

FLATBED TRUCKING

ANYTHING BUT FLAT

CRST and C.H. Robinson
turn their attentions
to increasing cost control and
innovation for flatbed services

By John Powers



FLATBED TRUCKING



Niche carriers providing flatbed trucking services face the universal challenges levied by a subdued economy: a smaller market pie, a dwindling customer base and unrelenting price pressure. In addition, a heavy reliance on building and capital expenditures makes flatbed business more cyclical as well as highly seasonal, responding to warm weather building-season peaks. Providers must determine how to optimize fleet utilization while keeping company drivers and independent contractors busy and financially viable.

Evolving the ways capacity is brought online and focusing attention on cost control are top priorities, said Mike Gannon, group president of fixed assets, CRST International Inc. "We have to simultaneously address the issues of helping our clients control their delivered cost while maintaining a reasonable return for our shareholders. In addition, with the continuing escalation of our regulatory load and a 65 percent increase in the price of a truck since 2002, we have to derive a strategy for a rational sharing of these costs between ourselves and our customers."

CRST uses a roster of independent contractors to haul its flatbed loads. Among available services for the full range of load types, it regularly handles a heavy flow of steel products such as coils, pipe and plate, aluminum products and heavy machinery. Its market is primarily focused east of Interstate 35, on the mills in the eastern two-thirds of the United States.

"There is a healthy mix of commodities," said Chris O'Brien, vice president of transportation, C.H. Robinson Worldwide. "Some of the most typical for us, and the industry as a whole, are construction equipment, building materials and steel. Particular areas of strength are in wind energy and large, oversize cargo."

An enviable geographic reach is achieved through C.H. Robinson's focus on shipments where it can combine its global forwarding skills with the domestic flatbed business to manage complex capital projects involving multiple modes, countries and specialized equipment.

Capacity is matched to demand through partnership with a roster of independent carriers. "C.H. Robinson has access to an industry-leading amount of flatbed capacity, which we qualify and vet out for shippers," O'Brien said. "Our systems and approach are designed to interact with thousands of great carriers in a way that can be expensive or unmanageable for most shippers. So, in this way, we bring a lot of quality management, technology and a strong balance sheet to a challenging marketplace in flatbed."

Despite economic conditions worldwide, CRST reports an outstanding year, with business "off the charts," and a strong domestic demand due to above-average mill business. Significant decreases in available flatbed capacity have contributed as well, Gannon said. "The economy has forced many of the company-operated flatbed carriers to downsize. In addition, market conditions in '08 and '09 drove many of the independent contractors out. Now, they either are reluctant to get back into the business, or they can't get the financial backing to return."

Is now the time to invest in flatbed futures? With solid plans in place for growth within the current market, both companies believe the answer is a definitive yes.

"Our strategies are the same in the flatbed business as they are in other parts of our business," O'Brien said. "C.H. Robinson participates in a large fragmented marketplace where no one, including us, has a significant market share. We feel

like our flexible-services approach to the business, with great people and technology, gives us a particular advantage in serving demanding customers. Our strategy here, like elsewhere, is to take market share and innovate in the industry.

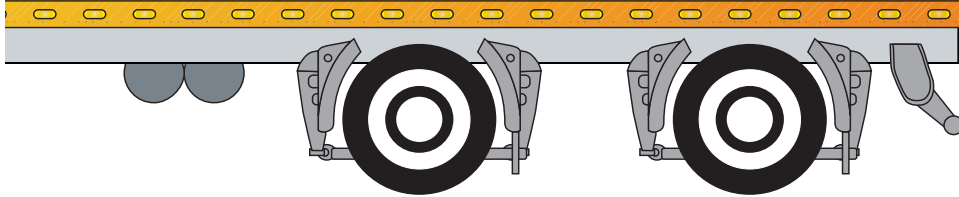
"In terms of innovation," O'Brien said, "we have built out what we consider to be one of the first and most robust flatbed less-than-truckload programs where customers today are taking advantage of previously unavailable rates and services, as we combine multiple smaller LTL shipments for customers who were previously hiring full trucks inefficiently. We have unique backhaul programs for flatbed carriers in an industry that has more empty return miles than most.

