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Drayage diversification emerging as shipper priority amid supply chain volatility

Eric Johnson, Senior Technology Editor | Jan 3, 2025, 12:21 PM EST

Industry dynamics are driving shippers to diversify their allocation of volume to drayage carriers in a bid to manage increased volatility through the US ports they use for their import supply chains.

Whereas shippers have historically tended to rely on a single drayage carrier in a specific gateway, the underlying technology and changing attitudes toward resilience on a chronically overlooked transportation leg are enabling that diversification.

The change impacts a part of the industry that is especially fragmented, with more than 12,000 drayage carriers operating in the US on a local, regional or national basis, accounting for more than 49,000 drivers, according to the Intermodal Association of North America (IANA). And that fragmentation includes everything from national providers with as many as 2,500 trucks, to owner-operators running single-vehicle businesses.

Drayage is also notorious for thin margins for operators, a reality that only deviated from the norm temporarily during the pandemic.

For shippers, the hard work of managing a network of dray partners, as opposed to a single relationship, is theoretically offset by better performance and more flexibility to get the capacity required through a given gateway.

While drayage capacity has been largely loose in aggregate the past two years despite solid container growth in 2024, shippers still deal with episodic periods of tightness week to week or through specific ports.

“The landscape has changed significantly over the last five years,” said Reade Kidd, CEO of EDRAY, a managed transportation platform that helps importers, including Crate & Barrel, Floor & Decor and Samsung, to coordinate their shipments.

“Pre-COVID, you saw many shippers with large volume lanes allocated to one dray carrier, leveraging one contract, one integration and one feedback loop,” Kidd said “While there are synergies and benefits from increasing scale with one provider, we have seen a significant adoption of strategies around diversification of carriers, ports and overall networks across the industry.”

Michael Kroul, CEO of drayage broker KTI, said the days of using a single carrier for large volumes in a single gateway are largely gone.

“There are examples of shippers only using one primary carrier in a market, but in truth they always now have backups as COVID taught them that exceptions can occur no matter how tight the bond is,” Kroul said. “We have shippers use us and two other carriers in a market, and others put 30% for spot price moves. Others stick solely through what they granted through their requests for proposal [RPFs]. My safe answer would be four to five at minimum per market, even if you primarily use one for everything.”

No single solution

As with every other aspect of international logistics, there is no one-size-fits-all strategy that applies to all shippers, or even for a single shipper across all the US import gateways they use. The decision to allocate cargo to more than one dray carrier is primarily influenced by the overall volume moved and the week-to-week consistency of that volume.

“If you have 50 containers a week on a lane, that could be ideal to have multiple carriers on the lane,” Kidd said. “However, if the volume is not consistent — 30 containers on week one and 70 containers on week two — you could be at risk of increasing bobtails if you diversify your carrier mix.”

There are ways to offset that inconsistency while using multiple carriers through the use of empty container pools and dedicated chassis programs. But most shippers have historically tended to take the path of least resistance and just pick one drayage carrier, or hand off the allocation of drayage volume to a third-party logistics provider (3PL) or shipping line, many of which route that to a favored or in-house carrier.

Kidd advocates for some sort of split — generally between 50-50 and 70-30 between two carriers — that keeps options open and costs in a manageable band.

“We have a number of shippers with five or more carriers on lanes, some of which are due to certain container types, like overweight, refrigerated, or hazardous, and some are just due to a high-volume lane that they keep highly competitive across their carriers,” he said.

Benefit of multiple relationships

Kroul said the complexity of the shipper’s needs at destination also determines the extent to which they are willing to diversify, or to stick with one carrier.

“It depends on the time of year, the specific gateway, whether it’s a port or inland move, the equipment needed, and the delivery need,” he said. “Do they need transload, a distribution center, direct to warehouse, a drop yard, a reload?”

Additional relationships are always of benefit, said Paul Brashier, vice president of global supply chain at the 3PL ITS Logistics, which specializes in drayage. For instance, he said that a shipper may add a 3PL not just to diversify its drayage options, but to add a specialized service, such as warehousing or domestic truckload, in addition to drayage.

“Depending on the complexity of a shipper’s supply chain, it is usually best to delineate the spend by the mode or services supplied,” he said. “If a shipper is going to bring on multiple partners, it is best to ensure that they add a mode or service diversity to your portfolio.”

Kroul agreed: “That is why you have seen large national carriers add transload, container yards, drop yards, and warehouses in specific areas,” he said. “The goal is to lure large national enterprise accounts that need all of those services. Some large national carriers, like IMC and RoadOne, have done a great job of that.”

But even all large shippers are not alike in their usage of national drayage providers with broad service capabilities.

“Many like to prioritize the local carriers or the brokers with the relationships with the local carriers, and then work with a broker like us and a large national carrier,” Kroul said.

Ease of procurement

Kidd said a proliferation of transportation procurement tools, which simplify the bidding process for shippers, is allowing importers that previously single-sourced to dabble in dual sourcing.

“This enables shippers to try out a new carrier in a market, putting them at a smaller percentage — around 20% of their volume through a gateway — and earning their way into the network,” he said.

Kidd ultimately recommends shippers with a significant enough threshold of volume, even if inconsistent, to dual source because it minimizes the vulnerability to both shippers and their capacity providers.

“If one dray carrier has 30 containers a week and then needs to surge up to 100 a week during certain times of the year, that could be challenging,” he said. “As long as freight is balanced, having two carriers evenly split, each would need to surge from 15 to 50, instead of 30 to 100, containers for that week. Having a smaller volume of surge is easier for an asset-based carrier to absorb.”

Size of carrier a factor

Ian Weiland, COO at Southern California drayage provider Junction Collaborative Transports, said the size of the asset-based carrier factors into these decisions as well. Junction operates more than 350 trucks, so Weiland said the carrier can "easily commit to a 2,500-TEU to 4,000-TEU annual account on the fly, and it does not cause an operational disaster."

For a smaller dray carrier, one with about 10 trucks, a comfortable volume commitment level would be approximately 300 TEU to 500 TEUs per year.

"Many in the drayage industry try to sell themselves or their services as if they are larger than they actually are," Weiland said. "I assume it has to do with appealing to a larger account."

Once a small carrier lands a large account, it then has to figure out how to provide the capacity, Weiland said, and if the account leaves, that carrier is back to square one, sometimes with excess trucks that it cannot immediately fill.

As a local operator, Weiland also has to consider how Junction fits into a larger framework where its customers have volume moving through gateways outside of Southern California. Junction could theoretically be the sole provider in Southern California, but not the sole provider nationwide, so some of its customers may use a national dray carrier for some volume in its territory in service of maintaining a strong relationship with the national carrier.

"It really depends on the volume per gateway," Weiland said. "We have a few customers where we are the only carrier at 300-plus containers per month. We have some where we are the primary, but at around 50% of their total volume."

Diversification is primarily about giving shippers options, and a part of that is maintaining communication with both asset-based and broker partners, sources emphasized.

"We have a customer who has not given us a load in almost a year when we used to do a ton with them because the market for their particular commodity went south," Kroul said. "They had to give more to their primary carrier. But they talked to us every week. And sure enough, two weeks ago they sent more than 50 loads. Relationships matter."

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