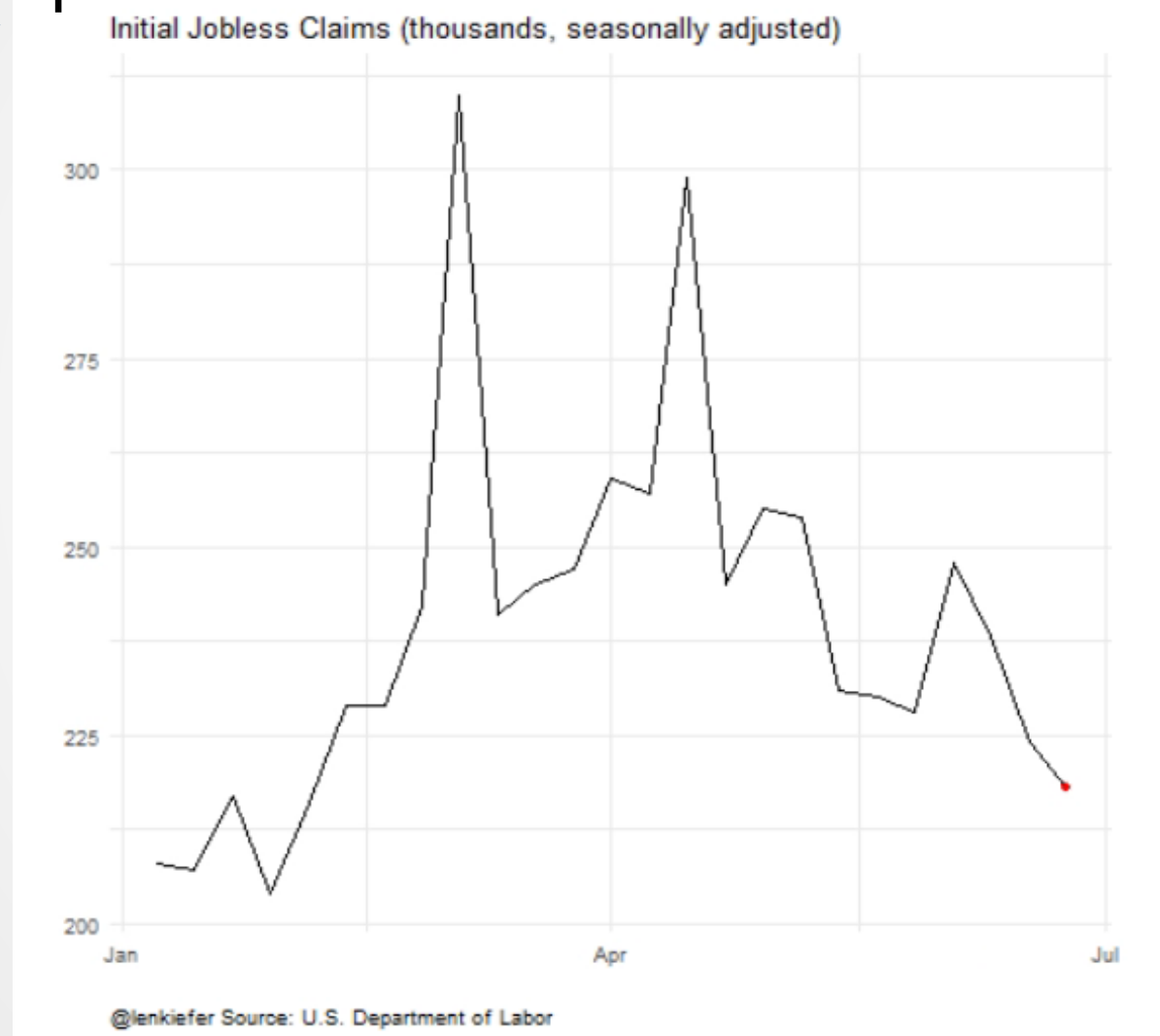
Weekly initial unemployment insurance claims since 1970



SOURCE: Department of Labor. Data is seasonally adjusted.



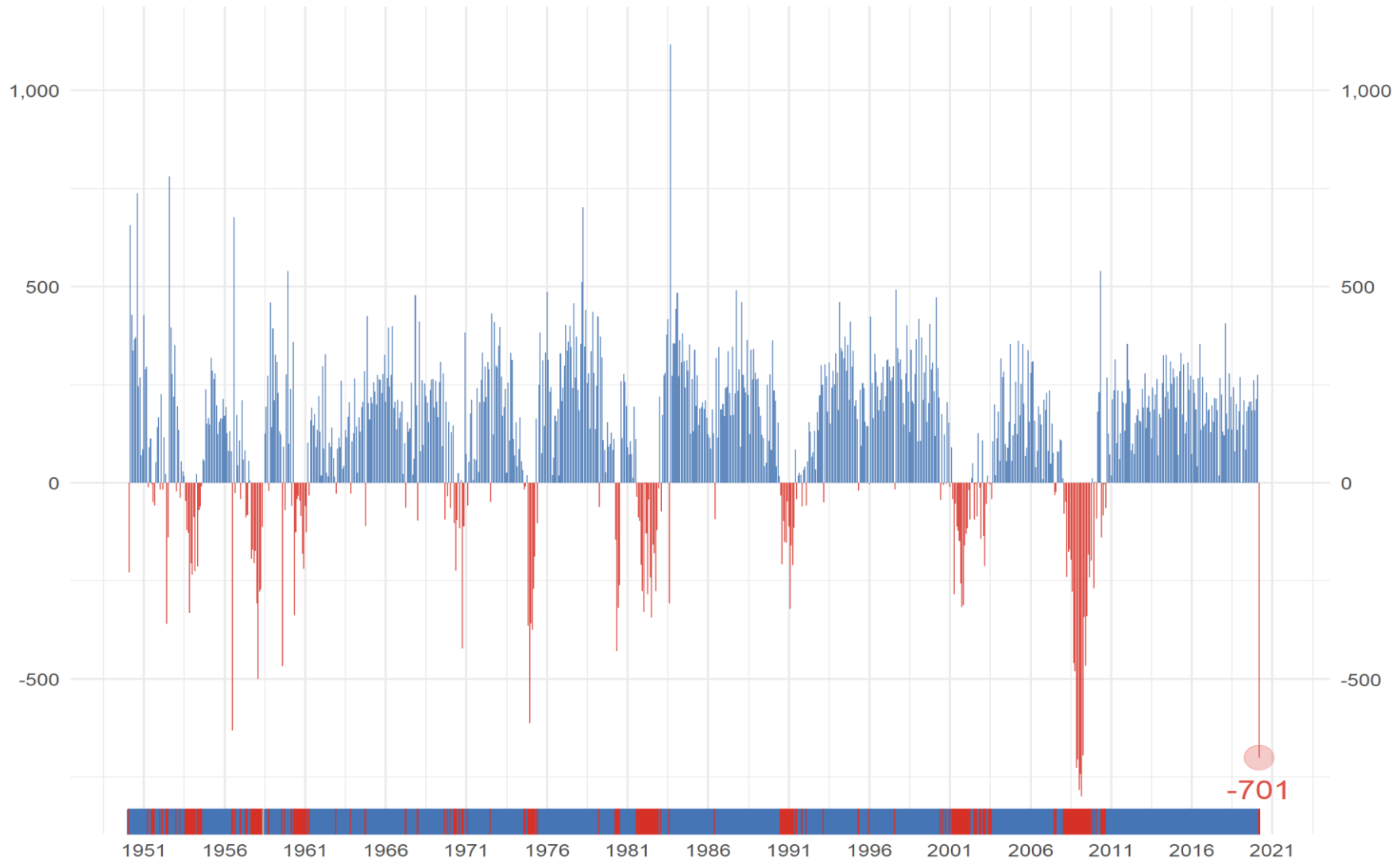
The “Great Recession” was nothing compared to this....a  $30 \sigma$  event!



