

# THE SOURCE

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## SPECIAL POINTS OF INTEREST

- **ARE WE DOING A GOOD JOB FOR YOU?** If the answer is yes, consider introducing us to a customer or supplier. If they go with the Outsource team you win, too. Ask us about our residuals program.
- **DO YOU SHIP WITH US SOME OF THE TIME?** Become a Program Customer and we will guarantee savings of 10%.

## MITIGATING INCREASED LTL COSTS

The good news is that fundamental improvement in the industrial U.S. economy has given a solid boost to LTL carriers. The bad news is that fundamental improvement in the industrial U.S. economy has given a solid boost to LTL carriers—bad news for shippers, that is. The increased industrial production—4.3% higher in September, 2014 than in September, 2013—has led to a seller’s market for LTL carriers, giving them a chance to raise rates, build stronger operating margins, and reinvest in their businesses by purchasing new equipment, hiring new drivers, and raising driver pay.

According to the Federal Reserve, industrial production rose 3.2% year-over-year in the third quarter, and manufacturing was up 3.5%. The Feds’ Industrial Production Index rose to 105.1, rising past the pre-recession peak in September, 2013. Rob Estes, Jr., president and CEO of Estes Express, believes that the increased manufacturing activity in the U.S., and in Mexico as well, is a result of “near-shoring” - the movement of production from Asia to North America. This has translated into increased freight for LTL trailers and has rubbed up against the driver shortage.

All in all, most LTL carriers are seeing 2014 as a banner year, with a stronger than typical third quarter. Old Dominion said tonnage was up 19% in August, and Saia, YRC and ABF reported that their volumes were up in the first months of the quarter. This is following a strong second quarter, in which publicly owned LTL carriers reported revenue increases of 9.2%.

This is undoubtedly good news for the economy and for the industry, but spells higher costs for shippers as the principles of supply and demand come into play. There are, however, a few ways that shippers can minimize the impact of higher costs.

1. **Negotiate with carriers.** Despite the rising rates and operating ratios, most carriers are still willing to negotiate; reducing or waiving accessorial charges or getting a good FAK is still possible. You may be able to lock in lower rates by agreeing to longer contracts with carriers. Committing to a carrier will also avoid the higher transactional cost of spot quotes.
2. **Shop around.** Most carriers have preferred lanes and locations. A little shopping around may result in a better price if you can find a carrier who can best serve your lanes. Don’t overlook smaller regional carriers; they may lack the brand name, but they may give you prime service at a good price in your service area.
3. **Use the correct freight class.** Review your freight class and see if your freight is shipping under the correct class. A lower freight class means cost savings. Ask your 3PL for help. For more information on NMFC classes, [click here](#) for a link to our article in the July, 2013 issue.

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## MITIGATING LTL COSTS

4. **Improve packaging.** By improving your packaging, you may be able to lower your freight class, thus your cost. It can get complicated, but the general idea is to increase pack density and reduce potential damage. Hiring a packaging consultant might be worthwhile for high volume shippers.
5. **Consider longer transit times.** If you can live with a longer transit time you may realize some cost savings.
6. **Use a transportation management system.** With all of the technology available, it's crazy not to take advantage of housing all of your shipping information in one database, from which it can easily be downloaded onto a spreadsheet and analyzed. This can save you immeasurably on soft costs and provide an invaluable management decision-making tool. Most 3PL's have in-house web-based systems that can provide you with your shipping data in report form. Outsource, for example, has an integrated STS system with historical report capability.
7. **Eliminate and consolidate.** One of the best ways to save money on shipping is to eliminate a shipment. That is not to say don't ship, just ship smart. Sometimes an LTL shipment can be added to a truckload shipment that has extra available space. This would eliminate the cost of a separate LTL shipment and probably would not add to the cost of the truckload. Consider consolidating two LTL shipments into one, or consolidating several LTL shipments into truckload shipments. Consolidating can be a solution for long distance shipments.
8. **Hire a 3PL.** Well, yes, of course we would say this! But there is real value in partnering with a 3PL who can execute or help you to execute all of the above suggestions. Typically a good 3PL can lower your costs and improve your service, as well as give you visibility with your load and the added benefit of their combined industry knowledge and expertise, the freight technology in which they have invested, and their relationships with carriers.

So, while the LTL carriers may have reaped some significant benefits from the overall improving industrial/manufacturing sector, and supply and demand is doing what it always does, shippers do have some opportunities to lessen the impact of higher LTL costs.

*SOURCE: Journal of Commerce "Happy Days for LTL" - 10/27/14; Eye for Transport "10 Ways to Minimize the Impact of LTL Rate Increases"—10/6/14.*

## NEW REGULATIONS FOR SHIPPING LITHIUM BATTERIES

The Department of Transportation (DOT) has recently established final rules regarding the shipment of lithium batteries or products containing or shipped with lithium batteries. Voluntary compliance is encouraged upon publication of the final rules (August 6, 2014), but compliance is mandatory effective February 6, 2015. These new rules may change the way you describe, package, mark, label and document your shipments containing lithium batteries.

According to the DOT, these changes, some of which focus specifically on shipments by air, will better ensure that lithium cells and batteries are able to withstand normal transportation conditions and are packaged to reduce the possibility of damage that could lead to an unsafe situation.

