

# Winning the Future in Customized Logistics and Delivery Requires Getting *Upstream*

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According to the Bureau of Labor Statistics, American courier and messenger jobs are up 100,000 year over year. Walmart's ecommerce is up nearly 100% and the growth of other big box retailer's ecommerce is surpassing 200%. The U.S. final mile delivery market is expected to grow by 20% in 2020 – reaching nearly \$40B in total revenue. With unprecedented demand, comes incredible disruption. With disruption, comes tremendous opportunity. To fully capitalize on the available opportunities, companies can't expect to do business the same way. Winning the future will require systematic changes in the way we currently do business. For some, change is exhilarating. For others, not so much. Through our M&A advisory work, we are colliding with the brightest minds in the industry daily. When we discuss the future of this space and how to win it, three major themes emerge: upstream thinking, leveraging data and obtaining scale.

### UPSTREAM THINKING

No matter how well we respond to the seemingly unrealistic expectations around real time visibility and IT integration among others, we are destined to fail our customers if we are always operating from a reactive posture. In his book, [Upstream – The Quest to Solve Problems Before They Happen](#), author Dan Heath states that every system is perfectly designed to get the results it gets. So, the question is, are our systems solving the problem or perpetuating the problem? Scott Ramsey, Chairman of 98 Ventures and UST logistics, addresses the issue this way, "In the future, winning leadership teams in customized logistics and delivery will stop responding to retailer requests for innovation and instead innovate

in advance of the request. The results will become the competitive advantages needed for themselves and the clients they serve." Peter Rentschler, CEO of Carrier Direct, adds "The number one factor to winning business in the customized logistics and delivery space in the next 5-10 years is who can provide the most frictionless experience to both customers and capacity providers." To remove friction, we must innovate systems at the source of the problem. If we don't, we can't expect to compete at the highest level.

### LEVERAGING DATA

Winning the future will also require leveraging data and technology within risk management solutions and careful navigation through a myriad of regulatory issues. When asked about what to expect around risk management solutions in the next 5-10 years, Dan Cook, Practice Leader and Principle at True North, shared, "Those that can harness the new and expanding data sources to provide rapid and relevant risk related KPIs will be able to drive down their total cost of risk faster and further. Much of the data exists today, but isn't captured, integrated and put to use in real time. Systems that integrate, analyze and learn from data in real time, such as self-driving platforms, will transform transportation." What business leaders do with the information right in front of them is key. What we do with information we

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can't control is also key. When asked what potential regulations could impact the industry most in the coming years, Greg Feary, Partner at Scopelitis, shared "I believe regulations that amend the federal leasing regulations (49 CFR 376 et seq) that allow gig economy package/freight delivery to be conducted via independent businesses, all without looking through the lens of a more traditional contract structure, but instead account for more sporadic or occasional delivery drivers to function within multiple businesses is certainly impactful. Additionally, Proposition 22 passed in California might create a new work status approach to delivery business in the US."

## OBTAINING SCALE

Even if we get upstream, leverage technology and data to mitigate risks, and receive a few regulatory wins, we still need scale to meet the rapidly growing demands of our customers and to win the future. Scale is what allows companies to fully extract the value from their talent, technology, network, etc. It is also a key ingredient to providing a total solution for ecommerce and large retailers. Dave Dunek, Vice President of Quality and Business Expansion at Forward Air, states, "Part of the solution inherently demands local brick and mortar on a large scale. Companies are racing to develop these networks which has created consolidation of final mile services." In the last 18 months, Forward Air has acquired the final mile operations of FSA Logistix, Linn Star Transfer and recently CLW Delivery. In addition to publicly traded logistics companies like Forward Air, private equity groups are also affecting how companies grow, innovate systems, and meet the needs of customers. New Spring Holdings acquired Freight Rite this year to bolt-on to their platform, USPack's Managing Partner, Skip Maner,

addressed the need for scale, "The scale created by larger firms should create cost advantages and service advantages that help end customers compete with the tidal wave Amazon has created. However, technology should be the standard that larger firms bring to their customers to create transparency and service levels which meet the expectations that consumers now have." Obtaining scale through acquisition is not just about gaining volume. It is also about talent acquisition. Large companies are recognizing that in many cases they can't solve extremely complex problems with home grown talent. They need proven specialists to protect their capital investment and lead all stakeholders to the next level.

## CONCLUSION

This article in no way encapsulates all the factors that influence how we will compete and differentiate ourselves in the future. Artificial intelligence, the development of green fleets, and the permanent impact COVID-19 has had on e-commerce will certainly influence strategy. Winning the future, in my humble opinion, will still be determined by who most effectively addresses the major issues of going upstream, leveraging data, and obtaining scale. [CLDA](#)



*Spencer Tenney is President and CEO of Tenney Group, a merger and acquisition advisory firm that has been dedicated to transportation and logistics since 1973. Tenney Group has advised sellers on three final mile transactions in 2020 alone, including the Freight Rite and Linn Star Transfer transactions mentioned above. For more information, go to: [TheTenneyGroup.com](https://www.tenneygroup.com)*