SPOT

FROM UNCERTAINTY TO INSIGHT: HOW MARKET INDICATORS GUIDE LTL STRATEGY

A Step-by-Step Guide

Contents

Works Cited

B. Kheny & C. Urbi "The Road Ahead: Leveraging Truckload Trends for Prescriptive LTL Heuristics," May 2024 (dissertation). [Online]. Available: https://spotmyfreight-my.sharepoint.com/personal/jsimmons_spotinc_com/_layouts/15/onedrive.aspx?id=%2Fpersonal%2Fjsimmons%5Fspotinc%5Fcom%2FDocuments%2FThe%20Road%20Ahead%2D%20Leveraging%20Truckload%20Trends%20for%20Prescriptive%20LTL%20Heuristics%2Epdf&parent=%2Fpersonal%2Fjsimmons%5Fspotinc%5Fcom%2FDocuments&ga=1

STEP 1

Monitor Key Market Indicators Monthly

By using machine learning models and key economic indicators, shippers can better anticipate changes in LTL demand, optimize rate negotiations, and improve operational efficiency.

Crack the Code: Predicting LTL Demand

The trucking industry experiences regular shifts in capacity, demand, and costs, which affect freight brokers, shippers, and carriers—especially when transitioning between Truckload and Less-than-Truckload markets. This white paper builds on industry research, providing actionable insights for shippers, including strategies to anticipate shifts in LTL demand, optimize rate negotiations, enhance network planning, and improve overall operational efficiency.

This guide breaks down predictive strategies, explains the impact of critical trucking metrics, and offers recommendations to make decision making easier. Shippers can use these insights to stay ahead of market changes, cut risks, and save money.

Spot TL-to-LTL Shifts Before They Cost You

As supply chains become more complex, shippers must be able to anticipate and adapt to changes in freight demand. Traditional forecasting models often fail to predict shifts from TL to LTL, leading to unexpected cost increases and operational disruptions.

This whitepaper shows you how to identify when shippers are likely to switch from TL to LTL and use these insights in their logistics planning. By following the outlined methodologies, businesses can stay ahead of market changes and gain a competitive edge.

Anticipating and adapting to these shifts allows shippers to maintain service levels and cost control. Spot's extensive LTL network and technology-driven solutions, such as MySpot, provide the agility and visibility needed to navigate these transitions seamlessly. With features like LTL invoicing audits, custom pricing, and automated tracking, shippers can proactively manage their LTL strategy rather than reacting to market pressures.

What to Track

Shippers should track three critical truckload market indicators that signal upcoming shifts in LTL demand. These indicators provide 1- to 5-month early warnings of potential LTL volume increases. Next, we'll dive into how this works in practice.

Industry research identifies three primary indicators of TL market tension that serve as predictive signals for LTL volume expansion: LTR, RGD, PMI.

Understanding Market Trends and Predictive Power

The Link Between TL and LTL Markets

Historically, shippers have moved freight between TL and LTL markets based on cost efficiency and capacity availability. When truckload demand exceeds available supply, shippers seek alternative modes, including LTL, to maintain delivery schedules.

Load-to-Truck Ratio (LTR)

This metric measures the imbalance between available loads and trucks in the TL market. A high LTR suggests more loads than available capacity, making LTL an attractive alternative.

Threshold to Watch:

- If LTR > 4.4 → LTL demand will increase within one month.
- If LTR > 5.4 → Expect a significant increase in LTL demand.
- **Where to Find It:** DAT Freight & Analytics reports (subscription-based) or freight market dashboards.

Route Guide Depth (RGD)

This metric evaluates the number of attempts needed to secure a carrier at a contracted rate. Higher RGD values indicate difficulty in sourcing TL capacity, leading to increased LTL demand.

Threshold to Watch:

- If RGD > 1.42 → Expect higher LTL demand in 2 to 5 months
- **Where to Find It:** Internal TMS data (shippers with direct TL carrier relationships can monitor this in procurement reports).

Purchasing Managers' Index (PMI)

This economic indicator measures manufacturing activity and overall business confidence. A rising PMI suggests increased freight demand, influencing modal shifts.

