

IT'S TIME TO START LOOKING AT THE FUTURE

AND PREPARING FOR THE LONG HAUL.

The challenges of the current economy and the availability of capacity have driven prices to their lowest point since 2005. While most shippers have seen great opportunities with the decline in pricing, the market is changing. As recent industry research indicates, market pricing bottomed out in the second quarter of 2009 and is beginning to rise. (see chart below). This means shippers have started turning to a different set of criteria to determine who will be moving their freight.

once the capacity bubble bursts; especially now that we are starting to see some small signs of economic recovery. Thus, with the truckload prices starting to rise, more and more shippers are choosing stability over short-term cost advantages.

Third-party logistics providers become a smart choice for shippers.

By nature of normal historic supply/demand economics the ratio between truckload capacity and truckload supply will balance

itself out to achieve compensatory rates for those trucking companies who survive this depressed rate period. Whether through reduced capacity, increased demand or a combination of the two, carriers who remain will be pricing to make up losses from the difficult economy.

The good news is the truckload industry is a highly

fragmented industry with 96% of the trucking companies having 20 or fewer trucks. These carriers tend to be the choice of small to medium-sized shippers. More importantly, a significant number of these carriers have become dependent on the aggregate freight volumes of third-party logistics companies (3PLs) to keep their businesses running.

This offers two advantages for shippers going forward. The first is the stability 3PLs can offer shippers. These non-asset providers have been the most successful in this economy and have been able to build a great deal of loyalty among carriers. Not to mention, the average 3PL purchases \$10 million to \$100 million of transportation every year. This gives them considerable

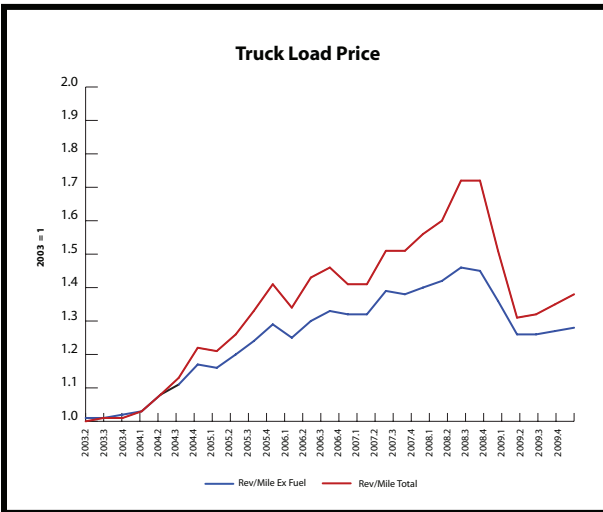
leverage. It also means better rates for the average shipper.

A 3PL like Schneider Logistics, who can also offer shippers a strong portfolio of services, can help drive costs out of a business in many ways. As an example, Schneider Logistics has brokerage relationships with full truckload carriers, intermodal providers, temperature-controlled, flatbed, specialized and less-than-truckload carriers. This type of company provides a unique advantage to businesses that tend to move a majority of their freight in one mode or another. The occasional refrigerated load can be a time-consuming and costly endeavor for a shipper who utilizes dry-vans for most of their needs. That shipper doesn't have the relationships with other carriers, or the purchasing power to be given priority treatment for that odd load.

The other — and perhaps the largest — advantage of working with a 3PL with a broad portfolio of services is that company can offer multiple options for your freight. With transportation pricing on the rise, and shippers continuously feeling the pressure of budget parameters, multi-mode companies bring more opportunities to optimize transportation spending. Schneider Logistics has the ability to look across all of its services, offering shippers the most cost-effective mode for delivery.

Beyond the pricing advantages offered by 3PLs, there is also a time and convenience consideration that appeals to many small- to medium-size shippers. Instead of managing multiple relationships with carriers, an ever-changing list of providers and multiple pricing and billing profiles, companies like Schneider offer a single point of contact and streamlined billing for busy shippers. This allows more time for individuals to focus on their core business.

If you would like to learn more about how a 3PL such as Schneider Logistics can add value to your organization, visit us on the web at www.schneider.com or contact one of our field offices.



Sources: Noël Perry and FTR Associates

As we have seen in past cycles, dramatic pricing drops have forced smaller carriers out of the market. However, the issues in the banking industry, and an unwillingness to reclaim toxic assets (such as repossessing trucks with delinquent loans) has created a lingering balance between supply and demand. Currently, there is a large population of carriers who are keeping their small businesses running by paying taxes and licensing fees at the expense of making truck payments.

This trend has many shippers nervous, with the general feeling being the banks have simply put a longer fuse on a bigger bomb. There is also concern among shippers that no one knows how high prices will go

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