Among other things, the final rule sets packaging and hazard communications requirements for lithium batteries transported by air; adopts separate shipping descriptions for lithium metal and lithium ion cells and batteries; revises provisions for transport of small and medium lithium cells and batteries,

including those packed with or contained in equipment; revises requirements for the transport of lithium batteries for disposal or recycling; and adopts new provisions for the transport of damaged, defective, and recalled lithium batteries.

Unz & Company, experts in International Trade and Compliance, have published a guide to the rule changes. We have summarized their guide and you can read more by [clicking here](#).

The entire text of Docket No. PHMSA-200—0095 (HM-224F) regarding the transportation of lithium batteries can be found on the Federal Register. For a little "light reading", [click here](#).

*SOURCE: DOT Press Release—7/31/14; Federal Register—reg. docket #HM-2224F—8/6/14; Unz & Co. summary of DOT New Lithium Battery Rules—9/2014.*



## THE INTERNET OF THINGS PART 3—CONCLUSION: AUGMENTED REALITY & LOGISTICS

Our continuing series on technology and the logistics industry will focus this month on Augmented Reality (AR). We touched on the definition of AR in the August, 2014 issue ([click here for issue](#)). AR is defined by Wikipedia as a live direct or indirect view of a physical, real-world environment whose elements are augmented (or supplemented) by computer-generated sensory input, such as sound, video, graphics or GPS data. It is essentially an expansion of physical reality by adding layers of computer-generated information to the real environment. But it is more than a simple displaying technology; it represents a real-time natural user interface for human interaction with objects and digital devices.

The majority of AR solutions that we read about today are still in development or in small-use stages, but it is estimated that by 2017 the AR market will grow to \$5.2 billion. With substantial funding being funneled toward AR projects and start-ups, especially by corporate giants such as Google, Canon, and Qualcomm, we can expect consumer-ready AR products to enter the market fast and furious.

Already we see applications on the market for surgical planning (Liver Explorer), language translation (Word Lens), personal navigation and leisure (Wikitude and Junaio), military uses (Q-Warrior Helmet), and driving navigation (ConnectedDrive). We've seen Ikea's furniture catalog interacting with our living spaces. And there is more, much more.

AR is still in relatively early stages of adoption in logistics, but it could clearly offer significant benefits. Witnessing the best practices that have already been identified in other industries is providing the platform for a visionary outlook and basis of discussion, rather than a concrete prediction of the development of practical use in the future.

The most promise shown so far is in warehousing operations. These operations account for about 20% of all logistics costs, and the task of picking accounts for 55-65% of the warehousing operations. The potential for AR to reduce costs by improving the picking process can be significant. Replacing the paper-based picking approach with head-mounted cameras and wearable PC's, using software that includes bar-code readers (or M2M chip sensor readers), navigational capabilities, and an integrated warehouse information system can raise the efficiency, accuracy, and productivity levels to a very high degree.

Other warehousing operations are also on the radar for potential AR applications, such as enabling "field testing" of warehouse redesign and planning to optimize warehouse use of space, particularly for mixed-use warehouses that provide value-added services like product assembly, repair, labelling and repacking.

Beyond the warehouse there are a myriad of possible applications for AR:

- Load completeness checks, which currently require manual counting or bar-code scanning, could be done with a wearable AR device using a combination of scanners and 3D depth sensors to determine the number of pallets or parcels, or their volume.
- In global trade, an AR system could assist in ensuring that the shipment complies with the relevant import/export regulations, and that the documentation is correct.
- AR traffic support systems could enable drivers to optimize their routes or make changes in response to traffic patterns—without the driver having to take their eyes off the road.
- AR devices could help in the freight loading process by determining optimal placement of freight based on weight, size, shape, destination, etc.—much like the game, Tetris.
- Last-mile delivery could be made more efficient for the driver by having packages loaded in an intelligent way and making them easier to find in the vehicle. Also, an AR device could close a vehicle door hands-free, thus reducing the risk of parcel damage.
- AR could be extremely helpful in locating a difficult to find address, including indoor navigation, which can be problematic for GPS signals due to interference.
- An AR system could ensure good quality control by monitoring assembly and repair services via enhanced image recognition.

We are undoubtedly in the early stages of an exciting journey into the future of logistics, and AR is the driving force.

SOURCE: DHL 2014 trend report [Augmented Reality in Logistics](#).

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*Delivering Results... Not Promises*

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## TRIVIA

1. What animal has the longest known lifespan?
2. Name the Spanish conquistador and explorer who discovered the Grand Canyon while searching for the mythical Seven Cities of Gold.
3. What did Albert Einstein call "the hardest thing in the world to understand"?
4. It is possible to drive through two adjacent U.S. states whose capital cities are named after U.S. Presidents. Name the states and their capitals.

*[Click here for answers to Trivia questions.](#)*

## ABOUT US

Established in 1990, OUTSOURCE, Inc. offers a complete range of freight management services and supply chain solutions to help you improve control and increase profitability.

OUTSOURCE specializes in worldwide logistics and transport, offering your organization an optimized transportation management solution. Our customer-driven approach to doing business allows us the flexibility to select services and solutions that best serve our clients' individual needs, and our extensive collective experience in distribution, warehousing, retailing and transportation logistics provides us with the expertise to make it happen.

Air, sea, rail and truck—we can handle all of your domestic and international shipping logistics and transport needs, freeing you to do what you do best.....grow your business.