Threshold to Watch:

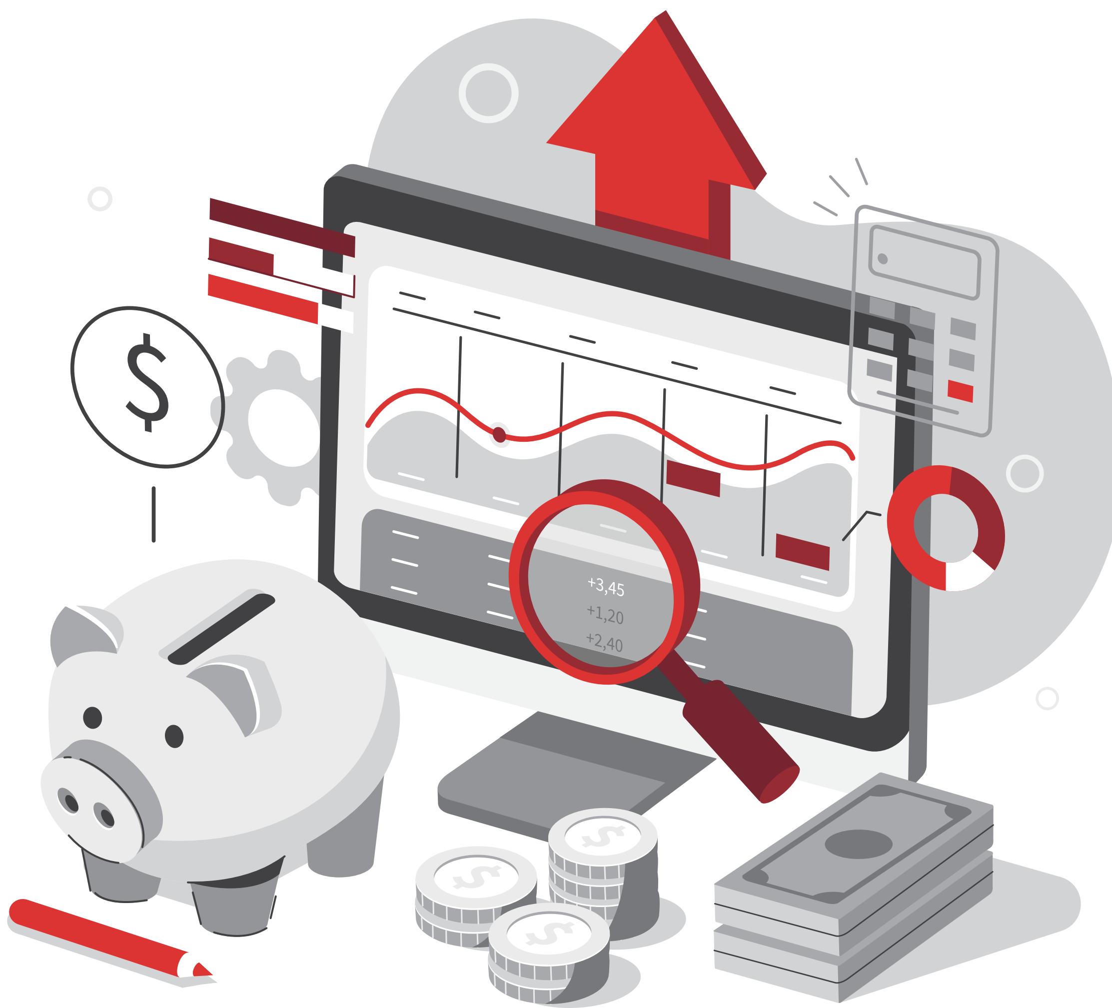
- If PMI > 53 → LTL demand will increase next month.
- **Where to Find It:** Monthly reports from the Institute for Supply Management.

By monitoring these indicators, shippers can make data-driven decisions on when to shift freight strategies. MySpot for Shippers, Spot's proprietary TMS, offers dynamic reporting and automated alerts, ensuring that shippers are equipped with the latest market insights to optimize their LTL planning.

To Sum it Up:

Each month, compare these three indicators to their respective thresholds. Use the table below as a quick decision matrix:

Indicator	Threshold	Forecasted LTL Demand Change	Action Required?
LTR	> 4.4	Increase in 1 month	Prepare LTL capacity, check rates
LTR	> 5.4	Significant increase in 1 month	Secure LTL contracts immediately
RGD	> 1.42	Increase in 2-5 months	Start LTL RFP process early
PMI	> 53	Increase in 1 month	Prepare for market-wide cost increases



STEP 2

Take **Proactive** Freight Management Actions | If LTL Demand is Expected to Increase Soon (Based on the Indicators Mentioned).