"In addition, we have made strategic investments in the project forwarding business that combine the advantages of our global network and our domestic flatbed overdimensional capabilities in powerful ways," he said.

CRST is determined to expand its flatbed capacity, in terms of fleet and people, Gannon said, noting the company's advantage as a privately held enterprise in focusing on the longer term.

"We understand there will be downs and ups. However, since 2009 we have built and carried out an effective 'get back' plan to carry us through," he said. "We will avoid business that doesn't generate a fair return. We are not focused on being a low-cost carrier, but on being a value provider that can help our customers lower their overall delivered cost. For our larger customers, we can service across different platforms, van and flatbed, to meet all of their requirements."

Offering a full suite of services beyond pure flatbed is critical to most shippers,



but they are also placing a high priority on the following:

- **Financial stability:** Shippers are looking for carriers with little or no debt who are the most likely to be there for the long-term. This enables them to forge durable relationships and evolve shipment protocols reflecting changes in commodity mix, markets, trade lanes and the regulatory environment.
- **Ability to expand:** Shippers want a

company to be able to add and deliver capacity on demand, to be able to answer the cry, “Can you get us more trucks, right away?”

- **Flexibility:** Can the company match peaks and valleys in demand cycles?
- **Innovation:** A successful provider is continuously designing and updating the penultimate transportation “mousetrap.” As flatbed carriers wrestle with the issue of cost control, many of the technology

advances apply across the trucking industry as a whole. Advances in areas such as cab aerodynamics, fuel efficiency, idling strategies and fleet optimization apply equally to flatbed, van and intermodal carriage.

Within flatbed, the technology innovations center on automation. “C.H. Robinson has made a significant investment in the technology behind our industry-leading flatbed consolidation and optimization programs. In addition, we made the decision many years ago to make all of our internal and external tools flatbed ready, and we continue to improve those tools based on customer demand,” O’Brien said, noting its recent launch of smartphone applications that allow easier communication with its flatbed carriers.

At CRST, the emphasis is on “freight

Uniting Culture and Systems for a Consistent Customer Experience

Founded in 1905, C.H. Robinson Worldwide Inc. is one of the world’s largest third-party logistics companies, providing global freight services and the world’s first global Managed TMS® solution, as well as logistics outsource solutions, fresh produce sourcing and payment services. Operating through a network of more than 230 offices in North America, Europe, Asia, South America, Australia and the Middle East, C.H. Robinson’s services extend to more than 36,000 customers globally, ranging from Fortune 500 companies to small businesses in a variety of industries.

COMPANY MISSION STATEMENT

Our people, processes and technology improve the world’s transportation and supply chains, delivering exceptional value to our customers and suppliers.

RENOWNED SERVICE AND EXECUTION

C.H. Robinson’s industry-leading knowledge, passion for delivering solutions, and expertise in freight and logistics is seen first hand as their skilled people act as a single point of contact and provide global logistics knowledge. C.H. Robinson’s experts bring forward ideas and business intelligence in challenging global supply chain situations, to help customers achieve their goals and obtain new efficiencies.

GLOBAL TRANSPORTATION

As one of the largest logistics providers in the world, C.H. Robinson’s global transportation model unites culture and systems to provide consistent experiences for customers around the world. With a global network of offices, C.H. Robinson’s performance driven, hardworking, flexible and service-oriented employees fulfill customers’ shipping needs using local knowledge and regional expertise. C.H. Robinson’s capabilities set it apart from the rest, as they provide exceptional value to customers by evolving their supply chains to be more competitive and efficient.

INDUSTRY LEADERSHIP AND POWERFUL EXECUTION

The volatility of the supply chain industry inspires C.H. Robinson to search for innovative ideas that challenge the status quo. Customers benefit from their forward-thinking approach, because they are not content to simply meet expectations — they are committed to exceeding them every single day. By taking the guesswork out of shipping, C.H. Robinson’s leading global technology solutions help customers reap the benefits of proprietary technology programs, multiple global integration capabilities and flexible reporting tools to monitor shipments 24/7 as they make their way around the world. ■



C.H. ROBINSON
WORLDWIDE, INC.

