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TECHNOLOGIES

Digital Deflation:
Fighting Inflation with Next-Gen TMS Investments

One headline has dominated the news in 2022: the economy.

More specifically, inflation.

What cost $1 in March 2020 costs an additional 12% today. For trucking and logistics companies, that adds up to more than $120,000 extra for every million dollars of spend.

In transportation, everything is measured in pennies per mile — from fuel and driver pay to freight rates and maintenance — so an increase of $0.12 on every dollar is a game-changer for businesses who turn millions of miles every year.

For the first part of 2022, a booming economy lessened inflation's impact on trucking companies. Ample freight and record-breaking rates helped the transportation and logistics sector weather the storm better than most.

If technology can permanently reduce your cost of doing business, you will be miles ahead.

Now indicators suggest an economic slowdown has started while inflation continues to surge. This can be a lethal combination for small- to mid-sized trucking companies managing tight margins.

In times like these, the instinct can be to hold onto cash and cut spending. But that is missing the upside of inflation. One of its biggest benefits is that making certain technology investments in today's prices can yield higher future profits and returns. If technology can permanently reduce your cost of doing business, you will be miles ahead.

The transportation management system (TMS) is a prime investment target capable of fighting inflation in the most ideal way — by improving the way a company operates. Even better, a modern, SaaS-based platform that includes everything companies need to operate with a fixed cost-per-truck pricing model will give you predictable costs today and into the future to operate at scale.

Feeling the Squeeze of Inflation

In Q1 2022, the all-items Consumer Price Index (CPI) surged to a four-decade high hitting 8.5% for the rolling 12-month period. The number sits closer to 20% for transportation — well above the Federal Reserve's average 2% target. Rates are higher but so are costs, and for motor carriers the **"Big Three" budget items are:**

Labor
Average weekly earnings for drivers rose 25% to end 2021 compared to the start of 2019 with increases five times their historic rates. At the close of Q1 2022, irregular route driver pay was up 15% over the last decade with private fleet drivers seeing 18% gains.

Equipment
The cost of used sleeper tractors three-to-five years old in mid Q1 was 77.6% more than the same period a year ago. Despite the steep price increase, tractors for sale were older with more mileage, accelerating future maintenance expenses.

Fuel
May kicked off with diesel fuel prices up 132% from a year ago at about $2.37 more per gallon.

Record increases on the major costs for fleets would be crippling if not offset by the thriving economy that kicked off in June 2020. Survivors of the prior years' brief pandemic-related U.S. economic slowdown have been reaping the rewards, but the tables are turning.

The dry van spot market ended 2021 with rates 46% higher than the national average of the four years leading up to the pandemic. Q1 truckload rate per mile was 25.2% above the January 2018 baseline and 15% higher than the same quarter in 2021.

Truckload rates growing faster than inflation has neutralized its effects. Unfortunately, data suggests those rising rates are headed for a fall.

The Economic Upper Hand:
What Goes Up Must Come Down

Consumer confidence correlates to future economic activity. **The Consumer Sentiment Index (MCSI) hit a 10-year low in April 2022** — a strong indicator of rough roads ahead. With about 40% of U.S. consumers now cutting back on spending, carriers will soon say goodbye to record-setting revenues.

Analysts estimate freight rates will top out mid-year with just a pick-up of a few more percentage points before starting their decline. How quickly or steeply rates will fall is up for debate, but economists agree the impacts will be significant and widespread.

Historic demand with limited supply prompted many people to try out trucking. **The FMCSA authorized nearly 110,000 new for-hire trucking companies in 2021, an increase of 85%** from the previous high. Now with the economy heading toward a course correction, hundreds of thousands of new and existing fleets are vulnerable to the downturn. **In June 2022, dry van linehaul spot rates excluding fuel fell below $2 a mile for the first time since August 2020,** according to DAT Freight & Analytics.

Carriers in any financial position can benefit by using easy-to-deploy TMS systems.

Historically, spot rates start to increase in June as dry freight moves back-to-school retail goods into warehouses, reefer carriers deliver produce to grocery stores and flatbed carriers haul materials to construction projects.