Secure Lower Rates Early:

- Start an LTL Request for Proposal process with carriers to lock in lower contract rates before market demand spikes.
- Review existing LTL carrier contracts and extend agreements if rates are favorable.

Reevaluate TL vs. LTL Strategy:

- If TL spot rates are rising and LTL demand is about to increase, consider shipping earlier to avoid higher costs.
- Consolidate shipments strategically before LTL rates spike.

Securing LTL contracts ahead of demand spikes ensures cost predictability and service reliability. Spot's LTL solutions help shippers lock in competitive pricing while simplifying load execution with MySpot for Shippers' quoting, booking, and tracking capabilities. By using a data-driven approach and leveraging a robust LTL carrier network, shippers can avoid last-minute rate hikes and operational disruptions.

Diversify Carrier Relationships:

- If the market is tightening, having multiple LTL providers ensures flexibility when securing capacity.
- Build relationships with regional LTL carriers, not just national providers.

Diversifying LTL partnerships ensures resilience in tight markets. Spot's relationships with national and regional carriers offer shippers flexible solutions, including drop trailer programs, expedited LTL, and temperature-controlled shipping. With MySpot, shippers can easily compare carrier rates, track performance, and secure coverage with trusted partners.

Communicate with Supply Chain Partners:

- Alert warehouse and distribution teams if LTL volume is expected to increase so they can plan staffing and dock space.
- Notify customers of potential lead time adjustments.

STEP 3

Track Performance & Adjust Your Strategy

- Review past LTL cost trends vs. these indicators to refine forecasting accuracy.
- Adjust procurement cycles based on predictive insights (e.g., securing LTL contracts earlier than usual in tight markets).
- Compare market predictions to actual freight invoices to measure cost savings.

To ensure continued optimization, shippers should compare forecasted demand against actual spend and performance data. MySpot enables real-time reporting and exception management, allowing for continuous process improvement and cost control. With API integrations and custom reporting capabilities, shippers gain full visibility into their freight operations, making adjustments before inefficiencies impact their bottom line.

Limitations & Considerations

While this whitepaper provides a reliable framework for predicting LTL volume expansion, there are some limitations.

Modal Conversion as an Influence, Not a Guarantee

While TL market stress correlates with LTL demand shifts, other factors (e.g., economic downturns) may also impact freight patterns.

Applicability to Outsourced LTL Customers

The predictive model performs best for shippers who outsource 100% of their LTL shipments, with reduced accuracy for mixed-mode shippers.

Market Equilibrium Reduces Predictive Power

When market conditions stabilize, leading indicators may provide weaker signals.

Stop Chasing the Market

Predict LTL Shifts Before They Cost You

By tracking LTR, RGD, and PMI, shippers can gain a 1 to 5-month advantage in freight planning.

This whitepaper has outlined a structured approach to identifying early warning signals for LTL demand increases, providing clear steps to secure competitive rates, refine transportation strategies, and mitigate risk. By tracking Load-to-Truck Ratios (LTR), Route Guide Depth (RGD), and the Purchasing Managers' Index (PMI), shippers can gain a 1 to 5-month advantage in freight planning—enabling smarter decision-making and long-term cost control.

Anticipating market shifts is only part of the equation—success comes from having the right partners and technology to execute effectively. Spot's LTL solutions provide shippers with access to an extensive carrier network, competitive pricing, and streamlined operations. By leveraging MySpot, shippers can automate rate benchmarking, optimize routing, and ensure seamless execution from booking to final delivery.

Many of the world's leading brands, including Danone Waters of America, Mays Chemical, Packsize, and Peloton, trust Spot to handle their LTL shipments with precision and reliability. Whether managing standard LTL, expedited freight, hazmat, or temperature-controlled shipments, Spot's dedicated LTL team ensures every load is handled with care.

The freight market will keep shifting, but shippers who use data to predict changes will stay ahead of the curve instead of scrambling to catch up. By using these strategies, shippers can create a stronger, more cost-effective LTL game plan—one that cuts costs, boosts efficiency, and keeps them ahead in a fast-changing supply chain.

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