FREIGHT RATE OUTLOOK 2021

The global supply chain disruptions of 2020 continue to create challenges in the freight marketplace during 2021. Your transportation cost control is jeopardized by surging e-commerce demand, ocean shipping volatility and motor freight capacity constraints. Transportation Insight's Supply Chain Masters detail the freight landscape in 2021 to support your budget plan and your customer service strategies.

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Your Supply Chain. Mastered.

NEED TO KNOW INFORMATION

LESS-THAN-TRUCKLOAD (LTL) OUTLOOK

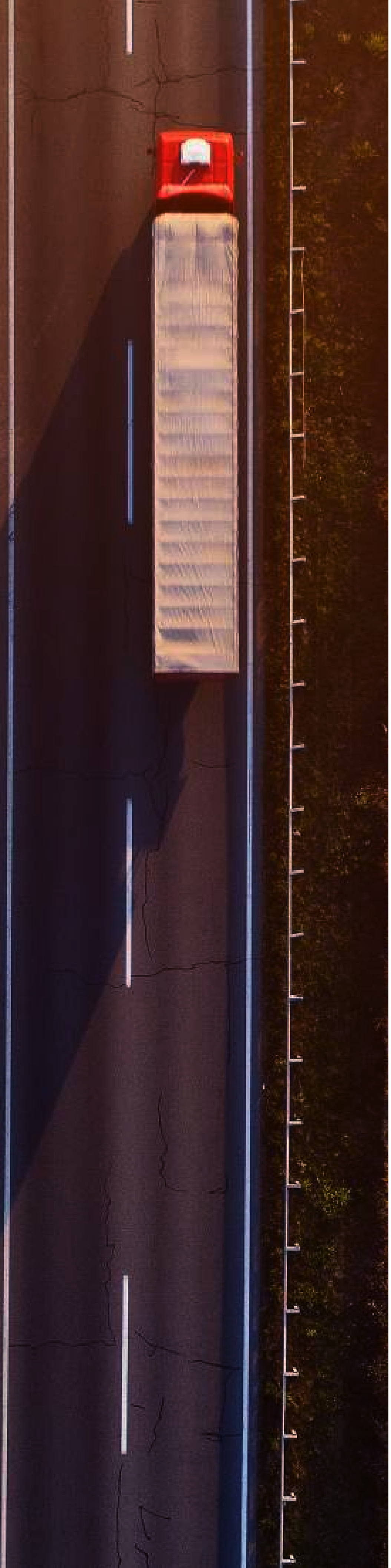
- Tight capacity creates a “carrier’s market” with steep rate increases in higher capacity lanes.
- Carriers are increasingly selective about accepting longer, bulky or “ugly” freight; applying increased charges.
- Expect surcharge increases implemented during COVID-19 to remain, and likely expand, especially in certain geographies (California).
- LTL carriers develop rate bases specific to each market. The impact of rate increases can vary based on carriers operating needs and your shipping characteristics.

TRUCKLOAD OUTLOOK

- Tonnage is down, but equipment and drivers leaving the market continue to create capacity pressure that drives up rates.
- Intermodal challenges and increased domestic sourcing will drive up Truckload activity - currently at 72% of all U.S. freight traffic.
- TI clients can expect a 3-5% increase in carrier contract rates.
- Expect 5-7% increase in spot market capacity if you are supported by a strong bid board platform.

INTERNATIONAL OUTLOOK

- Shipping rates will remain high, but expect a slight drop from record levels reached in Q4.
- Volatility will decline. Expect the three major shipping alliances to maintain newfound control over container capacity and rates.
- 80% jump in year-over-year rates from Asia to West Coast and East Coast will continue well into Q1 2021 at least until Chinese New Year on Feb. 12, 2021.
- Air freight capacity will move at a premium, especially in Q1 if demand spikes with movement of COVID-19 vaccines and medical supplies.



LESS-THAN-TRUCKLOAD RATE OUTLOOK

Many LTL carriers face ongoing capacity challenges and key lanes in which demand exceeds capacity. Expect to see these capacity pressures - and others - continue to affect the LTL environment during 2021. Carriers are responding with annual rate increases.