Record-high fuel costs and diesel supply shortages are putting added strain on carriers and lanes. Skyrocketing inflation paired with a softening freight market is like being held between two vices. Carriers able to survive the squeeze of mounting financial pressures will successfully control costs among reduced revenues.

A strategic way of doing that: investing in an enterprise, SaaS-based TMS. Many carriers are coming off historic revenues in 2021, but those in any financial position can benefit by using easy-to-deploy TMS systems that eliminate traditional startup costs.

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Attacking Inflation Through TMS Technology

Carriers cannot control inflation, only how they respond to it. An inflationary environment often prompts companies to reduce or defer spending — a short-sighted move when it comes to technology.

Funding digital investments reduces the cost of doing business over time — a smarter long-term play. Known as digital deflation, the move reduces operational and administrative expenses as a percentage of sales.

Lower costs negate increased inflation, which protects margins while building a competitive advantage.

Technologies serving transportation and logistics companies abound. Yet few address as many business functions as an enterprise-grade TMS. One that is delivered through a predictable monthly subscription is primed for carriers needing a high return on investment during tight economic times.

Leveraging an Advanced TMS to Tame Inflation

Not all transportation management systems are created equal. Inflation-fighting TMS platforms do more than simply manage freight movements. They drive total operational efficiency, productivity, and effectiveness in the following three areas:

1 Driver Wages and Retention

An advanced TMS fights wage inflation by helping drivers make more money without the need for artificial pay increases. The process begins with dynamic load planning that uses analytics to pair the right driver with the best load by considering hundreds of data points in the process.

Technology-enabled load matching outperforms human-based assignments by accounting for information like hours of service, equipment, and empty miles in a fraction of the time with more accuracy. A TMS-powered driver app also simplifies the workload by streamlining load updates and paperwork. Intelligent load matches and less administrative work keeps drivers' wheels turning on more revenue-generating miles.

Those over-the-road efficiency gains also bring benefits to the back office. With the TMS doing much of the heavy lifting, employees can do more with less. That means dispatchers can manage additional drivers and order entry can be automated. The TMS minimizes staff overhead allowing carriers to reduce positions, reallocate staff, or avoid high recruitment expenses.

2 Rising Equipment and Fuel Costs

Carriers need to make every mile count on their equipment, especially when those miles cost more. TMS platforms can dramatically improve equipment utilization. The systems minimize empty miles through better load matches and optimize routes to eliminate unnecessary miles and fuel expenses. Third-party integrations also allow carriers to find loads on the spot market, from brokers, or through fellow carriers before equipment goes idle. Smart routing also helps fleets stay on top of maintenance to avoid costly over-the-road repairs and extend the life of their units.

3 Cash Management

Managing working capital is paramount to navigating an inflationary economy. Carriers need good cash flow when everything costs more. A good TMS improves working capital in several ways.

- By streamlining order entry and using data-driven freight selection to maximize profitability.
- By automating driver paperwork with a mobile app so back-office staff can issue invoices quicker with more accuracy to accelerate invoicing and receivables.

A modern, SaaS-based enterprise TMS that offers business intelligence will also allow carriers to analyze their operational data to identify inefficiencies and opportunities for improvement—including reviewing broader industry trends. Combined, these practices improve working capital to maintain a solid balance between growth, profitability, and liquidity despite a slowing economy.

Case Study: Pasha Automotive Services Boosts Staff Efficiency 24% with Magnus TMS

Pasha Automotive Services, based in San Diego, Calif., provides port-processing and automotive logistics for new and preowned vehicles. The fleet of 100 owner-operators works out of some of the largest ports in the U.S. The 75-year-old company partners with the world's largest automakers and provides terminal management, vehicle processing, and plant logistics.

Pasha wanted a TMS that would reduce manual work. What the company received was a system capable of shifting business into high gear to achieve rapid results.

Productivity – Pasha has seen staff efficiency increase by 24%. The Magnus TMS's intuitive design improved Pasha's data management processes and automated workflows with complete, one-click access to load, truck, and driver information. Pasha's customers automatically receive information, eliminating manual reports, making it possible for dispatchers to double their driver count from 20 to 40 without compromising quality. The Magnus TMS also automates order entry and invoicing, thus reducing keying errors and unnecessary paper trails.

