KELLER TRUCKING
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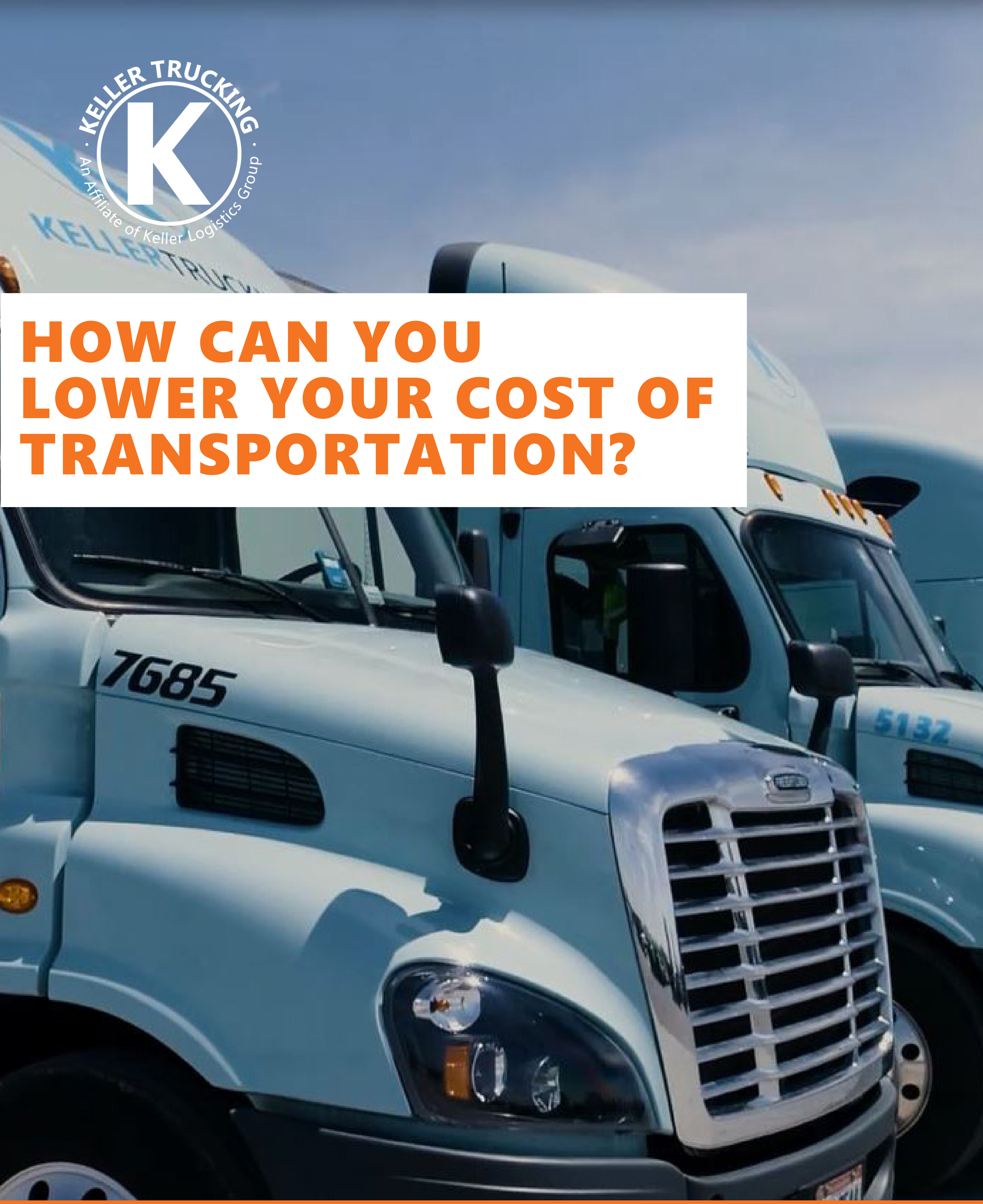
HOW CAN YOU LOWER YOUR COST OF TRANSPORTATION?



UNDERSTANDING DYNAMIC FREIGHT PRICING

Written by Jonathan Wolfrum, Keller Trucking President, from the 2020 Keller Logistics Summit

Dynamic is defined as: being characterized by constant change, activity, or progress. Now is as good of a time as any to discuss the dynamics of pricing, as the world is truly constantly changing given the current environment. All freight is not created equal. Therefore, there are many variables that affect pricing, and as a shipper, you can influence and lower your cost of transportation and work to build positive long-lasting relationships with your carriers.

Some operational aspects of your loads may not be able to be modified, depending upon your location and your customers' locations, but the Length of Haul and the geographic locations of origin and destination play a big role in pricing. We could spend all day talking about markets, network balance, and backhaul vs headhaul in reference to location. A shorter Length of Haul typically means a higher RPM. Taking that into consideration, if you have a majority of short haul regional freight to cover, things like appointment times and timeliness of loading and unloading become all that more important.