FLATBED TRUCKING

tendering technology," with multiple initiatives in the works. It is also currently testing handheld electronic on-board recorders, with the intent of making them available for their contractors.

The Commercial Driver Compliance Improvement Act would mandate Department of Transportation regulations requiring commercial motor vehicles used in interstate commerce be equipped with electronic on-board recorders for purposes of improving compliance with hours-of-service regulations. Of simultaneous benefit to carriers, EOBRs are capable of monitoring the location and movement of the vehicle, providing significant advantages in terms of fleet management, equipment utilization, load matching and reduction of empty backhauls.

With the economic outlook still uncertain, flatbed purveyors remain optimistic but guarded. "On one hand, our customers are predicting that 2012 versus 2011 will remain relatively flat. On the other, this is going to be a really good, above-average year. So, if we can stay on a par with that for 2012, we'll have another solid year," Gannon said.

Continued vigilance on cost control is necessary to sustain a healthy level of success next year and beyond, he said. An integral piece of this is the need for constructive conversations between carriers and shippers around the best way to deal with soaring costs related to equipment, fuel and regulations.

"We need to quickly arrive at stability in the regulatory structure, in terms of things

like log requirements, hours limitations and tracking, ignitions and reporting," Gannon said. "We need to get through the rule-making process and make some decisions in these areas so we can be about the business of trucking."

To achieve sustained growth in its flatbed business, C.H. Robinson is focusing on innovation and investment in "great people, great technology and creative new services that will continue to be a good choice for shippers and carriers in flatbed and other modes around the world," O'Brien said. "Getting that right, to us, will be more important than cyclical or infrastructure events over the long term." ■

Contact John Powers at john@bottline.com.

In It for the Long Haul

CRST International Inc. is one of the largest privately held transportation companies in the United States. Through its five operating companies, CRST provides a broad array of transportation solutions, including van, flatbed and dedicated, as well as brokerage, transportation management services and high-value product, white-glove moving services.

CRST's operating companies include:

With more than 3,500 drivers, **CRST Expedited Inc.** operates the trucking industry's largest fleet of team drivers. The company provides customers with irregular or scheduled routes in long haul, short haul, air cargo and dedicated fleets with secure, on-time, damage-free delivery.

CRST Malone Inc. is an industry leader in the management of flatbed freight with 1,600 trucks, independent contractors and drivers covering 48 states and 130 million miles annually. The company also has one of the industry's largest fleets with removable side kit equipment that provides weather protection for freight such as aluminum and high-end steel.

CRST Dedicated Services Inc. provides customers with services ranging from a totally dedicated fleet to a single-source transportation network. Our services are available in any number of equipment

types — van, solo or teams, to flatbed or bulk containers.

CRST Logistics Inc. is a full-service asset-based third-party logistics provider with big advantages to offer — from transportation brokerage services and freight management to complete transportation outsourcing. We leverage our buying power to the fastest, safest, most innovative ways to move your products, anywhere.

The most recent addition to the CRST family of companies is **Specialized Transportation Inc. (STI)**, a leading provider of customized supply chain solutions for products that require high-

touch support, special handling and equipment, and value-added on-site services. With this recent acquisition, CRST has access to a new network of agents and 45 distribution centers in key metropolitan areas in North America.

When it comes to serving customers, CRST's mission is clear:

Never promise more than we can deliver; always deliver more than we promise. Look to CRST International for service that goes beyond simply responding to your needs to a partnership that helps make your job easier. ■

To learn more, visit www.crst.com or call 800-736-2778.

THE TRANSPORTATION SOLUTION™

CRST®

I N T E R N A T I O N A L

PICK UP A 21-TON FLATBED LOAD WITH ONE FINGER.

© 2011 C.H. Robinson Worldwide, Inc. All Rights Reserved. www.chrobinson.com



One call to C.H. Robinson
makes flatbed shipping simple.

Step deck or double drop. Loading and unloading. Tie-downs and tarps. Flatbed shipping is complicated. So let C.H. Robinson handle it. We'll line up carriers with the right flatbed equipment, give you the best combination of price and service, and do the paperwork. All through one point of contact.

So make flatbed simple. Contact our flatbed experts today.
solutions@chrobinson.com | 800.323.7587

