

**A North American Perspective on Global Trends**  
**By Jim Davidson**

Given the opportunity to discuss the predominant trends impacting our business, I maintain a decidedly North American perspective. In North America the logistics industry represents over one third of global supply chain activity. Collectively, we represent a big piece of the pie.

Last issue I highlighted the predominant trends impacting supply chain management. In our demanding business environment, some trends are more pressing than others. They provide tremendous opportunity for innovation and growth but can inflict real hardship if not well-managed. What comes to mind immediately is shrinking capacity.

Every company, from manufacturer to retailer, knows the troublesome consequences of not getting goods shipped on time. The most likely reason goods are delayed today is shrinking capacity. The most common cause of shrinking capacity is the serious shortage of qualified drivers. Whether we like it or not, our whole industry depends on the well-being of the men and women who drive the trucks. In every possible way they carry the load.

All forecasts indicate the driver shortage will worsen before getting better. According to recent studies the average age of a Teamster's driver is 57 years old. A Statistics Canada study reveals that as of 2004 truckers aged 55

outnumbered those under 30 years old, indicating the industry will be hit with a large number of retirements in the next decade.

Regrettably, the industry will lose its most experienced employees. Those who retire are not readily replaced. Truck driving poses a demanding lifestyle with long hours away from home. While some routes permit drivers to be home each night, frustrating border crossings, fluctuating fuel prices, increased insurance costs and government regulations all add to the daily grind that causes more drivers to leave the industry than to enter it and stay. Even though government-sponsored youth employment and apprenticeship programs have been launched to help alleviate the shortages over the long-term, the occupation of truck driver still lacks significant appeal for young people. After all, who encourages their son or daughter to become a truck driver?

Some suppliers, my firm included, address the issue of driver shortages by conducting on-going advanced driver training programs. We do what we can to attract and develop the best qualified drivers but until we can retain sufficient numbers, capacity will continue to decline.

What can a customer do to ease the pain of shrinking capacity? The answer requires a leap of faith and an attitudinal shift in how business is conducted. Begin by making a commitment to a worthy supplier and start disclosing information – the kind of information that's not typically shared with a supplier. Letting your supplier in on production forecasts, inventory planning,

inbound and outbound volumes, as well as sharing the technology used to manage and communicate this information will allow your supplier/partner to be more proactive, make a corresponding commitment to your company, and customize their service to suit your company's requirements.

The best case scenario evolves when a customer is willing to share the problem solving with their supplier. Challenge your supplier for specific solutions. If the next quarter's forecast has more than its share of ups and downs, encourage your supplier to help level things off. How to accomplish this? I'm glad you asked.

Accommodating the ebb and flow of fluctuating production demands is as easy as adjusting transit scheduling. Switch to an alternate mode of transportation and you can easily speed up or slow down the process. For instance, to slow down transit of materials, switch from trucks to intermodal or rail. Not only will you add a few days to the delivery schedule, you'll save money as well. Integrated rail and road systems are becoming more commonplace, more economical and certainly a viable solution to shrinking capacity in the short term. (I'll be providing more commentary on intermodal transportation in a future article.)

The long term answer to shrinking capacity is to constantly improve performance. Push yourself and your supplier to get the results you need at the price you want. If there is no improvement, then perhaps it's time to change suppliers. Look for a supplier who will become a full-fledged partner by helping

to manage your supply chain. When you give a supplier the opportunity to be part of the problem solving, outcomes becomes easier, less expensive and more efficient.

Perhaps the most unpredictable trend remaining is that of rising prices to the customer. Even the very best purchasing department personnel have difficulty managing rising supply chain costs. When a carrier requires an increase, better to think twice about putting the business out for bid. Auctions are increasingly risky. The customer sets the ground rules for the auction with no guarantee that the best laid plans won't change an outcome that has a customer paying significantly more for essentially the same services. I know of one situation where a supplier requested an increase, the customer refused to pay, put the contract out for auction and ended up paying the same supplier well beyond what was originally asked for. Again the benefits of establishing solid partnerships are paramount, if only to expedite the negotiation of a more amicable conclusion to a costly bidding process.

How good is your partnership with your supplier? Like any union, the arrangement requires hard work, open communication, trust and honesty. Make the commitment and investment and I assure you, you'll minimize any potential threats posed by shrinking capacity or rising prices. The rewards can be spectacular.