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# After 113 consecutive months of positive month-over-month job growth employment contracts 701,000 in March 2020

Monthly change in U.S. nonfarm employment (1000s, SA)



@lenkieferr Source: U.S. Bureau of Labor Statistics blue (red) ticks indicates month when employment increased (decreased)

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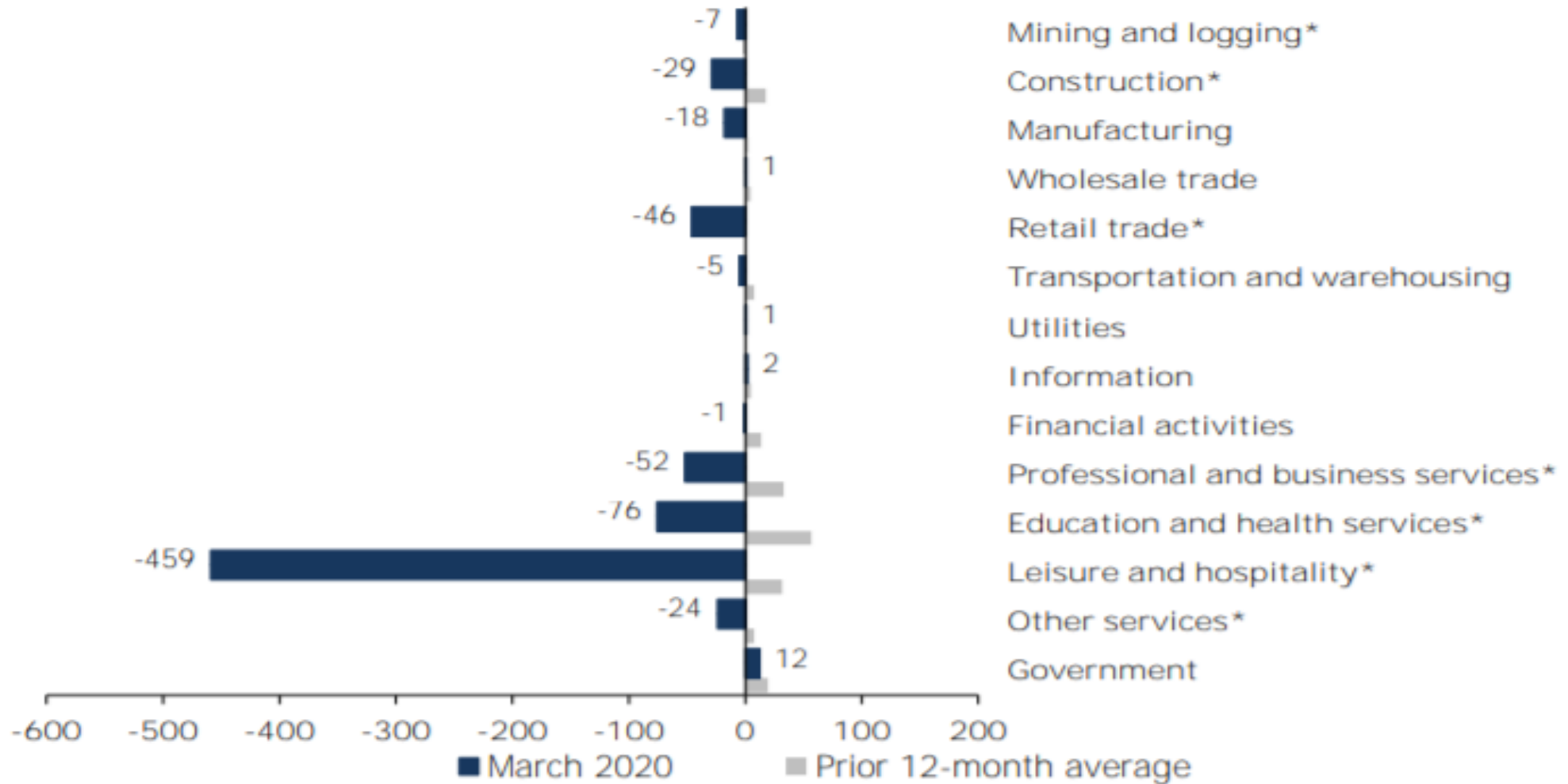
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# Employment in total nonfarm

Over-the-month change, March 2020

Seasonally adjusted, in thousands

Total nonfarm:  
-701\*



Bureau of Labor Statistics, Current Employment Statistics survey, April 03, 2020.

Data are preliminary.

