2021 Logistics and Supply Chain Trends and Outlook
Introduction

2020 has been an unprecedented and challenging year for shippers due to COVID-19’s impact on consumer behavior, the economy, and global trade. Between Q1 and Q2, shippers faced waves of panic buying that drove supply and demand imbalances throughout supply chains. Many companies struggled to recover their inventory levels until halfway through Q3.

As states issued stay-at-home orders, consumers shifted their spending online in Q3, which forced many companies to accelerate their e-commerce and omnichannel capabilities to meet changing consumer demand. According to Digital Commerce 360, nearly $1 of every $5 spent in Q3 came from online orders. Additionally, the U.S. Commerce Department reported Q3 was the second-highest year-over-year growth for any recorded Q3 since 2000.

In Q4, shippers had a new challenge to overcome: a looming holiday “shipageddon.” The New York Times predicted the 2020 holiday shopping season was destined to be filled with delays and chaos, due to “the combination of our reliance on online shopping during a pandemic and our eagerness for online shopping during the holidays.” The increase in online shopping completely overwhelmed small parcel shipping networks and may continue to do so well into 2021.

With a year filled with so much volatility, many supply chain leaders are realizing they cannot use historical data to plan their transportation and logistics budgets for 2021 adequately. To help, GlobalTranz’s logistics experts have shared insights into what to expect in the coming year and how to build a resilient supply chain that can adapt to whatever challenges it may face.

2021 LTL Industry Trends

For 2021, expect the Less Than Truckload (LTL) freight market to remain volatile due to the impact of COVID-19. Many LTL industry trends, such as capacity constraints, rising rates, and changing consumer buying patterns, will continue through 2021.
The fourth quarter of 2020 gives us a glimpse into the freight market forecast for 2021. E-commerce sales boomed in categories such as groceries and retail. As e-commerce surged, LTL, truckload, and small parcel capacity tightened, which led to record rates in some lanes. LTL shippers should start 2021 prepared for higher freight rates due to LTL capacity constraints. Let's look at top LTL industry trends for 2021.

### Four LTL Industry Trends Shippers Should Prepare For in 2021

#### Increase in LTL Shipping Rates

Shippers should expect the price increases from Q4 2020 to continue into Q1 2021. If you ship desirable high-density freight, expect to see rate increases in the 5-8% range. Shippers with less desirable freight, such as big and bulky items, should expect LTL freight rates to increase 5-10% to offset the lower density.

What's behind the anticipated LTL shipping rate increases? Here’s a look at three key factors.

#### The Driver Shortage Will Impact Capacity in 2021

When a driver gets a positive COVID-19 test, the carrier’s terminal is shut down for safety measures, removing capacity from an already tight market. Carriers anticipate this will continue to impact LTL capacity until a vaccine is widely available.

Also, the average age of LTL drivers is in the mid 50’s and older. Many drivers took early retirement due to the COVID-19 risk factor, and those drivers haven't been replaced.

LTL driver positions are typically sought-after because most drivers are home...
every night. However, that factor alone is not attracting enough drivers to handle the surge in capacity. Carriers are tackling the driver shortage with job training programs that target younger truck drivers and transitioning dock workers to straight truck drivers at age 18 since a CDL is not required. While these are positive steps, they’re not likely to adequately staff the national driver pool.

**Surging E-Commerce Orders Will Cause LTL Shipping Rates To Increase in 2021**

Like many industry sectors, LTL carriers underestimated the e-commerce boom resulting from the COVID protocols. In response, LTL carriers are investing in straight trucks with lift gates for smaller businesses, strip malls, and residential areas. They’re also integrating with local cartage agents and white glove carriers specializing in commercial and residential deliveries of oversize items, like furniture and exercise equipment.

**LTL Freight Volumes Will Remain Volatile in 2021**

Carriers faced a whiplash effect through the year as they struggled due to low volumes during the height of COVID-19 shutdowns. However, volumes are extremely high now, and carriers are struggling to keep up. Volumes are expected to remain elevated through Q1 2021 at least. If strict shutdowns return, volumes could drop if many shippers are forced to close. Or, they could spike again in response to higher consumer demand.