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01 OPERATIONAL ASPECTS OF A LOAD

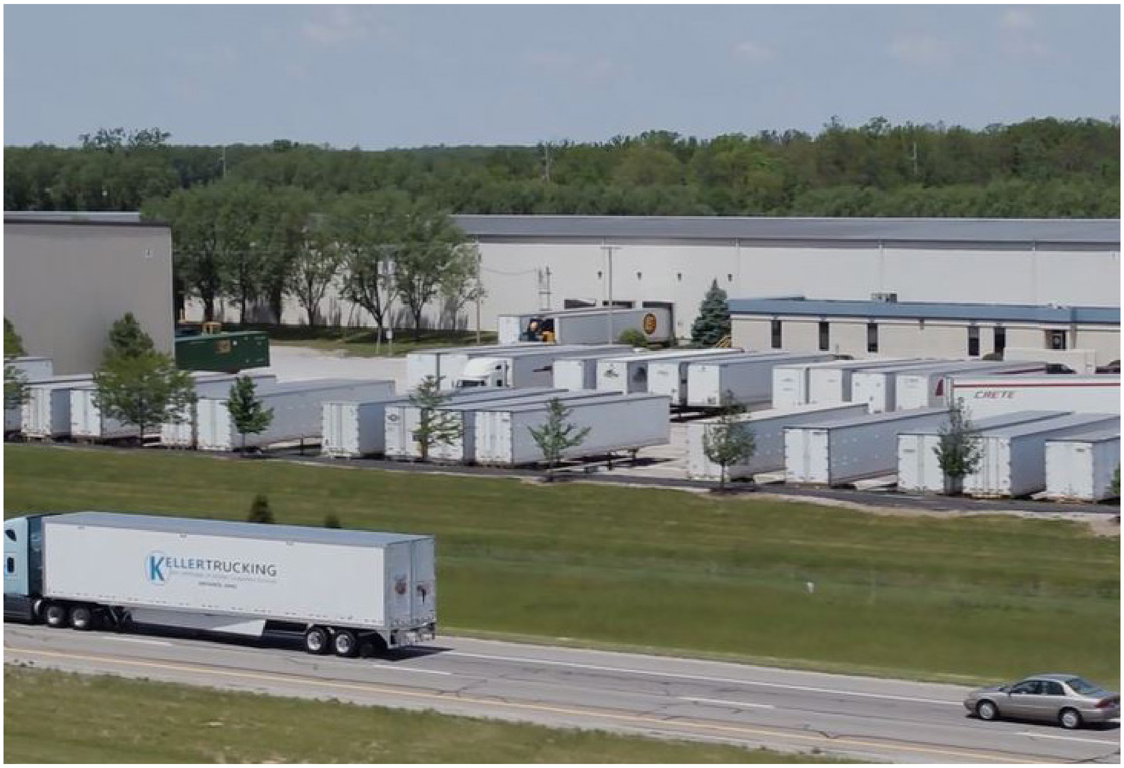
Carriers prefer receiving 24/7 first come first served, but not everyone can accommodate that, so in that case, 1st shift hours are the most desired. Limiting appointments to only nighttime receiving by appointment can affect your pricing and available capacity, along with the timeliness of unloading & loading. This is very critical, and gaining the reputation of being a slow shipper/receiver will impact your pricing negatively. With ELD's, and all the technology available to carriers, it doesn't take long to identify these shippers and receivers. Carriers have the ability to identify this prior to even running the freight with technology like Keep Truckin Facility Insights and Google Reviews. All of these tools give carriers the ability to identify the true time under a load and identify yield; which is true revenue or gross margin/hour.

Standards to Implement to Secure Favorable Pricing

1. Promptly processing freight and shipping loads payments
2. Receptively responding to issues
3. Acknowledging carrier challenges
4. Applying insights from reputable data sources
5. Minimizing dock and load yard downtime
6. Earning Shipper of Choice distinction with carriers

02 EQUIPMENT REQUIREMENTS

One way to drive efficiencies for carriers and shippers alike is utilizing drop trailers. They have become more and more of a necessity to operate in today's market. There seems to be a thought amongst some shippers and receivers that drop trailers are preferred by carriers and that trailers are cheap. That is far from the truth. It's preferable to have a load that requires no drop trailers and a one-hour load/unload and one trailer/tractor. Instead, carriers can have 2.5 trailers for every tractor. A new trailer costs roughly $32k with all the latest and greatest technology, plus adding GPS tracking on the trailers adds a pretty hefty additional monthly cost. Along with the pure cost of the equipment, maintaining all these trailers in a sufficient manner becomes a big challenge with many sitting all over the country. So from a pricing perspective, if you can load/



unload timely, drop trailers are not preferred. If you can't, then drop trailers will be utilized, but it does come at an additional cost to you. Also, many shippers need to utilize them as they just don't have the floor space. If this is the case, be upfront with your carriers, and consider rental or detention agreements.

