

THAT MAKES CENTS



Season 5 Episode 2 Dynamics reshaping the freight industry

Host: Bobby Stephens, Deloitte Digital's Retail & Consumer Products practice leader

Guests: Lance Moll, former president and CEO of FedEx Freight

Larry Hitchcock, Deloitte's US transportation subsector leader

Bobby Stephens: Hello, and welcome or welcome back to That Makes Cents. This is the podcast where we take a deeper look at trends and happenings in the consumer industry. Today's episode highlights Deloitte's latest research on the future of freight. As the landscape of parcel, trucking, 3PL, ocean, and rail rapidly evolves, six powerful and interwoven forces are reshaping the market in real time. Those forces cover technology and data, shifting competitive dynamics, industry restructuring and more. And now these just aren't predictions, these are realities that are actively being discussed on boardrooms and on runways, compelling industry leaders to rethink strategies or risk falling behind. To explore these changes, we're joined by Lance Moll, former president and CEO of FedEx Freight, who brings firsthand perspective on how these disruptions

manifest on the ground from over three decades of experience.

We're also joined today by Larry Hitchcock, Deloitte's US transportation subsector leader, and a key architect behind this study. He'll be guiding us through actionable insights that can help organizations adapt and thrive. So let's get ready for a great conversation that connects research, leadership, experience, and the future of moving goods. So before we get started, Lance, Larry, can you just give the audience a brief intro on your backgrounds? Larry, since you've been here before, why don't you go first?

Larry Hitchcock: Sure thing. Thanks, Bobby. I lead the transportation sector at Deloitte. Our team provides advisory, consulting, and tax services to companies that move people

and goods. Our client base runs from rental car and rideshare companies to companies that move goods over oceans and railroads. Lance, over to you.

Lance Moll: Sure. And thanks again, Bobby. I certainly appreciate the invitation to spend time with you and Larry. So I've spent over three decades, as you mentioned, in the LTL industry, all with the same company. Recently retired as the CEO of FedEx Freight, which as you all know is the largest North American LTL company, and continue to stay very involved in the transportation industry and working with Larry and the Deloitte team as well going forward.

Bobby Stephens: All right, Larry, Lance, thanks. And Lance, I drive by a big FedEx facility on my way to the Indianapolis Airport whenever I'm heading out of town.

So, I see a lot of your planes up and down, all the time. So, from your vantage point advising industry leaders, what do you see as the most significant forces that are reshaping the future of freight?

Lance Moll: Well, Bobby, I guess I generally lead into any discussion about the transportation industry by speaking to how it's transformed the world, continues to transform the world, to ensure people understand the relevance of logistics by connecting countries and businesses over centuries. And I always like to mention this timeless quote and our founder at FedEx always mentioned it as well. Franklin Roosevelt's Secretary of State Cordell Hull famously stated, "When goods cross borders, armies rarely do." And this still holds true today—and probably even more relevant today than in recent times—because it's increasingly paramount countries continue to get to the same table, come to terms on fair trade—and fair trade where it benefits both countries.

But to get back to your question—and to be fair, I'm somewhat of a history buff—so when you consider ancient trading routes all the way to the global distribution of critical shipments, as we witnessed during the pandemic, for example, logistics has always been an integral part of our global existence. The industry has grown, it's evolved, and in many ways the work within it as well. But during the pandemic and the massive growth of e-commerce, it became ever more important for trucking companies to invest capital in delivery vehicles with liftgate capabilities and offer various types of service.