LTL rate guidance we are sharing with our clients:

10-12%

Demand growth on LTL transactional activity, several times larger than normal.

Rates - and rejections - on bulky, low-density and over-dimensional LTL freight.

Surcharges - especially in states where new transportation taxes emerge.

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LTL carriers develop market-specific rate bases. Rate increase can vary based on carriers operating needs and your shipping characteristics.

2021 LTL: A CLOSER LOOK

A shift in consumer buying behaviors accelerated significantly during a pandemic that filled all transportation networks with e-commerce shipments of all shapes and sizes. Online purchases of furniture and appliances, apparel, and groceries, among other items, are likely to remain at least 10% higher post-pandemic.

The e-commerce impact will continue to create ongoing capacity constraints. In turn, that likely will contribute to a carrier's market next year. The rate increases some carriers are imposing in high-capacity lanes likely will continue into 2021, until capacity corrects itself.

Other factors affecting the LTL environment during 2021:

- Shippers of bulky, low-density freight, along with shippers of over-dimensional freight that parcel carriers are trying to price out of the parcel network, may face additional obstacles. LTL carriers trying to push these freight types to Truckload are raising rates.

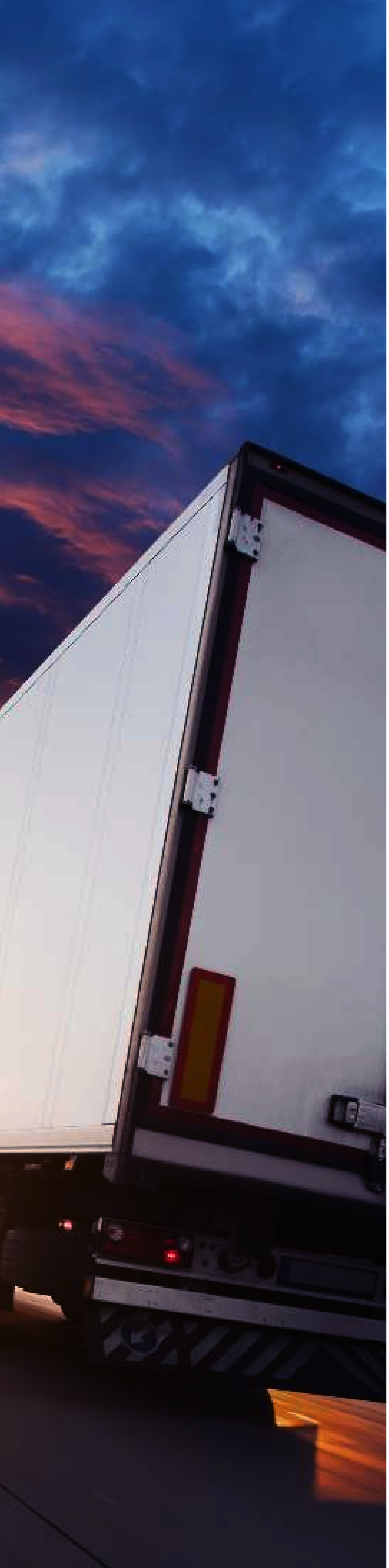
- Many LTL carriers also are considering the quality of their revenue streams. In addition to restricting certain freight, some are not accepting new customers that do not fit into their business model.

- Surcharges appear likely to remain and even increase.

- National Motor Freight Classification (NMFC) changes announced quarterly require scrutiny to determine if classification shifts apply to the products you ship. Without awareness of these changes, you might miss an opportunity to make an adjustment that reduces your transportation cost.

THE TAKEAWAY

When service disruptions or rate increases occur, shifting from one carrier to another might seem like a way to improve your position. In fact, it's possible service will further decline, especially in a capacity-constrained environment. Instead, consider building buffers of a day or two into your schedules and set reasonable expectations with customers.