\* denotes significance

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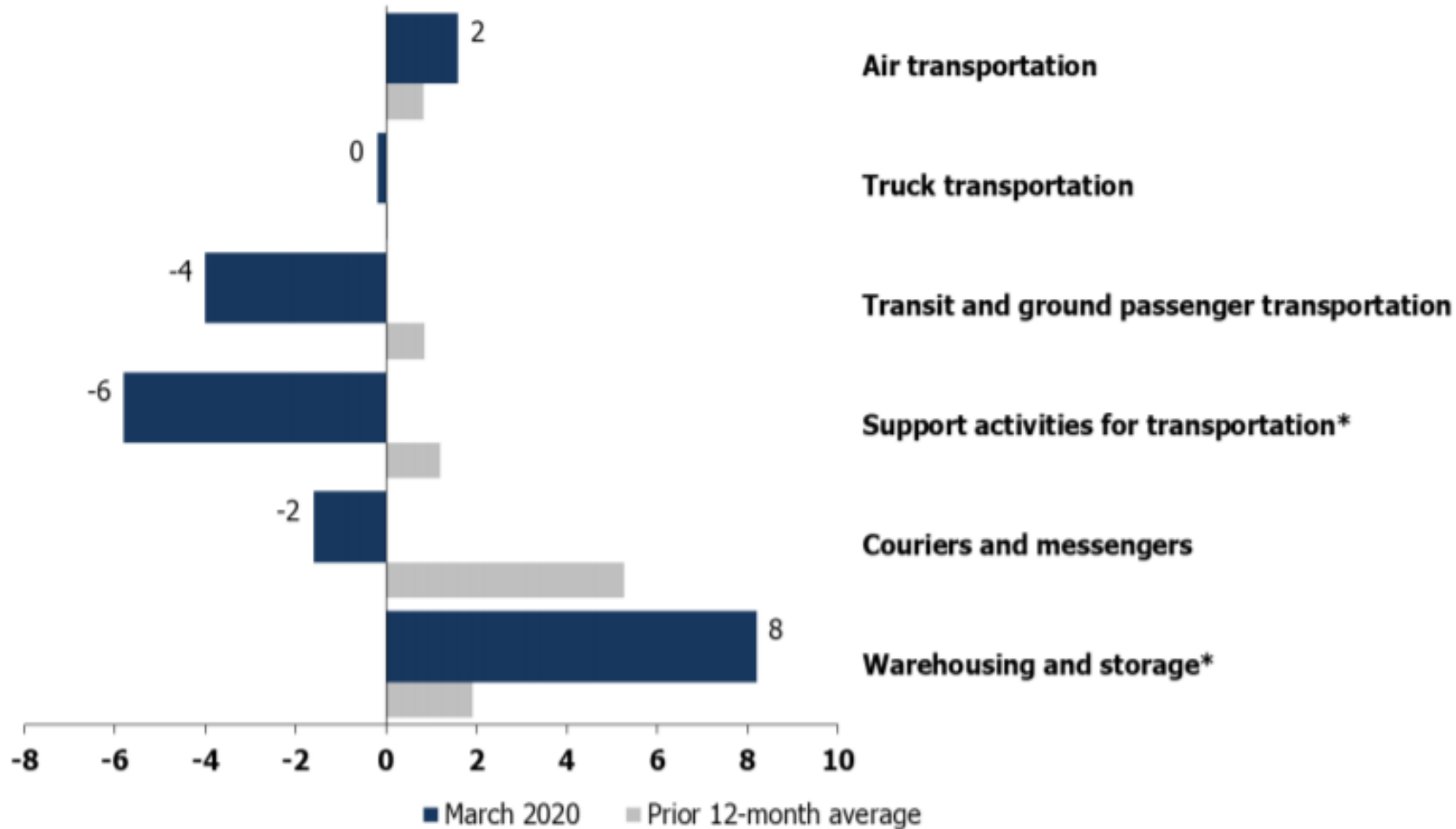
# Transportation and Warehousing

## Employment in select transportation and warehousing industries

Over-the-month change, March 2020

Seasonally adjusted, in thousands

Transportation  
and warehousing:  
-5



Employment in transportation and warehousing changed little in March (-5,000). Over the past 12 months, the industry's employment has risen by 81,000.

Among the component industries, support activities for transportation lost 6,000 jobs, while warehousing and storage added 8,000. So far this year, warehousing and storage has added 23,000 jobs, close to the 25,000 jobs it added in all of 2019.

Bureau of Labor Statistics, Current Employment Statistics survey April 03, 2020.  
Data are preliminary.  
\* denotes significance





# Warehousing



Warehousing and storage operators brought on 8,200 workers last month, the largest monthly increase since January in a sector that includes grocery distribution and e-commerce fulfillment centers.



The gains came as big employers including Amazon and Walmart hired hundreds of thousands of workers to respond to the pandemic.



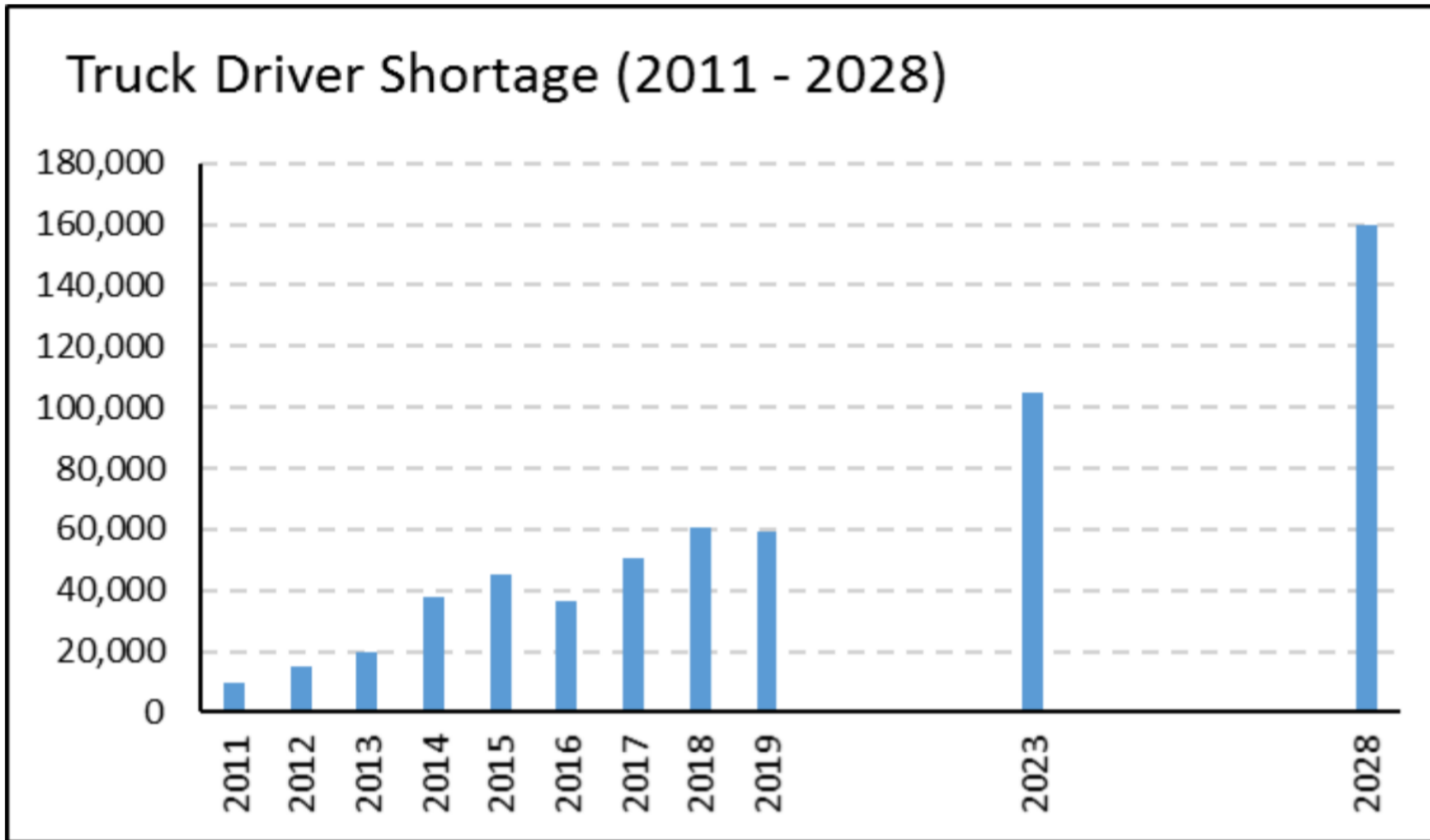
Hiring at other logistics operations, including trucking companies and couriers that carry consumer goods, pulled back.