None of us wants to see a 48- or a 53-foot trailer trying to maneuver around our neighborhood to deliver like a firepit or a grill we've ordered online. So, for example, at FedEx Freight, we used to have three residential delivery products: drop and go, without requiring a signature, just very similar to a parcel experience; over the threshold; and to a room of choice—and all with a uniform professional driver. So

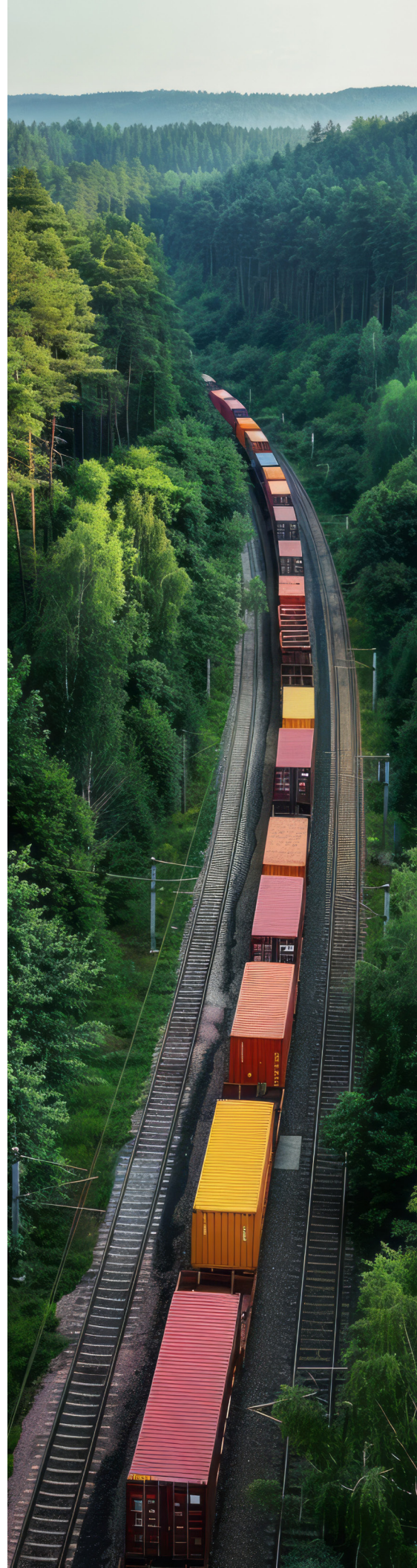
consumers really accepted and appreciated this approach. Like I said earlier, especially during the pandemic, this is just another example of providing shippers and customers receiving large, bulky shipments the benefit of gaining confidence in what typically has not been a high-growth segment in the LTL market.

So another example: How the industry is changing with advancements, and technology is moving away from the old legacy—old pricing structure—tied to the NMFC, or the National Motor Freight Classification guide established back in 1936, which can be extremely inaccurate and cumbersome. So in July of this year, the industry moved toward a more adoptable pricing system, which largely takes into account density or favoring more dense items, potentially lowering costs for more compact shipments. In other words, looking at how much space a single shipping unit takes up on a trailer. Many carriers are also capturing a high percentage of dimensions moving through their networks. This not only helps carriers understand what they're moving when negotiating price, but also how to better engineer and utilize capacity on trailers, allowing them to lower their costs to serve and be more competitive when pricing their service. So, yeah, hopefully that gives some perspective there.

Bobby Stephens: Yeah, I like the practical application of e-comm and how you have to invest in different modalities to get things to a door or across it. And then I had no idea there was a model still in place from 1936. So I'm glad we've advanced that just a little bit.

Larry, maybe you could talk a little bit about some of those six forces that you identified in the study and provide a bit of a macro perspective there.

Larry Hitchcock: Yeah, sure thing. I think Lance touched on a number of these, but our research looked across the globe. We focused principally on 10 countries, whose economies depend a lot on production



and export and movement of goods. The six trends that we identified as impacting the transportation companies over the next five years were big shifts in global supply; the emergence and application of new technologies and data; important shifts in competitive dynamics; continued restructuring, almost no matter the mode of transportation; and then fleet transformation; and lastly, private-public partnerships. Just commenting on those, back to your original question, we see the first four as impacting companies in the industry in the nearer horizon between 2025 to 2030, and we see fleet transformation and private-public partnerships impacting companies later.

I'll comment on each of those when we get into the details. But fleet transformation depends on the evolution of technology, the development of standards, regulations, and laws. And public-private partnerships, while really beneficial and needed, for transportation infrastructure projects just take time.

