

Market Watch



Same-Day Shipping Off Target?

Target recently announced plans to pilot a 10-buck service that allows customers in certain markets to receive shipments within hours of ordering. As the Journal of Commerce reports, customers in the Minneapolis, Boston and Miami markets can order as late as 1:30 p.m., and the retailer says delivery will arrive shortly after dinner time. Target, which launched the service weeks after Google Markets and Amazon announced plans to offer same-day shipping in select cities, will use its retail stores as fulfillment centers. But is processing, shipping and delivering orders faster than you can watch the Lord of the Rings trilogy on DVD the next big thing in logistics, or is it just a fad with huge question marks around profitability? More than a few analysts guess it's the latter: "We don't think there's much of a market there," JOC quotes Stifel's Dave Ross. "Retailers will continue to experiment and test, but realistically it will only work in high-density areas, if at all. Even if it grows, it will end up just being a niche market." Satish Jindel, president of SJ Consulting Group, called the trend a herd mentality. "It's pure insanity ... It's the in-fashion thing to do, and it isn't going to work. It's going to die," said Jindel. "No one is interested in it, and no one wants to pay for it. What customers want is free shipping." Kevin Sterling, research analyst with BB&T Capital Markets, says if a company is going to attempt same-day shipping, it has to be to scale, said. "It has to happen in major metropolitan areas where you have density in order to at least break even. Breaking even in the same-day shipping market is a major victory."

Click 'Like' for Logistics

The trucking-logistics sector has been relatively slow hitching itself to the social media wagon. But, as a recent article in DC Velocity explains, the supply chain is starting to realize social media can help solve problems and complete projects. "When most folks think of social media, they think of personal communication: Using Facebook to get in touch with friends. But social media tools can also facilitate business communication." On top of public sharing platforms like Facebook, Twitter and LinkedIn, companies can set up their own special websites, using software like Jive, SharePoint, or eXo Platform to exchange internal messages in real time and post documents anywhere in the world. If a logistics application's dashboard indicates a problem with a shipment, it can be shared right away through the supply chain to solve the problem. With data at their fingertips, managers in different locations could meet in "online sessions" to review reoccurring issues quickly and devise a solution. They can also take advantage of online tools to set up a timeline for action and to centralize documents in an online repository for all team members to access in real time. The article explains that social media can be "more effective than traditional communication channels because the use of this technology

breaks down organizational barriers that might have inhibited problem solving in the past." The "hierarchical structure prevalent in most companies makes it difficult for people at the top and the bottom of an organization to discuss issues freely." Younger people, of course, think this all makes sense, but "a lot of people in management are still not comfortable with it. But that's all starting to change."



Refrigerated Freight Remains Hot

The economic outlook for the refrigerated trucking sector continues to be strong, according to John Larkin, managing director of Stifel Nicolaus. As reported by CCJ magazine, Larkin, who provided an economic outlook speech at the Truckload Carriers Association's Annual Refrigerated Division Conference said the distribution landscape for refrigerated freight is changing. "As we focus more on fresh food, retailers are opting for regional sourcing," said Larkin. "We are seeing a more regionalized distribution network." Larkin said NAFTA will play bigger picture in food movement, representing more opportunities for refrigerated haulers. Despite the hot market, refrigerated haulers aren't immune from the driver shortage, and the pay gap between driver pay and other industry wages continues to widen. According to Larkin, the average wage for a US truck driver lags by about \$6,000 compared to the average worker. "That's not sustainable," Larkin warned, but noted the driver shortage isn't solely a function of driver pay. "The truth is even fleets at the upper end of the pay scale are having trouble finding quality drivers." The reefer truckload segment continues to do well when compared to other segments of the trucking industry. Larkin said that while dry-van truckload is still the dominant sector, it hasn't recovered to pre-recession levels, off roughly 10 percent, while reefer is off only 3.9 percent from the pre-recession peak.

Diesel Prices

Ontario Average Diesel Rack Prices
January 2009 - July 2014