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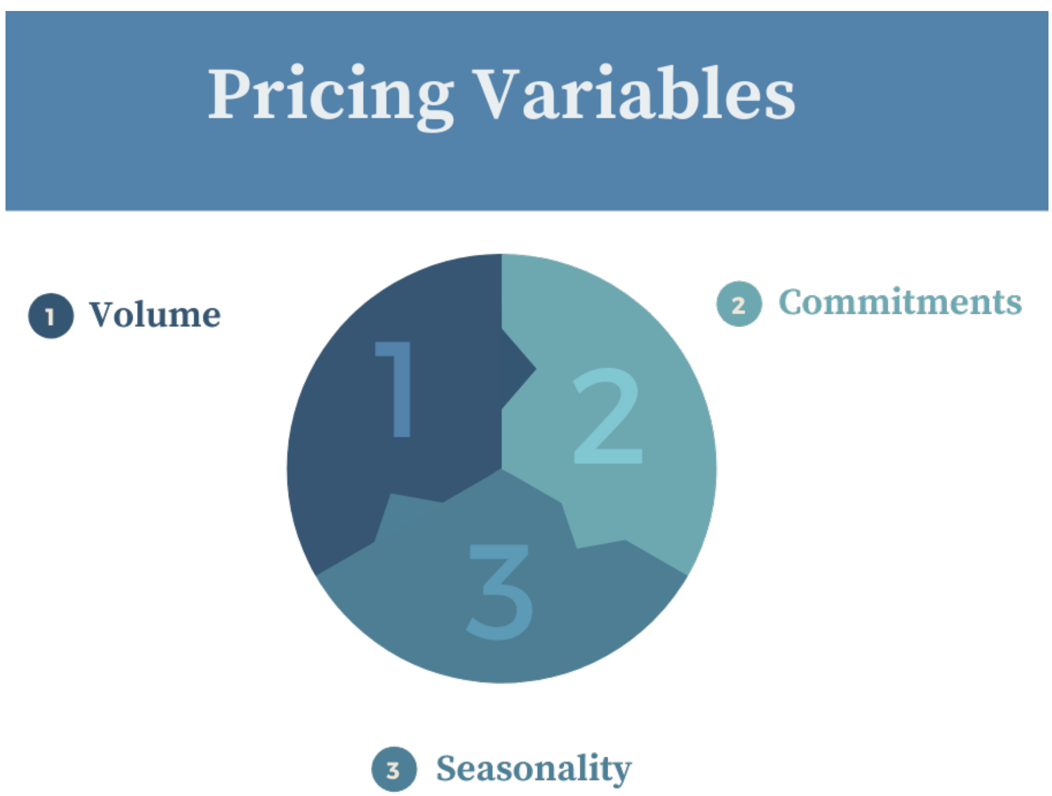
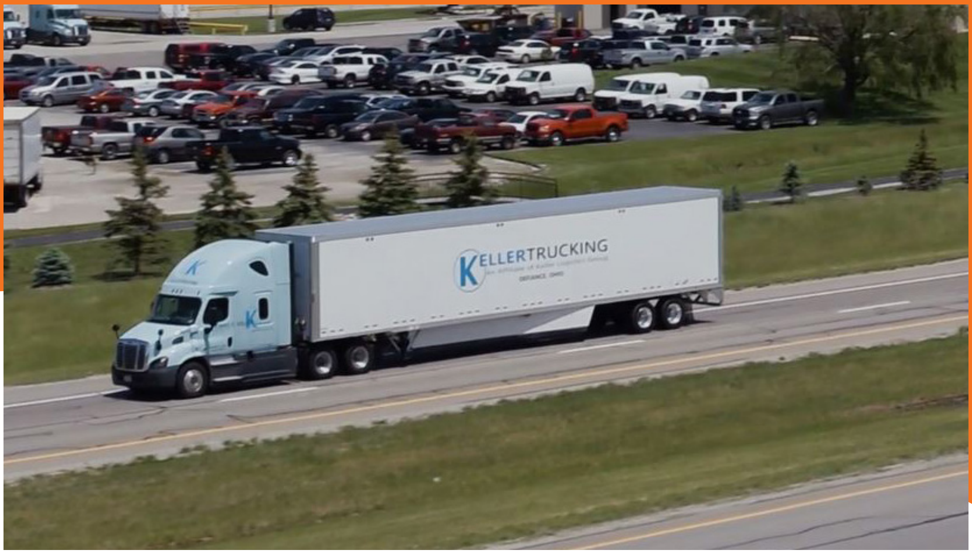
03 VOLUME, COMMITMENTS, SEASONALITY

