

# Time to digitize the BOL

**SHIPPERS ACROSS ALL** industries and in all parts of the country are feeling the impact of increased transportation costs. There are many reasons for the imbalance in demand and supply that is driving up the cost. However, it seems everyone — including shippers, carriers, and analysts — wants to blame the cost increases on the driver shortage. It is easy to associate this pain to an external factor out of one's control.

While there are many areas shippers and carriers can control that impact the cost of transportation service, this commentary focuses on the extensive use of paper bill of lading (BOL) used to tender less-than-truckload (LTL) shipments.

The practice of using the paper bill of lading dates back to the period prior to deregulation of the industry. In 1970s, shippers used typewriters to generate business documents and then mailed them via the first-class mail service of the US Post Office to be received by the recipient in three to five days. In contrast, shippers now generate written documents via computers or mobile phones, transmitting them via the internet, with recipients getting them within seconds.

This transformation from paper to digital media has not been lost on the transportation industry. The parcel carriers have gained huge traction with shippers transmitting parcel details in advance of the pickup. The parcel details include origin and destination address (commercial or residential), parcel weight, special services, and much more. With new emphasis on dimensional charges, shippers may provide parcel dimensions as well.

So, why have the parcel carriers put such emphasis on getting parcel details in an electronic format prior to the pickup? There are many operational advantages, including that it ensures the pickup vehicle has adequate capacity for the expected number of parcels, it avoids billing errors, it prevents misrouting, and it helps carriers achieve higher cube load factor in the

intercity linehaul network.

The operational needs to get shipment details in advance is even greater for the LTL industry because of the diversity of shipments handled — rolls of carpet, overhead garage doors, vehicle transmissions, auto body parts, pallets of boxes, farm implements, etc.

In spite of greater value in getting shipment data in electronic format and in advance, the LTL carriers have not pushed for elimination of the paper bill of lading. On the contrary, many LTL sales representatives still sign up new customers by handing them a stack of paper BOLs to use their service.

In addition, while shippers are demanding real-time visibility from the carriers on the delivery status of every load, they refuse to do their part of converting from paper to digital BOL.

No wonder, after 20 years of seeking shipper cooperation to convert paper BOL to electronic, the LTL industry still handles about 75 percent of shipments tendered using paper. In contrast, UPS and FedEx handle less than 5 percent of parcels that are tendered using paper air bill.

This contrast can only be fathomed when the percentages are converted into absolute numbers. For benchmark, the parcel industry handles more than 47 million parcels on an average day. With 95 percent of parcels tendered via electronic manifest, the shippers are using digital media to tender more than 44 million parcels per day.

With the LTL industry handling 640,000 shipments per day, the LTL shippers tender 40 million shipments in a whole year via electronic method. This full-year figure for LTL shipments is less than a one-day figure for the parcel carriers. With many shippers using both LTL and parcel services, it is logical that most shippers can easily convert from paper to digital media for tendering LTL shipments.

The benefit of the electronic bill

of lading has far-reaching impact on helping the carriers control the cost of LTL service. The pickup operation still utilizes just the floor area of the trailer, which results in use of longer trailers and thereby about 50 percent cubic capacity utilization of pickup trailers. In contrast, parcel carriers utilize more than 80 percent of the cubic capacity of the package vans in the pickup operation.

For the linehaul, with huge variation in the shape and size of shipments, LTL carriers have a greater need than parcel carriers to gain the physical attributes of shipments in advance to achieve better cube utilization of the intercity linehaul trailers.

While ignoring the needs of LTL carriers to convert paper to electronic media, the same shippers are sending notices to their suppliers requiring them to sign up for ACH payment to avoid the cost of mailing hard copy checks. This requirement is primarily to eliminate the administrative cost and postage of mailing a check.

The shippers fail to realize that the cost of handling paper BOL is many times more than the cost of mailing a check. Yet, the same shippers fail to comply with LTL carriers' request to use the electronic manifest and to provide advance transmission of shipment details.

No doubt, the parcel carriers have had greater success in this regard partly due to the top three carriers controlling 90 percent of the market. In contrast, the fragmented LTL industry created opportunity for shippers to leverage one carrier against the other to resist dropping the use of paper BOL.

With tight capacity in LTL and truckload segments, now is the perfect time for LTL carriers to target reduction of paper BOL from 75 percent to below 50 percent by 2019. **JOC**



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