TRUCKLOAD 2021 RATE OUTLOOK

The unpredictability that characterized most of 2020 continues to make itself felt in the truckload market. Spot rates are plateauing in Q4, but at a rate that's about 30% higher than a year ago. Similarly, rates for flatbed shipments are up about 10% compared to a year ago, while rates for refrigerated truckloads have increased 20% during the same period.

One reason for the rate increase is a drop in capacity. Chaos in the international and intermodal market may lead to more shipments moving to Truckload and further constraining capacity.

In light of factors affecting the market, the 2021 Truckload guidance we offer clients follows:

3-5%

2021 Truckload contract rates

5-7%

2021 Truckload spot market rates

Data use by carriers and shippers including score-carding and monitoring

Diversification of lane mix among carriers

2021 TRUCKLOAD: A CLOSER LOOK

Overall shipping tonnage is down, but so is the number of available drivers. Many smaller trucking companies may have left the market, driven out by a challenging mix of COVID-19 and rising insurance premiums, some resulting from high jury verdicts awarded in the aftermath of accidents. And mid-sized carriers have been reluctant to add equipment and drivers in this turbulent time.

The conclusion of the presidential and other elections may spark consumer confidence. In turn, that might drive shipping volumes – a generally positive outcome – but one that may further constrain capacity.

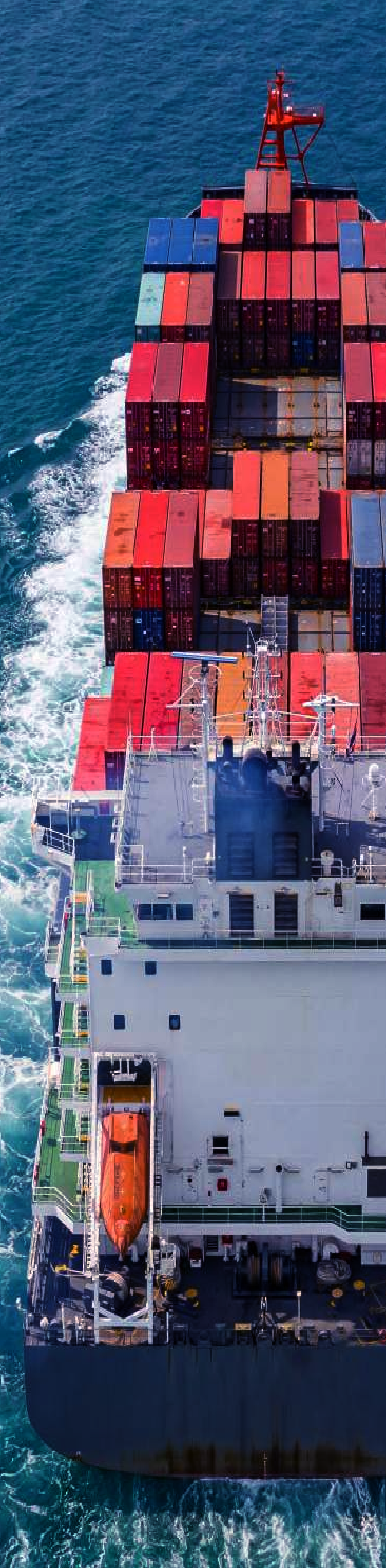
The disruption in the small package market may mean some of those shipments move to the LTL market, and a percentage of those then head to the Truckload market. Similarly, ongoing challenges and chaos in the international and intermodal market may lead to more shipments moving to truckload. All of these scenarios will further constrain capacity.

In light of the factors affecting the truckload market, our clients can expect rate increases of 3-5% for contracted service. Rate increases in the spot market likely will be 5-7%.

In working on behalf of our clients to negotiate rates, we take a lane-by-lane and market-by-market approach. This strategy targets those carriers whose rates appear out of alignment with the market while focusing on our goal of leveraging relationships to take corrective action. Shippers gain some protection from the overall increases that might not be available without those relationships.