Retailers and their suppliers scramble to keep up with consumers stockpiling food and household goods. Labor demand is “off the charts” at distribution operations handling essential products.



ManpowerGroup said most of its logistics and distribution clients are still hiring at the same or higher volumes than a month ago. Hospitality and other furloughed workers are redeploying into warehouse, manufacturing and other jobs. WSJ 4.4.20



Over the next decade, the trucking industry will need to hire roughly 1.1 million new drivers, or an average of nearly 110,000 per year. Replacing retiring truck drivers will be by far the largest factor, accounting for over half of new driver hires (54%). The second largest factor will be industry growth, accounting for 25% of new driver hires.

CORONAVIRUS: PANDEMIC

# TRUCKERS ADAPT TO CORONAVIRUS

JACKSONVILLE, DUVAL COUNTY

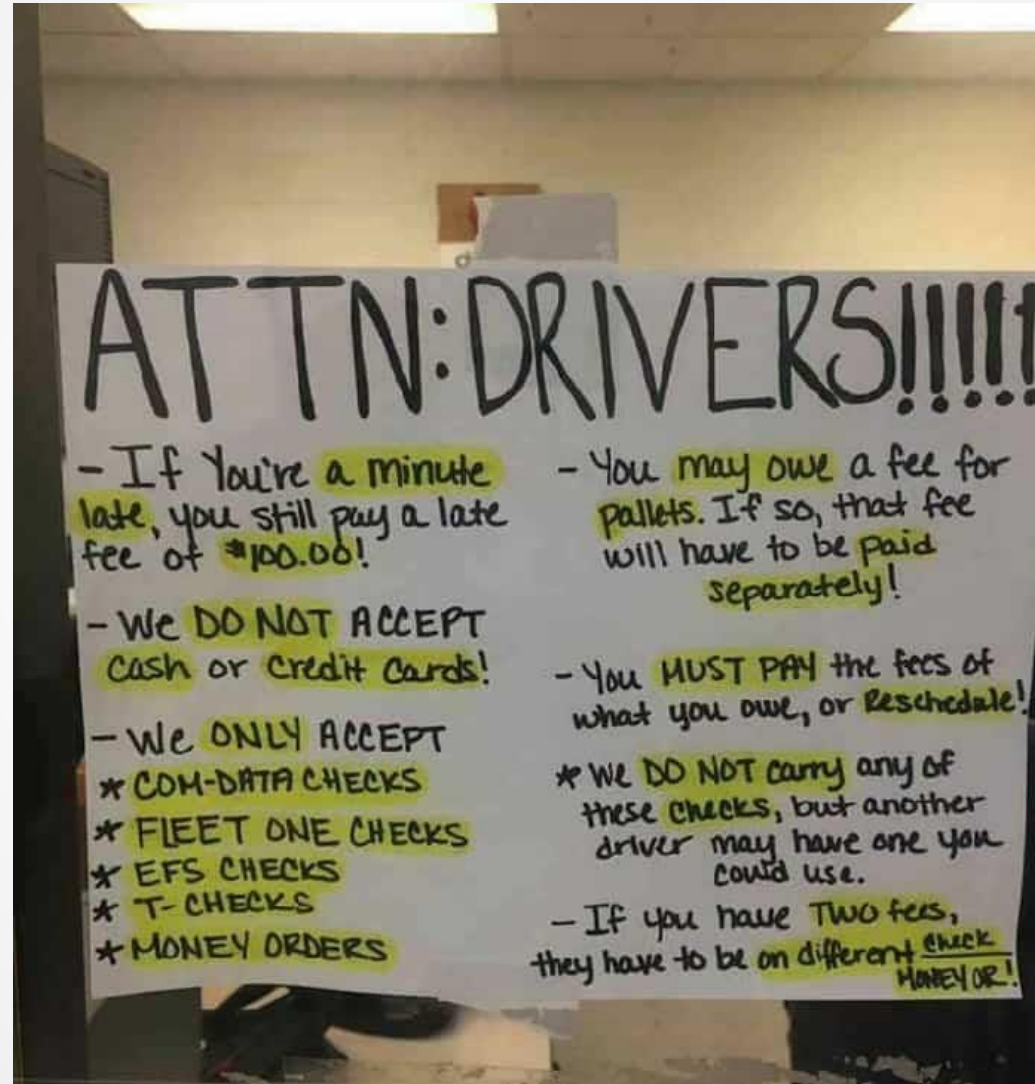
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ACTION NEWS JAX

73°

CORONAVIRUS THE STATE HEALTH DEPARTMENT. 8 FLORIDA RESIDENTS HA

# Are you a “Shipper of Choice”?



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# The Golden Rule

**Treat your drivers the way you would want to be treated.**

Truck drivers don't have an easy job, and they spend a tiring amount of time on the road. If you deny them basic amenities like access to a bathroom and a place to stretch their legs while they wait, that is not something they're likely to forget.

Showing respect and being kind goes a long way. Greet your drivers and provide an area where they can relax and refresh while being loaded or unloaded. Some shippers are even providing full lounges designed to make drivers as comfortable as possible, with wifi, refreshments, and showers. You can't be a shipper of choice if you aren't willing to show a little bit of empathy for your drivers.

# Are you a “Shipper of Choice”?

## **Avoid detention time at all costs.**

The last thing you want is to get a reputation for holding up drivers. To them, time is money and it's important to show that you respect that. HOS rules and the way drivers' time is strictly tracked through ELDs means that every minute they're waiting at your dock is taking away from the time they could be earning on the road. According to a [survey conducted by DAT](#), most carriers consider detention a serious problem and the majority of them rank it in the top five challenges facing their business. Making sure you're able to load or unload within the 2 hour window is a good way to keep your driver happy and be a shipper of choice.

## **Be flexible with pick-ups and deliveries.**

When you require a strict appointment time, truckers can't maximize their time on the road. Also, limiting your hours to weekdays forces drivers to travel during the most heavily trafficked times. By opening up options for your carrier, you increase the chances of your load being covered. And when you make this the rule, rather than the exception, you're more likely to become a shipper of choice.