**Tips for LTL Shipper Success in 2021**

**Plan for rate increases:** Carriers will be cautious about raising rates and instead may reject undesirable freight by issuing embargos rather than raise rates dramatically. Many carriers are walking a fine line of balancing rates and their operating ratio, which is why shippers should prepare by understanding the reasoning behind LTL rate increases in 2021.

**Analyze your freight profile:** Do you typically ship less desirable freight such
as bulky furniture? If so, be prepared for freight increases and higher rates of rejection. When shippers look to balance out their networks during a capacity crunch, they will typically reject larger, bulkier freight that takes up extra space.

**Be a shipper of choice:** Don’t waste carriers’ time or money by making them wait or reschedule appointments. Recognize drivers as a vital part of the supply chain and make their lives easier. Also, use a TMS to pay freight bills quickly.

**Set expectations:** Set customer expectations due to capacity constraints. Be realistic, and factor missed pickups and late deliveries into your planning. For time-sensitive shipments, use priority service or expedited when necessary.

**Consider consolidating freight:** Consolidating LTL into TL hauls carriers may boost capacity, but shippers need to be prepared for significant delays.

**Be cautious on forecasting:** Expect transit delays and missed pickups and create forecasts accordingly. You may not see service levels equal to the first quarter of 2020.

**Partnering with a 3PL will be critical for 2021 LTL Shipping Success**

In 2021 shippers should be prepared for more of the same market volatility they experienced in 2020. To succeed, leveraging partnerships with 3PLs that can ensure your load is covered will be critical.

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**Truckload Freight Market 2021 Forecast**

For shippers, 2020 was like riding a roller coaster with no way to get off. In the first half of the year, panic buying drove supply and demand imbalance across the supply chain and caused truckload capacity to tighten. During the second half of the year, consumers shifted their spending from in-store to buying...
online, and sellers had to adjust their warehousing and fulfillment networks. The e-commerce surge tightened truckload, LTL, and small parcel capacity, delaying deliveries, and driving up rates.

The volatility of 2020 and the uncertainties looming into 2021 make it difficult to forecast planning and budgets based on historical data. However, some market trends that became significant factors in 2020 will likely continue. For example, online shopping will grow faster than expected, and consumer behavior may shift in response to ongoing pandemic-related challenges. That trend also plays into an extended peak shipping season and ongoing tightened capacity in all modes.

To help shippers prepare, we will examine contributing factors that will play a significant role in the 2021 truckload freight market.

**Consumer Spending Shifts Will Continue To Impact The Truckload Freight Market**

Consumer spending has shifted from the service sector into other industries, causing rising truckload rates and tightened capacity. People are spending more time at home and spending more money on furniture, pets, and home baking to make their environment more comfortable. Many furniture manufacturers reported lengthy delays for build-to-order pieces due to reduced workforces and difficulties in sourcing fabrics and components.

A pet-buying spree drove sales of dog food and other pet supplies, as people adopted pets to keep them company during the lockdowns. Like toilet paper, dog food saw a massive spike in sales in both brick and mortar and online channels that created challenges. In a recent FreightWaves article, JJ Lewis, Vice President of Enterprise Sales, explained how GlobalTranz's client, a large pet supply company, was forced to adjust their supply chain strategy to meet a 300% increase in freight volumes. Due to the limited number of plants producing dog food, GlobalTranz's client had to reallocate shipments to other warehouses. Rapid shifts in sourcing increased shipping spend and left routing guides useless for meeting demands.

**Home baking** was another trend that tightened capacity. Consumers snapped up kitchen essentials like butter as they tried bread recipes to pass the time. The fourth quarter holiday season typically brings an uptick in butter volumes, but thanks to the pandemic, that surge came several months earlier. Retailers usually sourced two to three truckloads of butter a week but sold as much as 10 to 12 truckloads during peak baking season.