Bobby Stephens: Yeah, you mentioned global as the, or at least a portion of the, first trend around the increasing reliance on global supply chains. So as global supply chains shift and customer expectations and demands change as well, that means you need resilience and agility from freight companies. How are you both seeing these companies respond, and what do you foresee over the next few years? Lance, maybe you start.

Lance Moll: Yeah, no, great. And Larry hit on several topics that I'll mention as well. When you consider how carriers will have a positive impact, for example, on the environment—not only is natural gas less volatile to price swings, but the introduction of the first 15-liter engine solves for the previous concern of CNG not performing when it comes to range and power. And this is big for the LTL and the truckload industry in general.

Not many people know this, but as a country, we sit on more natural gas than any other country in the world. So I'll also briefly speak to the autonomous Class A tractor adoption currently in play and expected to continue evolving over the next several years. Now, I say "semi" because there's still a driver in the passenger seat to mitigate any safety risk. But many trucking companies are partnering with AV companies to understand what the future state of producing an extremely safe, fully AV tractor will look like as the technology gains traction. And it's been documented. In late April of just this last year, in 2025, Aurora became the first company to run commercial freight routes in Texas with no human—no driver—in the cab, hauling frozen goods 200 miles from Dallas to Houston.

So again, I do believe driver shortage concerns and the significant need for increased safety on our major highways will be answered by a better understanding of fully autonomous Class A tractors going forward.

Larry Hitchcock: Bobby, my answer to your question would be, I think the companies are going to do two things. First would be what Lance said: There's going to be companies that are taking the lead and really cutting the path to the future of freight. He mentioned an autonomous Class A truck manufacturer that's logged millions of miles. Those are the companies that are a good example of taking the leadership in a particular area. There's lots of OEMs that have advanced telematics in vehicles. There have been huge advances in driver and parcel safety because of sensors and in-cabin systems. So companies continue to make advances, but I think it's also important to distinguish the changes that we're talking about are significant and profound. And because of that, the companies are in a situation where they're going to need to deal with volatility and probably work with partners.

So here's a good example that comes up anytime we talk about future of freight: Foreign direct investment [FDI] in Mexico has surged since the pandemic when most boards saw how fragile supply chains were when they were dependent on one or a couple of markets for supply, and they're demanding more agile supply chains. The fact of the matter is, whether you're a trucking company, a railroad company, or a 3PL, once that FDI goes in, it takes a long time to get plants up and started and production flowing to whatever market those goods are going to. So most companies are sitting back and watching the developments and trying to decide exactly what to do, when to do it, and whether to go alone or partner with someone else.

Bobby Stephens: That makes sense. Let's flip this internal a little bit. We've talked a lot about technology, about the global supply chain, and things that maybe customers would notice, but with all of these changes, what kind of opportunities do you foresee for additional restructuring across whether it's major modes of freight, and/or what's the most important lesson you see companies learning as they think about adapting new business models, new operating models, and new structures internally?

Lance Moll: Bobby, I think it's a great question because the industry is evolving to a high level, probably more so than it has in the last several decades. You see a consolidation of companies. There's going to be a huge M&A play over the next five years, in my perspective, between truckload companies, LTL companies, potentially railroads, investing in engineering and data scientists really to understand the cost of running a network. The line haul expense of any network, whether it be truckload or LTL is the most expensive line item on your balance sheet. And so you really have to invest in the talent to understand the cost of running your network.

And those freight companies who budget to invest in this space will be the most competitive by really reducing their touchpoints to mitigate cargo claims and offer more predictable and consistent service. So the same with predictive analytics to ensure customers get real-time alerts. Everybody wants to know: If something's delayed, just tell me if it's delayed.

And I'll either recalibrate what I need to do or take different measures. But those are the companies who are going to... And the companies who will invest in this area will be the most successful going forward. I always go back to [FedEx founder] Fred Smith and his famous quote back in 1978: "The information about the package is as important as the package itself." And this highlights just the critical role of data and tracking in the shipping industry as it was in 1978 even more so as it is today.

