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Marketing Freight Transportation

Session Moderator: Anthony Pagano, University of Illinois at Chicago

• *Motor Carriers and the Marketing of Intermodal Freight Transportation*

by B. Starr McMullen,
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Intermodal freight transportation services can be marketed in a variety of different ways. Rail, water, or motor carriers can make the arrangements for intermodal shipments or the marketing may be done by one of a multitude of third party intermediaries such as freight forwarders, motor carrier property brokers, shipper's agents, shipper's associations, or NVOCC's (non-vessel operating common carriers).

This study focusses on the provision of intermodal transportation services by motor carrier firms themselves. Most intermodal freight transportation services are provided by LTL motor carriers, the portion of the industry in which increases in concentration have been observed since 1980.

A simple statistical cost function is used to obtain estimates of scale economies observed in the provision of both highway and intermodal transportation services by a sample of general freight carriers. Economies of scale are found in the provision of intermodal transport but not in the production of traditional highway transport. The finding of scale economies in the provision of intermodal services suggests that LTL carriers may be better able to efficiently consolidate LTL freight into TOFC/COFC shipments when they have a more extensive network system. This may help explain the observed increase in the size of the LTL motor carriers since 1980.

Despite observed size related cost economies, there is no evidence that carriers are able to exercise potential monopoly power and engage in anti-competitive pricing. This finding may reflect the intense competition between freight common carriers and third party intermediaries in the marketing of intermodal freight transportation.

• *Carrier/Modal Selection Factors Among All Modes: The Shipper/Carrier Paradox*

by Jerry R. Foster and
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Carriers do not appear to have a clear understanding of the carrier/modal selection factors used by shippers. In previous studies, when asked how shippers rank these criteria, carrier's responses seldom agreed with those of shippers. This shipper/carrier paradox has never been resolved. Data from this study suggests that discrepancies in performance assessments for both carriers and shippers could be part of the problem. The factors that were ranked highly important to carrier/modal selection were not the same factors to be rewarded in performance assessments. Results of this study indicate communication and reward gaps in both industries, supporting the shipper/carrier paradox.

• *Managing and Marketing an Industrial Service; The Example of Freight Transportation*

by Arnold B. Maltz,
The Ohio State University

Freight transportation companies supply an industrial service, since their major customers are other businesses. Although the theory of industrial services is relatively limited, there are some straight-forward implications for the freight transportation business. In particular, one would expect successful freight carriers to have small central marketing departments and field sales reporting to the local site manager. Recent research also indicates that organization structure should be as flat as possible. Local personnel should be given as much power as possible and supported with a maximum of systemwide information. Also, there is some indication that the holding company approach to market expansion may be more effective than the formation of "megacarriers." Finally, it is speculated that on-board vehicle technology may allow significant operations improvements through the use of consumer service techniques. Anecdotal examples are cited as appropriate.