Those unexpected surges meant forecasts were worth as much as the paper they were printed on. Some retailers shipped products as soon as they could get it, overstocking stores to meet demand and avoid stock-outs.

Shippers planning their 2021 transportation strategy should prepare for additional waves of panic buying with a plan for pulling freight forward to meet consumer demand.
The Truckload Capacity Crunch Will Continue Into 2021

Truckload shippers need to prepare for capacity shortages to continue in 2021. E-commerce is predicted to continue to grow, placing strain on small parcel networks that struggled to keep up with demand in Q4 2020. Additional drug testing regulations could impact the driver ranks, leaving some carriers without enough qualified drivers to operate their fleet.

Several truckload carriers declared bankruptcy in 2020, further tightening capacity on top of a record number of carriers filing in 2019. Developing long-term relationships will be essential to securing capacity from carriers facing challenges.

The rollout of the COVID-19 vaccines may disrupt the supply chain with a massive national effort. Any temperature-controlled commodities could find truckload capacity to be elusive during the vaccine surges.

Truckload Rates Will Continue To Increase in 2021

Another sure prediction is that shippers should anticipate higher U.S. truckload market rates in 2021, with experts predicting rates increasing as much as 10%.

At GlobalTranz, we anticipate that shippers would rather pay higher rates with contractual carriers than go to the spot market. Shippers want to maintain their routing guides to ensure service levels are met rather than shaving a few cents a load with unfamiliar carriers. Even with contracted rates, expect continued volatility in the market, especially if rates skyrocket and carriers focus on the spot market.

Rethink Inventory

The boom in direct-to-consumer delivery and buy-online, pick-up-in-store (BOPIS) fulfillment will drive retailers to rethink their inventory strategy. Rather than focus on regional D.C.s, smaller, more nimble locations can respond to customers faster. Brick-and-mortar retailers may reduce their store replenishment routines to keep more inventory on hand to feed other channels. Some retailers will adapt space in stores for fulfillment rather than using outsourced sites. It may make sense to push inventory closer to the consumer whenever you have the chance to lessen the chance of running out.

Tips for Controlling Truckload Freight Costs in 2021

Consider these proven tips to manage your truckload spend in the coming year.

- Extend 2020 terms for high-performing incumbent providers to manage churn
- Utilize drop trailers for high shipment volumes
- Consolidate shipments to increase volume
- Contract consistent freight volume
- Decrease length of haul
To prepare your supply chain for a volatile environment in 2021 and beyond, connect with a logistics provider with proven experience and technology to maximize your transportation budget. GlobalTranz can help position you for success through a collaborative and accountable relationship focused on delivering a positive impact for your business.

**2021 Emerging Trends In Warehousing**

Flexible, scalable warehouse space, forward-deployed inventory, and supply chain resiliency are among the leading trends that will help companies meet new consumers’ expectations while supporting health protocols.

**Five Emerging Trends In Warehousing To Prepare For In 2021**

**Bring Your Supply Chain Closer To Your Customer**

In planning for more of the same in 2021, customers are seeking space to meet shifting consumer behavior due to COVID-19. In 2020, companies were laser-focused on meeting their immediate needs in the current environment, primarily ensuring they were able to deliver materials to the end-user on time. For 2021, the focus shifts to mitigating risk in supply chains that endured significant disruption over the past several months.

In some cases, bringing the shipper's supply chain closer to the end-user, such as **reshoring and nearshoring**, has become a smart fix. GlobalTranz works with existing and new customers to identify the most efficient location and use for their warehouses.

**Transform The Warehouse Network**

The growth of e-commerce in both B2C and B2B markets has strained many companies’ fulfillment systems. In 2021, e-commerce is expected to continue growing, with B2B e-commerce sales expected to increase by **17.5% per**
Companies are trying to push more direct-to-end-user shipments through fulfillment networks that weren’t designed for it.