Operational Insights – Pasha streamlines operations with the Magnus TMS Load Builder feature, which provides a color-coded map view ideal for consolidating orders and prioritizing units. The system shows available and underutilized haulers to maximize load count while minimizing empty miles. A better understanding of day-to-day equipment utilization allowed Pasha to create more revenue-generating opportunities for drivers. Plus, the TMS featured information on truck maintenance, payments, and escrow to support each driver's business success.

Business Growth – Pasha experienced significant volume growth, both in direct business and through its partner network by using the Magnus TMS. Enhanced data uncovered revenue opportunities that were previously invisible to the company such as yard moves and shuttles. Now the company is doing more business with less staff and "plans to just keep getting better," said Jason Cook, Pasha's senior director of dispatch and business development.

Investing in Innovation: The SaaS TMS Advantage

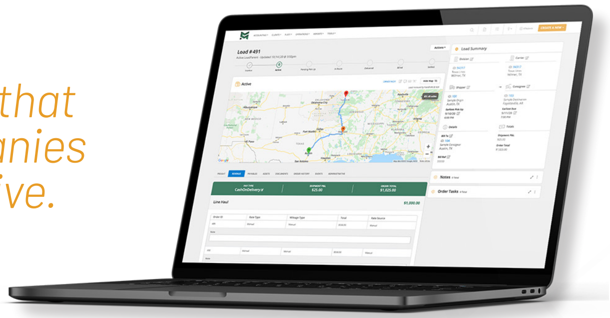
The short- and long-term benefits of using an intelligent TMS can be realized quickly. Fleets that feel the investment outweighs the reward may be thinking only of on-premise, server-based TMS platforms that cost hundreds of thousands of dollars to implement and carry the burden of on-going IT support, professional services and training costs. These complicated systems make quantifying ROI tough because they require constant investment in equipment and staff overhead.

Times have changed and the one-size-fits-all TMS is outdated.

Today SaaS-based (software as a service) TMS platforms that cater to fleets of all sizes use a simple per-truck monthly subscription fee with predictable costs and, more importantly, big IT benefits that include:

- **Fast ROI** by directly connecting subscription costs to active truck count for better alignment with a business's current revenue.
- **Reduction of startup costs** to a small fraction of on-premise solutions.
- **Limited need for an in-house IT team** by providing software hosting, data storage and maintenance.
- **Continuous upgrades** that boost the system's value over time to ensure it keeps pace with industry changes.
- **Easy to implement and use.** The provider can stand up the TMS fora carrier in a series of days or weeks compared to an on-premise platform that can take months or years.
- **Accessible from anywhere** allowing fleets to manage multiple locations and expand their approach to talent recruitment.
- **API integrations** with third-party applications like electronic logs, trailer tracking, fuel payment, load updates, and accounting.Those integrations can be included in the monthly fee at no additional charge.
- **Ongoing training and support** for the system to scale with the company.

The right TMS makes digital deflation possible so that trucking and logistics companies will not just survive, but thrive.



A SaaS-based enterprise TMS is an ideal choice for fleets wanting to keep infrastructure costs low and avoid ongoing maintenance and security expenses. This allows the company to concentrate on the revenue-generating activities critical to surviving the impacts of inflation in a slowing economy.

The right TMS makes digital deflation possible so that trucking and logistics companies will not just survive, but thrive, among the uncertain times ahead. No better way exists to fight inflation than investing in innovations that make the business better.

About Magnus Technology Group

Magnus Technology Group, headquartered in Austin Texas, has 20 years of experience designing, developing, and delivering enterprise TMS software. Magnus is the first software provider in the transport and logistics industry to offer an enterprise SaaS-based TMS that is affordable and scalable to fleets of all sizes.

The Magnus TMS platform is modular and works seamlessly with the Magnus Driver App and Magnus Carrier Advantage network to deliver a complete, end-to-end mobile dispatch and order fulfillment solution for truckload and LTL fleets to maximize profitability and growth.

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