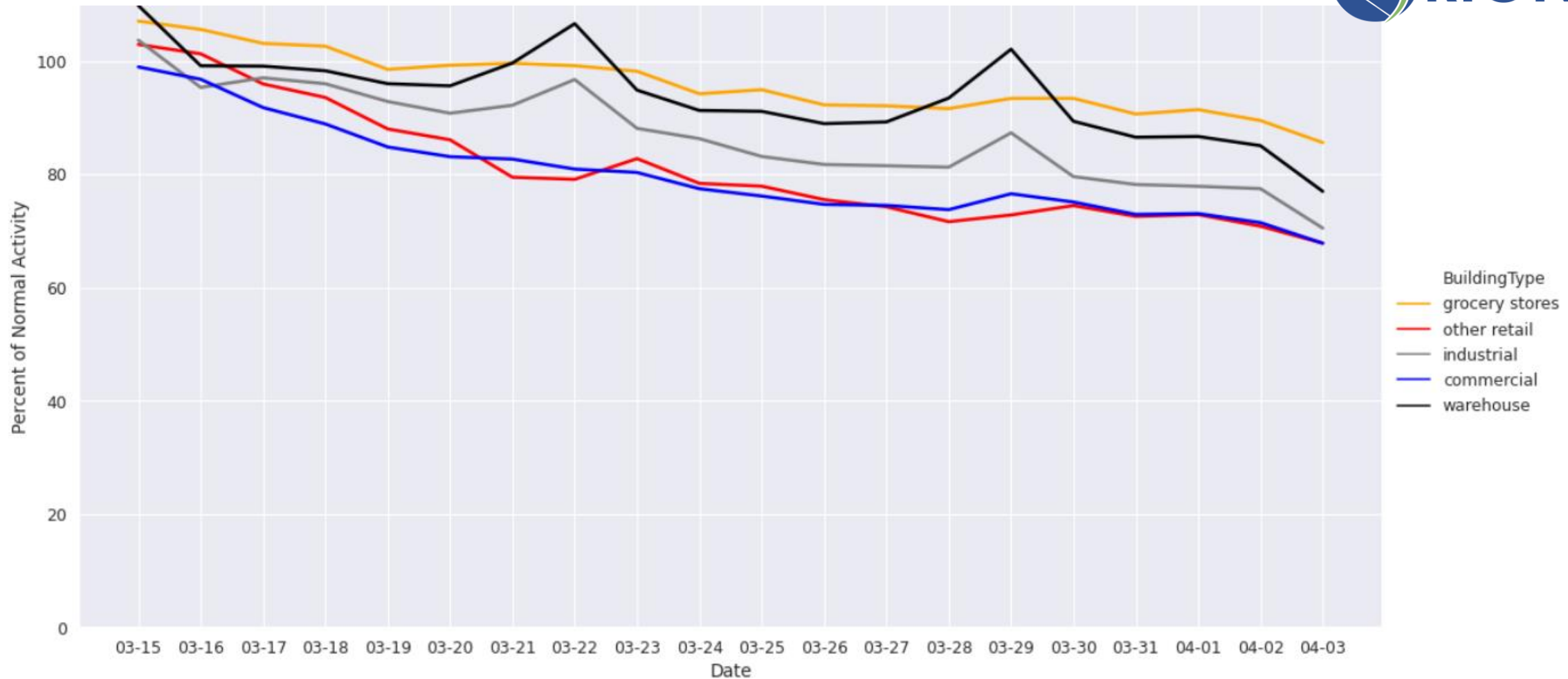
In lieu of strict appointments times, you could request pick-up or delivery by a particular day and allow for early arrival. If that doesn't work for you, you might consider moving from appointment times to a window of time. Being open on off-peak hours and during the weekend also will open up your access to capacity.

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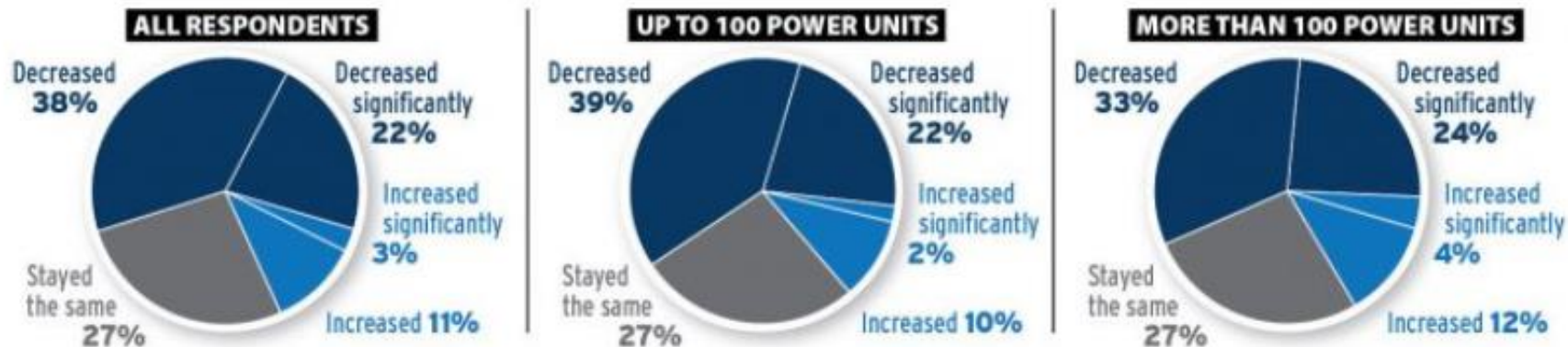
The dataset suggests that all retail, industrial and commercial locations have been impacted by the drop in commercial transportation activity. However, it is somewhat encouraging to note that commercial transportation activity to grocery stores has dropped the least, with 90% of normal activity. It is important to note that this activity comprises both delivery of goods but other services as well.



## How has the coronavirus affected freight levels?



## Your expectations for freight levels over the next 30 days?



Of respondents to a *CCJ* survey conducted last week, 55% report that they have seen freight levels decline over the past month. Likewise, they expect demand to remain suppressed. Both recent freight demand and the 30-day outlook changed for the negative compared to the prior week's survey. (Data based on 274 fleet respondents, ranging from carriers with 10 trucks to more than 1,000.)

# What changes have you made to your business in response to the coronavirus?



Nearly a quarter of fleets surveyed reporting already having reduced their driver workforce amid the coronavirus outbreak and corresponding economic stall.

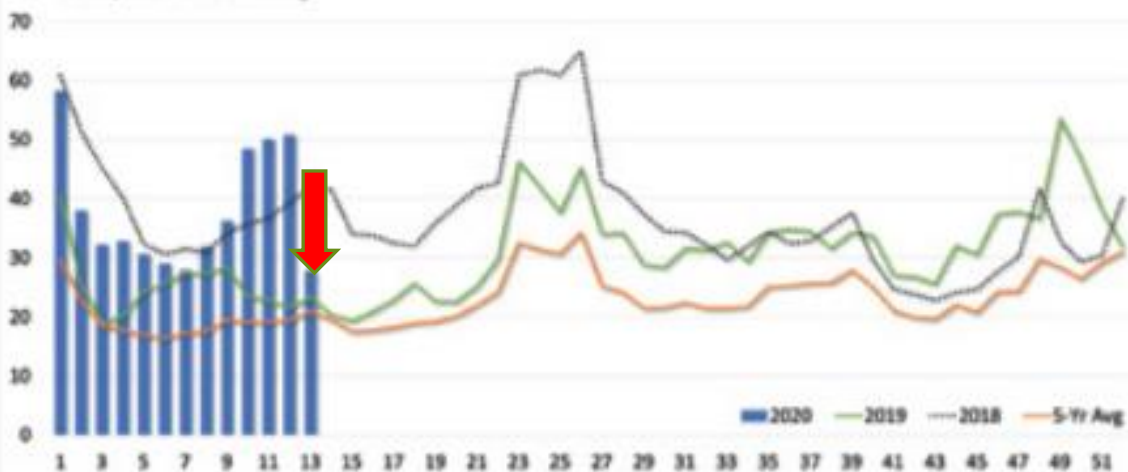


**Spot freight metrics plunge as economy outweighs disruption**

We knew that the day would come when the broader destruction of freight demand would become a bigger issue for the truck freight spot market than the upward pressure on the market due to disruption and the need to restock depleted grocery shelves. For sectors that were not already suffering, that day came sometime in week 13 of the year as all equipment types are seeing a broad collapse in freight volumes.