Over the last six months, the boom in e-commerce and residential deliveries has accelerated the need to expand warehouse and fulfillment space closer to population centers to meet faster delivery windows. In the past, low-cost warehousing space was the priority for most companies. Centralizing inventory in massive regional DCs for store replenishment was a successful strategy. But the game has changed.

Fast forward to the last few years, and more customers have focused on optimizing their geographic location with end-users in mind. This strategy allows shippers to meet customer expectations for fast delivery without the cost of priority shipping on thousands or millions of individual packages. It supplements or replaces processes such as zone skipping for parcel and LTL moves.

We think many companies will invest in warehouse space closer to their customers, even if it means an increased cost to serve.

**Plan For Supply Chain Resiliency**

Resiliency is all about how you bounce back after being stretched nearly to the breaking point. Supply chain resiliency will be a significant driver in 2021 as companies continue to face unprecedented disruptions due to COVID-19’s impact on consumer behavior, capacity, and the economy.

Supply chain optimization software will be one of the secrets successful companies adopt to provide deeper visibility across their supply chain. If a company can integrate and view all their data in one place through a warehouse management system, it creates more visibility to adapt and think holistically about their needs. Organizations that invest in digital tools to provide data and insight that allows for customization around supply chain operations will pay off in enhanced resiliency in a post-COVID-19 world.

**Revise HR strategies**

The warehouse of 2021 and beyond will be as much of a technology center as an inventory center. To support a shift toward warehouse technology, Human Resources Departments will need to adapt their warehouse hiring processes.

Companies will require employees with a higher education level in warehouse operations, including IT specialists and engineers with robotics backgrounds. This is motivated by the increasing amount of data collection and automation deployed within warehouses and fulfillment centers to augment employees’ work. Simultaneously, with the increase in talent with a background in data science and robotics, there will be a need for supply chain professionals with the oversight and expertise to manage overall operational efficiency and connect the tech to the larger supply chain picture.
Invest In Digital Transformation

Digital transformation across the supply chain will heighten in response to the disruption we’ve witnessed in recent months. We expect to see more rapid adoption of new technologies, such as digital warehouse management systems, that are part of a single solution or platform that allows customers to see across their entire supply chain. With more real-time insights and data to inform decisions, companies can factor in their sales projections and map out the flow of goods from manufacturing facility to end-user more efficiently. Through digital transformation, organizations will have a better idea of their inventory levels and location. Additionally, digitization will help foster collaboration and improve visibility, which will help your supply chain become more flexible and resilient.

Understanding and employing the top emerging trends in warehousing can position shippers for success in 2021. As you develop your logistics strategy, look for collaborative, strategic partners like GlobalTranz who have the experience and technology to prepare for any disruption your organization may face.

Conclusion

Shippers who leverage strategic partnerships with logistics providers will set themselves up for success in 2021. As you start your logistics RFP bid season, look for logistics providers, like GlobalTranz, who can provide the people, proven processes, and technology needed to protect you from uncertainty in 2021 and beyond.

When you partner with GlobalTranz, you gain a team of logistics experts who leverage our award-winning logistics solutions, virtually unlimited capacity, and best-in-class technology to protect you from market volatility in 2021 and beyond.

About GlobalTranz

GlobalTranz is a full-service third-party logistics provider, bringing award-winning customer service, exceptional industry expertise and market-leading technology to shippers, carriers, and logistics service providers (LSP). GlobalTranz’s people-powered approach combined with comprehensive, relationship-driven support provides shippers of all sizes with fast and reliable, multi-modal transportation services as well as strategic supply chain solutions – enabling them to optimize efficiency and deliver on business goals. Leveraging its extensive independent agent network, GlobalTranz has emerged as a fast-growing market leader with a customer base of over 1 million product users and 25,000 shippers. In 2020, Transport Topics named GlobalTranz #9 on their list of Top 10 largest freight brokerage firms in the U.S., and Inbound Logistics ranked GlobalTranz as #4 on their list of Top 10 3PL Providers.

To learn more about GlobalTranz, please visit www.globaltranz.com.