Larry Hitchcock: Bobby, maybe adding to what we just talked about, I think we've seen ongoing restructuring in a variety of forms. Lance alluded to some of them. There continues to be softness in freight rates, continues to be overcapacity in

trucking, continued bankruptcies and restructurings there. We've seen the parcel companies make important moves, and way important moves, about the portfolio of businesses that they have—divesting in some cases, potentially spinning others off.

And then also, we are living in a world where we have the prospects of the first transcontinental railroad in the US—that would be unprecedented and would undoubtedly ripple to other parts of the transportation industry. And we've also seen some interesting moves by ocean freight carriers and nearshore maritime companies knowing, either because of environmental impact or the changes in trade flow, their businesses will have to change too.

Bobby Stephens: That's fascinating. One of the things you guys have hit on a couple of times, but I want to maybe put a finer point on, was the public-private partnerships and specifically in the pursuit of innovation. So Lance, you mentioned, you kind of alluded to alliances or partnerships around autonomous vehicles with more traditional carriers, but strategic alliances will increasingly shape innovation

and freight. So maybe you could speak to a project or a partnership that maybe stretched your thinking and allowed for new ideas in the space. And then, Larry, I have a slightly different question for you on the same topic after Lance goes.

Lance Moll: Great question, Bobby. You think about what created FedEx Freight? FedEx realized that they had a more strategic portfolio by having a trucking company matched with the parcel and the airline business. And so, when we merged the three companies acquired by FedEx—Viking, which served the West Coast, American Freightways, which predominantly was present in the Middle West of the United States; and then Watkins Motor Lines, which was acquired in 2006, which was a player in the Southeastern segment. You know, merging all of those companies together when creating both the first priority and economy, or a deferred service network in the industry, when we put it all together in 2011, we knew we needed to take advantage of our partnership not only with the carriers we had relationships with on the truckload sector, but for the first time, developing a relationship with the railroads.



And having a railroad relationship really has benefits on multiple fronts, especially when there's a weather event. And so, for the first time, we realized when there are weather events in your major metro networks, your major hubs, and you can't move freight along the highways because of the weather, railroads can typically move, and customers expected their shipments to at least be moving and not be stuck in a hub somewhere, like in Chicago or wherever.

And so when put together our railroad contracts, we were at least able to give them information that their shipment is moving. Yes, it may be moving at a slower transit, but due to the weather, at least it's moving. So, I think, going forward, to answer your question, you're going to have to establish, as a trucking company moving forward in the next decade, a very disciplined approach to expand your visibility across all modes, whether it be truckload or railroad, to ensure that customers get the service that they not only expect, but they also get the visibility to the fact that their shipment at least is moving. So yeah, I think that's kind of where my answer resides there.

Bobby Stephens: Makes sense. I mean, as a retail guy, the single biggest question that comes in is, "Where's my stuff?" And so, enabling that connectivity. That quote that you mentioned from Fred is quite a quote and quite forward-looking when you think about the timing of when he made it. I mean, that's kind of everything now is how do I get information on where my package is, given the amount of things that now get ordered remotely. It will only continue to get more important.

Larry, on PPPs, on the private-public partnerships, what are some practical lessons you've seen transportation companies glean from these partnerships, either in the recent past or things they're going through right now?

Larry Hitchcock: Yeah, I guess what I would say about that is most transportation

companies are going to be bystanders and beneficiaries of private-public partnerships more so than direct participants. So when we looked at this, the pension funds and the large private equity firms had raised about \$1.3 trillion in these types of funds and had deployed about \$86 billion globally. So the transportation companies certainly understand that just with public funding, we're never going to have the infrastructure that we need in any of these countries to sustain viable and productive transportation systems. So, I think companies should actually try and influence the deployment of these funds, and strongly encourage them, but be ready for money that flows in. It makes for better ports, better highways, better tolling systems, and better transportation infrastructure.