**MARKET DEMAND INDEX DRY VAN**

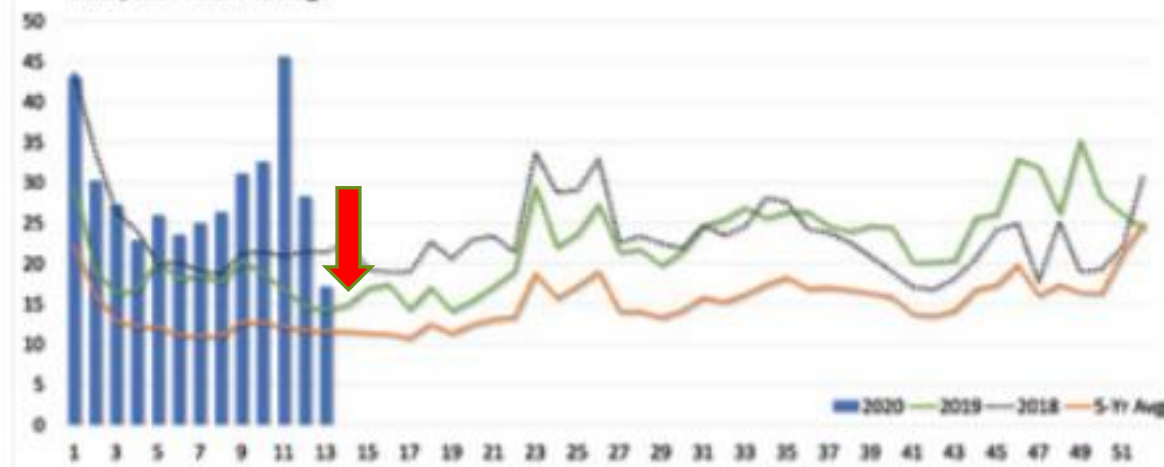
Index, 100 = 2004 average



Source: Truckstop.com, FTR | Transportation Intelligence™ Week 13

**MARKET DEMAND INDEX REEFER**

Index, 100 = 2004 average



Source: Truckstop.com, FTR | Transportation Intelligence™ Week 13

# Freight volumes officially below pre-crisis levels, no floor in sight

[Andrew Cox](#) Thursday, April 9, 2020

0 123 5 minutes read



**This week's DHL Supply Chain Pricing Power Index: 45 (Shippers)**

**Last week's DHL Supply Chain Pricing Power Index: 60 (Carriers)**

As fast as the freight frenzy came, it left us even quicker. National freight volumes are now below what we would expect in normal times, and capacity has now loosened to pre-crisis levels. Spot rates are plummeting in kind, with only five of the 100 Truckstop.com spot rates lanes showing positive weekly growth. There is no end in sight to the volume decline – America is still under quarantine and more businesses shut down with every passing day.

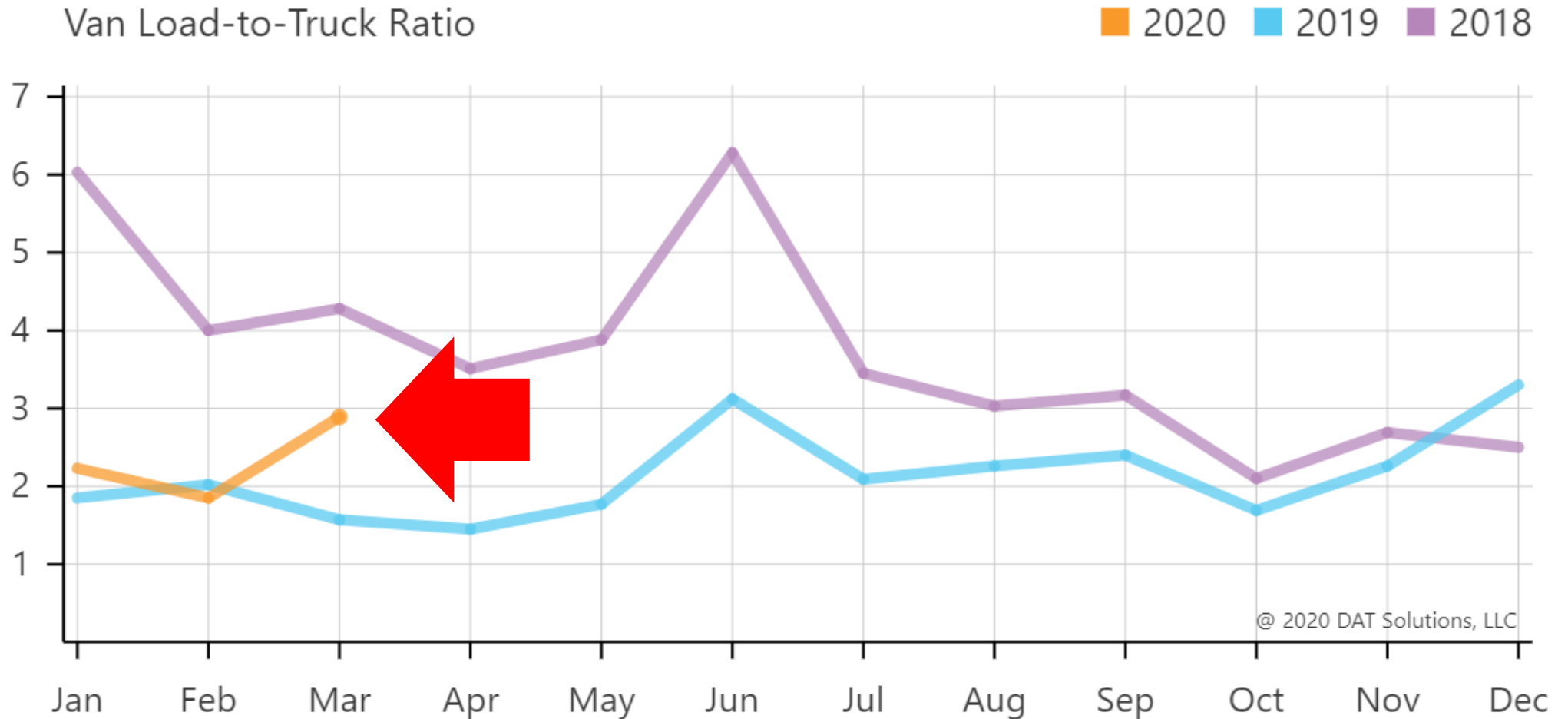
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# Truckload: Load-to-Truck Ratio Prior to March