Other big variables that can affect your pricing is volume, commitments, and the seasonality of your business. The more consistency you can provide on an annual basis is ideal. If your business doesn't allow that, then being transparent with your carriers will help avoid many issues and provide you with the right price the first time. One way to be more aware of commitments is tracking them with a customer scorecard tool. Carriers strive to develop a solid two-way commitment from the beginning, upon freight acceptance. Many businesses don't always allow for a solid commitment, but it is extremely important to the success of the partnership to know the weekly expectations. This predictability in planning creates many efficiencies for the carrier and can save you money as a shipper. With hundreds of customers and thousands of loads





per week, it becomes quite a jigsaw puzzle to put together efficiently to minimize downtime for drivers.

As the market tightens and driver capacity continues to be an issue, carriers will move more toward hard fast commitments. As a shipper, if you are under those commitments, it may cause unnecessary cost, and if you are over those commitments, it may result in surge pricing increases for the over-committed volume.

04 EASE OF DOING BUSINESS – HIDDEN COSTS

Ease of doing business plays a much bigger part on cost than you may imagine, and many shippers make it very difficult to do business with, which causes their cost of freight to rise. A truck, trailer, and driver cost what they cost and all the hidden admin costs that come with freight can make or break a carrier. Many larger shippers are employing 3PLs to assist in their freight handling, and it seems many 3PLs just pass on all the admin work to the carrier.

Customer Service Reps do about 20% true customer service and the other 80% is spent as admin, scheduling appointments, processing paperwork, providing location updates, and updating website portals. Billing processes are becoming more complex and difficult with endless requirements in order to get paid for services

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performed. All of these things have led some carriers to purchase Robotic Process Automation Technology to try and mitigate some of these administrative functions so employees can focus on creating value.

Another aspect of Ease of Doing Business is payment terms. Carriers may have to pay a large portion of expenses in 7 days between driver wages and fuel. In an ideal situation, the carrier is paid in 30 days, but many customers are now stretching out to 45-60 days and some are even pushing towards 90 days to pay. Some customers are also charging late delivery fees, and many are familiar with programs such as Walmart's OTIF expectations. All of these things result in an increased cost to the carrier beyond providing the service.

WHAT YOU CAN DO

Take a look at these aspects of your processes and see where you may be able to ease some pain for your carriers. When looking at the total pricing package, carriers utilize many tools like internal customer scorecards, facility reviews, and staff ratings on ease of doing business to arrive at a final cost.

Carriers are truly striving for positive strategic customer relationships and want to do the best to create partnerships with customers. With the market volatility that we have witnessed the past few years, this is very important, and most carriers are going to stick by the customers who do everything they can to make doing business easy.

It's a smart decision for shippers to partner with an asset-based broker that can handle all of your needs in the most efficient cost-effective manner. The driver market is very tight and will continue to be. Many carriers are implementing pay increases for drivers to continue to guarantee capacity and quality service to shippers. With this said, it is even more important for shippers to focus in on all the points mentioned here to ensure capacity and the best available price.

SAVE THE DATE

2021 Keller Logistics Summit

October 6, 2021

JONATHAN WOLFRUM

President of Keller Trucking

Jonathan Wolfrum has been with Keller Trucking since May of 2008. Starting as a customer service intern for one year, Jonathan has worked his way up from Operations Supervisor, Director of Operations, VP and now President. Jonathan is responsible for the overall operational performance of the Trucking Entity.

Since 2014 when he was promoted to Director of Operations we have achieved 100% revenue growth. With that growth, we also set a goal to become one of North America's 20 Best Fleets to Drive for, and under his direction received that award in 2018, 2019, 2020, and 2021 and strive to be a repeat recipient on a yearly basis. With the never-ending driver shortage, Keller Trucking implemented a student driver program in 2017 bringing new entrants into the industry which Jonathan played an instrumental role in making happen. As of today, over 30% of our fleet are drivers that have gone through our new entrant training program, this has been vital to the growth and success of our company in providing our customers with additional capacity of safe, well-trained drivers.

Jonathan is a member of TMC, TCA, and an active participant in TCA's best practice group program in which Keller was recently named one of the Top 20 performers, of over 100 of some of the Nation's top carriers. In 2019 Jonathan was a recipient of the '4 under 40' award from the Defiance Area Chamber of Commerce.

He received his undergraduate degree from Bowling Green State University majoring in Supply Chain Management. In his spare time, he enjoys spending time with his wife and children hunting, coaching youth sports, and anything outdoors.