THE TAKEAWAY

- Keep maintaining a true partner relationship with your contract carriers.
- Negotiate on a lane-specific level, while keeping a strategic focus on your spot providers by close monitoring of their bid participation, tender acceptance, price competitiveness and service performance.
- Keep commitments to, and expect commitments from, both contract and spot service providers. This will insulate you from the short-term extreme hikes and position you well to capture capacity, service and cost gains over the long term.



2021 INTERNATIONAL RATE OUTLOOK

When combined with ongoing supply chain impacts of COVID-19, the 2020 peak season for international transportation put more power into the hands of vessel operators.

Expect the following trends to affect your international transportation spend management in 2021:

80%

Year-over-year rates from Asia to West Coast U.S.

Shipping volatility

Shipping alliance control over capacity

Air Freight rates

2021 INTERNATIONAL: A CLOSER LOOK

When freight levels are at an all-time high, there is little motivation for the three major shipping alliances to drop rates significantly.

Retailers planning for unprecedented e-commerce during the 2020 holiday season kept container bookings high through November and much of December.

While we should see a slight drop from the all-time rate high, expect the three major shipping alliances to leverage their newfound capacity control to maintain elevated rates as the new normal for international shipping. Even in the event of an economic lull that might draw down container volumes, expect the vessel operators to remove capacity from the market to support rates.

THE TAKEAWAY

Shippers looking to 2021 would be wise to consider contingency budgeting – especially if you are a major importer competing in a supply chain environment that continues to be affected by ongoing growth in online sales and e-commerce logistics.

Speaking of contingencies, 2020 has taught all the critical importance of developing contingency sourcing and import/export strategies. That has never been more important as we look toward next year.

Likewise, there has never been a more important time to reassess your entire import supply chain to validate compliance with evolving trade regulations. Emerging pinch points in the international supply chain are elevating risk for shippers who must be prepared to address traditional risk areas that carry a financial impact.

THE PROACTIVE APPROACH

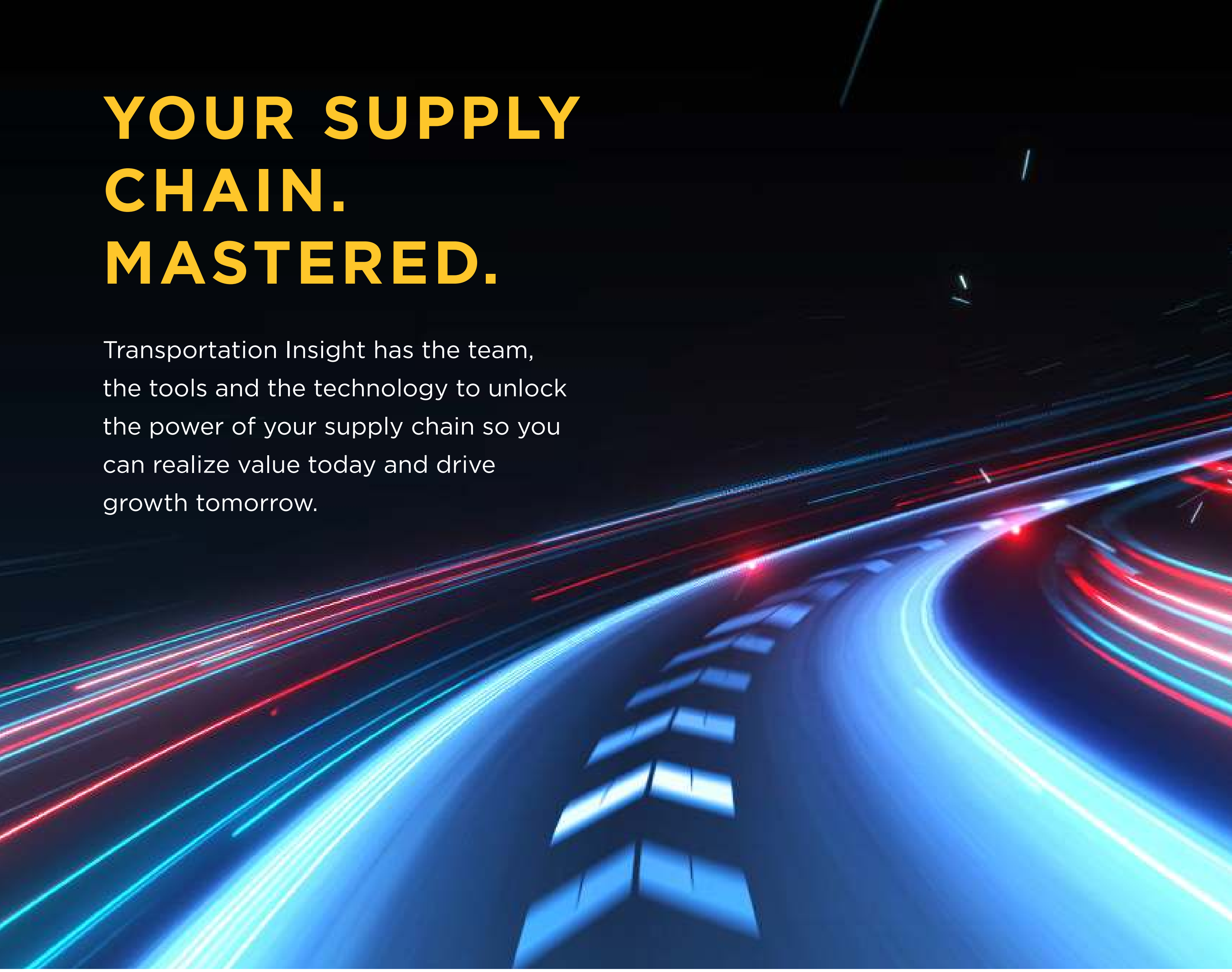
In the current transportation market, the organizations that have taken steps to become shippers of choice tend to benefit from greater commitment by their carrier service providers. This can mean, for instance, shippers provide longer lead-times and some flexibility on pickup times. Both will enable carriers to schedule their routes more efficiently.