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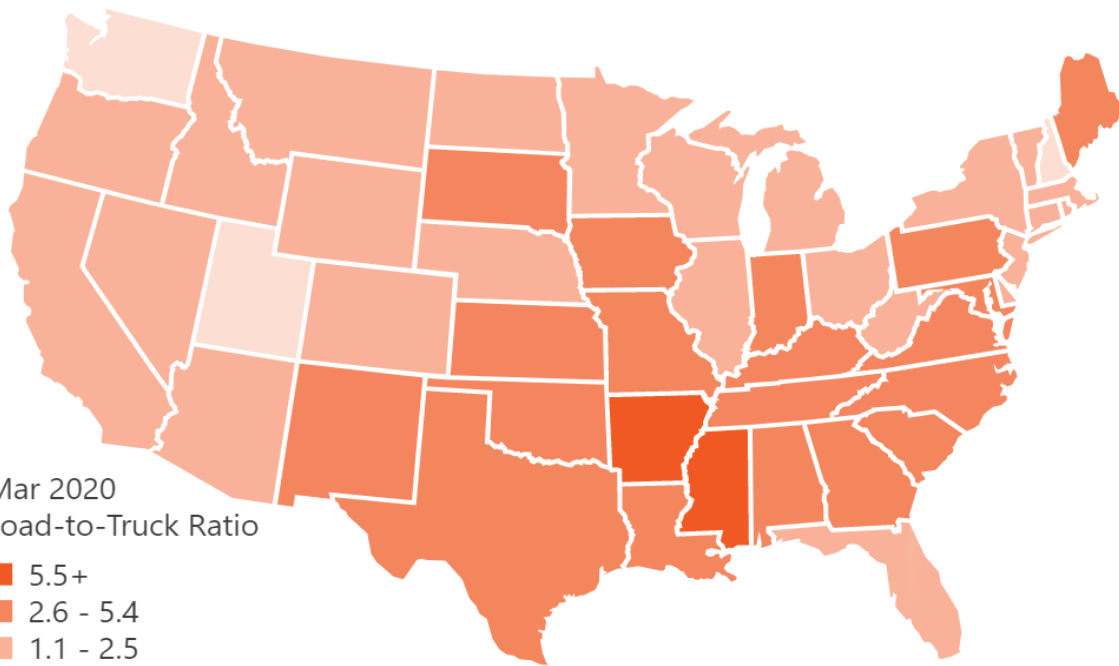
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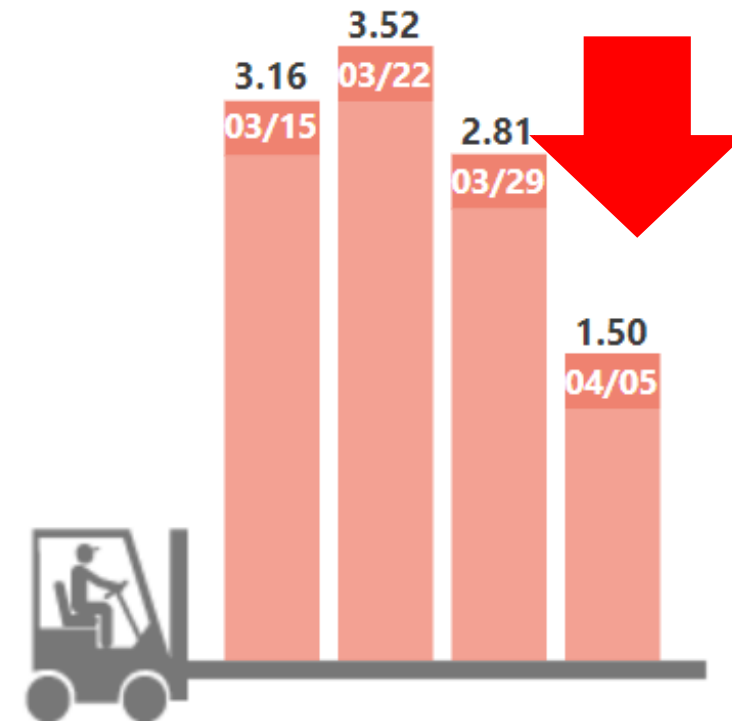
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# Truckload: Load-to-Truck Ratio After March



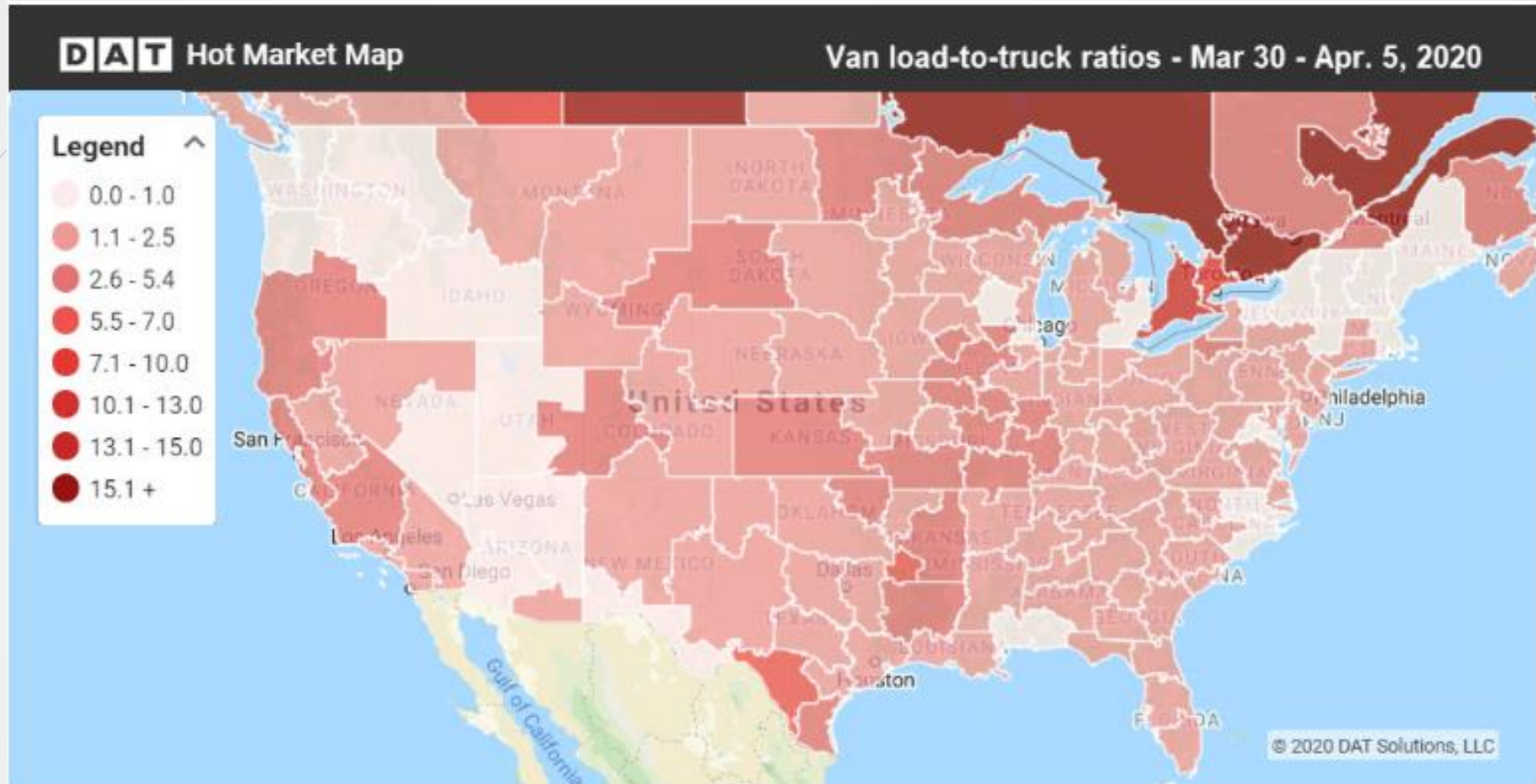
Hot State Maps (above) in DAT RateView depict geographic trends in the load-to-truck ratio.