Bobby Stephens: Got it. I love it. So, we're getting near the end of time, and we always close with a little bit of a—not a curveball—but more of a personal reflection. And so we generally like to get a sense of either your personal connection to the issues we've discussed or some more personal insight into your careers—in both of your long-standing and successful careers in and around this space. We've been talking today about the forces shaping and moving the freight industry, so maybe we'll think a little bit about what forces shape and move you. So maybe, Larry, you start, and Lance, you close it out. What is a force or a value that's guided your career decisions and maybe helped navigate times of change like our freight companies are going through right now?

Larry Hitchcock: I'll give it a shot, and let's see if this hits the mark. It may not be the answer you're looking for! But early in my career, I got exposed to productive reasoning. It's a process and a way of thinking that leads to productive and creative outcomes. The simplest way to think of it is when you're in a meeting—it could be a board meeting, it could be an M&A discussion, whatever it is—there's what you and others in the meeting are saying. So let's put that in the right-hand

column. In the left-hand column, there's a bunch of things that people are thinking, but they're not saying. And I think the trick when you're trying to advance things as a leader or a consultant is to the extent that you can get folks to articulate what's in that left-hand column while they're in the room, instead of after they've left the room and they're at the watercooler, you get a better odds of having outcomes that are really creative and impactful.

Bobby Stephens: I think that hit the mark perfectly. What about you, Lance?

Lance Moll: Leaders should never ever be defined by their titles, especially in the trucking business, because trucking is a very blue-collar industry. You have to be approachable at all levels by everyone in the company, regardless of your position. Trucking companies really can only operate if they have the labor needed to move goods, and trucking companies move over 70% of goods in the entire United States. So when I think about what has shaped or moved me and my career, I guess I always remember the importance of staying connected to everyone, every level of the organization.

Now, looking forward, we're obviously a very human-centric industry, but we have to take advantage of any manual process we can automate, digitize, or influence with AI or predictive analytics. The business is obviously well over a century old, so unsurprisingly many legacy processes are extremely antiquated. And like I mentioned earlier with the NMFC pricing model and moving forward with more of a density-based pricing model, this is a wide open field to take advantage of technology in this industry going forward.

Bobby Stephens: I love it. Both of yours are way smarter and more intellectually satisfying than my reflection, which is—for those who know me will know what I'm about to say—which is if you have more than three priorities, you have no priorities. And so (laughing), I always like it when people

are like, "Here's the top 10 priorities I have." And I'm like, "Well, you don't know what the word 'priority' means then if you've got that many." In my career, what that means is that, generally at any given time, I'm trying to do only a couple of things and do those couple of things really well. And those things could change over time, but you've got to find a way to replace those or otherwise you just get overwhelmed and you can't give not only yourself but you can't give your team, the folks that you're leading, your clients, and your friends and your family, frankly, the right amount of time that needs to be there to be a good part of a team, of a society, of a community. So, that's kind of how I like to think about things.

So Lance, Larry, first of all, thank you for sharing not only the data. Make sure you go to deloitte.com and read and learn more about our latest research on the future of freight. But also thanks for sharing all of your practical and hands-on experience in the freight industry. It was really

interesting to learn about the six trends, learn about some of the things that we're seeing today and how those will continue to accelerate with the continued growth of e-commerce, with global supply chains, data, autonomous vehicles. It's been a really fascinating listen, and I hope our listeners learned as much as I did. So with that, thank you both for joining. Appreciate your time.

Lance Moll: Thanks again, Bobby, for inviting me to spend some time with you and Larry to discuss the dynamics of the freight industry. I enjoy listening, of course to Larry's perspective and giving insight to the trucking industry. It's really going to significantly evolve over heightened levels in the next several years, so it's going to be fun to watch.

Bobby Stephens: Yep, agreed. And Larry, thanks for joining again. I hope to have you back at some point.

Larry Hitchcock: Sure thing. Thank you.

Bobby Stephens: All right. Well, that's it for today. Thanks for listening to That Makes Cents. And be sure to follow us, or subscribe, so you can see all the other content that we have in the past, but also a lot coming out soon around the holidays and as we move into the new year. So thanks again, and we'll talk to you soon. Bye.

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