In addition, by continuing to partner with brokers, carriers, and others with whom you have formed strong partnerships, you're more likely to have ongoing access to capacity.

It also helps to keep in mind that the rate increases happening now will not last forever. The freight market tends to self-correct; as rates increase, more drivers enter the field and supply and demand start to balance out.

As you strategically plan for 2021, a transportation industry expert is an invaluable resource. With acute awareness of transportation rates and trends, we help shippers of all sizes control their supply chain spending, streamline operations and deliver service excellence to their end customers.

Adopt a proactive approach by partnering with a Supply Chain Master that can leverage tools, technology and talent in ways that allow you to increase efficiency and bottom line performance. Schedule a consultation with Transportation Insight today and continue advancing on the road to supply chain excellence.



YOUR SUPPLY CHAIN. MASTERED.

Transportation Insight has the team, the tools and the technology to unlock the power of your supply chain so you can realize value today and drive growth tomorrow.

About Transportation Insight, LLC

Transportation Insight is a multi-modal, lead logistics provider that partners with manufacturers, retailers and distributors to achieve significant cost savings, reduce cycle times and improve customer satisfaction rates through customized supply chain solutions. Transportation Insight offers a Co-managed Logistics® form of 3PL, carrier sourcing, freight bill audit and payment services, state-of-the-art transportation management system (TMS) applications, parcel technology platform (audit, engineering, advanced analytics) and business intelligence. The Enterprise Logistics division of the Transportation Insight Holdings, LLC, (TI Holdco) portfolio, Transportation Insight operates alongside transactional freight brokerage Nolan Transportation Group (NTG) to help client shippers engineer efficient supply chain networks. Combined, the $3.2 billion TI Holdco organization serves 7,000 clients with logistics management services that include domestic transportation (TL, LTL, Parcel), e-commerce solutions, supply chain analytics, international transportation, warehouse sourcing, LEAN consulting and supply chain sourcing of indirect materials including secondary packaging. Headquartered in Hickory, NC, Transportation Insight has secondary operating centers and client support offices across North America.

For more about Transportation Insight, visit www.transportationinsight.com, email info@transportationinsight.com or call 877-226-9950.

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