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TRUCKING

The trucking industry includes about 110,000 for-hire carriers and 350,000 independent owner-operators with combined annual revenue of nearly \$200 billion. Major companies include YRC Worldwide, Schneider National, JB Hunt, and Con-Way. The industry is **fragmented**: the 50 largest companies account for less than 30 percent of the market.

The industry is comprised of **carriers** that transport commodities for **shippers** using a commercial motor vehicle (CMV). The industry doesn't include the US Postal Service (USPS); couriers; or private carriers (a company that transports its own products and raw materials).

Competitive Landscape

Demand is driven by **consumer spending** and **manufacturing output**. The profitability of individual companies depends on efficient operations. Large companies have advantages in account relationships, bulk fuel purchasing, fleet size, and access to drivers. Small operations can compete effectively by providing quick turnaround, serving a local market, or transporting unusually sized goods. Average annual revenue per employee is \$135,000.

Trucking competes with other forms of cargo transportation, including rail, air, and water. However, the shift toward intermodal transportation means that these modes of delivery are often more complementary than competitive.

Products, Operations & Technology

Major services include **long-distance trucking** (70 percent of industry revenue) and **local trucking** (30 percent). The industry hauls over 10 billion tons of goods annually, representing 60 percent of the total volume and 70 percent of value of all US commercial freight activity. Including private carriers, the US truck fleet is comprised of nearly 6 million single-unit trucks and 2 million tractor-trailers.

Within the **long-distance** trucking market, 80 percent of revenue comes from **general merchandise**, typically moved on pallets loaded on tractor-trailers; 20 percent comes from **specialized trucks** transporting liquid chemicals, autos, and oversized or fragile goods over long distances.

In the **local** trucking market (within 50 miles from origination to destination), general merchandise shipping accounts for 40 percent of revenue. Specialized freight trucking (household movers, cement mixers, dump trucks) accounts for 60 percent of the local truck transportation industry. The type of operation a trucker runs depends on the type of shipments handled. Some truckers handle only **truckload (TL)** shipments that dedicate trailers to a single shipper's cargo. Others specialize in **less-than-truckload (LTL)** shipments, which transport the consolidated cargo of several shippers on one truck, dropping goods off at multiple delivery points.

At nearly \$100 billion in annual revenue, **TL shipments** of general merchandise are the largest part of the market. A trucking customer typically loads a trailer full (or nearly full), the trucker transports the container, and a receiver unloads the contents.

Shipments are usually delivered within one or two days, depending on the distance.

LTL shipments (under 10,000 pounds) are a smaller but fast-growing part of the market. Locally, LTL truckers may collect loads from several customers and deliver

them directly to local destinations, or may operate a local terminal that receives loads and transfers them to small delivery trucks. Long-distance LTL truckers typically operate a network of terminals connected by long-distance routes. Because most shipments involve transfers at terminals, delivery times for LTL shipments average two to five days. To lower delivery costs, LTL trucking companies often work with **logistics companies** to arrange, consolidate, time, and monitor shipments.

Common transported goods include mixed freight, food products, autos, tools and equipment, courier products and mail under contract with the USPS, and chemicals. Trucks with empty trailers account for 20 percent of all vehicle traffic miles (VTM). Major **inputs and expenses** include drivers, diesel fuel, and repairs. Commercial trucks represent 3 percent of all US highway vehicles but account for 20 percent of all highway fuel consumption. The average US power unit (truck tractor) travels 65,000 miles each year and typically accrues more than 500,000 miles before being replaced. Large companies generally perform their own truck maintenance; small ones may outsource this function.

Recent **technological advances** include on-truck communications between driver and dispatcher; improved entertainment offerings for drivers (satellite TV and radio); and sophisticated GPS scheduling systems that track and direct truck fleets and individual truck operations. On-board advancements include computer systems that monitor speed, maximize fuel consumption, and determine maintenance schedules. These technical advancements have increased productivity, with fewer empty miles and less waiting time