## National Load-to-Truck Ratio





# Current Demand by State



*DAT's Hot Market Map depicts tepid demand for spot truckload transportation. For daily and hourly updates, check these heat maps in [DAT RateView](#) or [DAT Power](#).*

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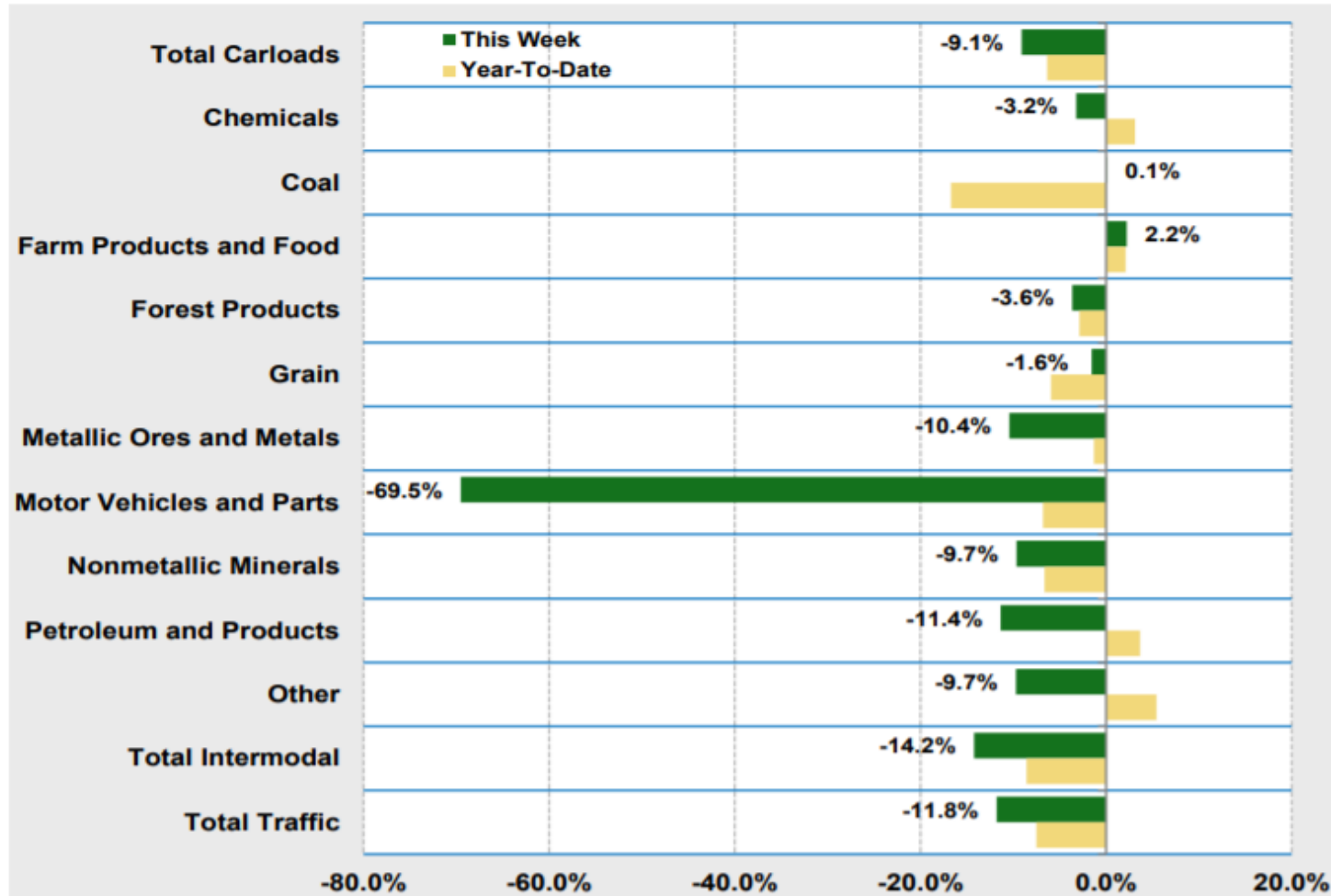
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# Intermodal and boxcar impact

Trends, 2020 vs 2019

United States



# Container Shipping Lines Cancel (Blank) Sailings

- ▶ The service cancellations have grown from 45 last week to 212, according to Copenhagen-based consulting firm Sea-Intelligence ApS/WSJ 4.6.20
- ▶ China is now pushing out cargo again, but demand has nosedived with the U.S. and Europe increasingly being locked down. Some U.S. ports have decreased hours at terminals due to demand.
- ▶ The pandemic will cut demand by about 10% overall, about the same decline as in 2009.
- ▶ Rates collapsed during the 08/09 financial crisis – partially due to an inability to reduce capacity in a timely fashion.
- ▶ The financial fallout for the shipping lines appears to be relatively mild so far compared with that of airlines and other transportation operators that depend on passengers.

# Transport Summary

While layoffs are rampant throughout the economy due to coronavirus, transportation/supply chain has seen less impact.

Within supply chain, those companies dealing with essential staple goods and strong in ecommerce have been impacted less (Campbells, Kimberly Clark, Amazon, Walmart). Those dealing with non-essential retail have been hit hard.

Freight levels across most modes of transport – both reefer and dry van started dropping significantly starting the week of March 30<sup>th</sup>.

Carriers are idling capacity (vessels, containers) and putting off asset purchases (Class 8 tractors) in 2019 in order to preserve capital and rates.

A green arrow pointing to the right, located at the top left of the slide.

# Action Items:

- ▶ **Be a “Shipper of Choice”!** Regardless of budget, do everything you can to make your facilities and transportation program more driver-friendly.
- ▶ **Build Flexibility into your Transportation Program:** Align yourself with multiple carriers, modes, and routings per lane.
- ▶ **Ensure your Transportation Program has Stability through Good AND Bad Times:** Don't rely on the spot market to move all your freight when rates are low. Move most of your freight through contract rates.
- ▶ **Know the Financial Condition of your Carrier Base:** The last year has seen unprecedented carrier bankruptcies. Know how financially sound your carrier base is and diversify!
- ▶ **Acquire Talent and emerge from Covid-19 stronger than ever!** There is now talent available that wasn't available in a 2% unemployment environment. Now is the time to invest.