Not just a fleeting success: Maximising operational efficiency with an owner-driver programme

Submitted by: In-Sync Group
Monday, 19 August 2019

Driver shortages continue to present one of the most significant challenges when it comes to the delivery of logistics operations. Customer demand is greater than ever, with expectations for the provision of faster and more frequent deliveries sitting high on the agenda. Logistics businesses need to rethink the way they attract, engage and retain the right talent in order to keep up.

The percentage of packages sent on specified or next day delivery has grown from 43.9% in July 2016 to 50.2% in July 2018 according to the IMRG-MetalPack index (http://couriernews.co.uk/blog/failed-deliveries-cost-industry-1-6bn-each-year/). In terms of deliveries, this equates to a whopping increase of 120m packages per year. Retailers promise it, customers expect and the supply chain has to uphold it.

Margins across the industry remain tight, owing largely to big retailers and the expectations they place upon their supply chain in order to remain competitive in the market. Logistics businesses have very little opportunity to increase their profits unless they either improve the efficiency of their operations or grow the volume of deliveries they fulfil by tendering for more routes. In order to achieve the latter, carriers need to attract the right people to their depots and, equally as important, retain them.

Falling short

It's no secret in the industry that the number of drivers in the UK has been outstripped by the growth in demand. In fact, findings from the 2019 annual UK customer survey conducted by Paragon Software Systems (https://www.paragonrouting.com/en-gb/press-releases/post/integrated-technology-playing-critical-part-transport-planning-con suggest the driver shortage is a growing cause for concern within logistics operations. Of more than 100 logistics professionals surveyed, 55% of respondents identified the lack of drivers and other skilled workers as the biggest challenge facing the industry – a 20% increase on last year's figures.

The aftermath of the EU referendum in June 2016 has still not yet been fully realised and there is still considerable uncertainty when it comes to the Brexit withdrawal agreement. The pound is down 15% when compared to the Euro, which has prompted many migrant workers to leave the country, adding to the challenge of finding labour.

Self-employed solution

Since the 2008/2009 recession, self-employment in the UK has been a rich source of economic growth. When it comes to the fulfilment of last-mile deliveries and the constricted operational margins that operators are working at, a self-employed workforce can help to reduce a range of risks, which could impact profitability. For example, as the University of Sheffield (http://eprints.whiterose.ac.uk/130079/3/WES291217.pdf) points out, it allows carriers to shift the costs associated with things like non-delivery and damaged-in-transit goods, thus stripping out any ‘unproductive’ labour from paid work.

With the cost of non-delivery being a vital component for carriers looking to achieve a competitive edge over their competitors, the use of a self-employed workforce seems to hold the key to success – Not least because self-employed drivers are remunerated on a ‘payment by delivery’ basis as opposed to on an hourly rate. Although there are well-documented cases of businesses getting it wrong and not putting the driver first, the model is a way of maximising the intensity of work output when used correctly.

It seems clear that engaging a self-employed driver workforce is a great way to protect the last mile margins, but there are inevitable costs and risks that come along with doing so.

Driving down the risk

In order to engage a self-employed driver workforce, carriers have a choice. They can either provide a fleet of vehicles and lease them to the drivers, or they can ask the drivers to provide their own vehicles.

Providing a fleet of vehicles can be problematic. From purchasing and maintaining vehicles to the associated insurance and compliance costs, fleet management is a financial burden as well as a drain on resources. With last-mile profit margins already under increasing strain, it is inevitable that carriers are looking to shift the burden of vehicle management onto the self-employed driver in order to keep cost management as stable and predictable as possible.

The process of getting people into their own vans isn’t as easy as it would first seem though. Renting a van can cost in excess of £200 per week and access to credit facilities can be particularly tough for the self-employed, meaning that purchasing a van is often out of the question. With such a shortage of drivers across the industry, these barriers can restrict the flow of new drivers into the industry, which is something businesses should look to remove.

Another challenge that drivers face is finding the capital required for a deposit. Without the funds to put down, they struggle to get the vans they need to be able to take on any routes. In many cases, carriers end up subbing or lending the money to the drivers, which in itself presents a risk if the driver leaves. There is very little available on the market to support drivers in purchasing a van and accessing a lucrative industry.

It’s a bit of a catch twenty-two. Giving new drivers access to your fleet means increasing the operational risk for your business, but expecting your drivers to operate on an owner-driver basis hasn’t traditionally been a financially viable option for them.

Van financing made for the self-employed

Lenders need to think differently when it comes to lending to the self-employed or the owner-driver talent shortage is only going to worsen, particularly in the wake of Brexit. The traditional credit scoring approach is two dimensional and restrictive, which prohibits prospective drivers to enter into a booming industry. As a carrier, you should prioritise partnerships with lenders who can support you in building a supply chain brimming with owner-drivers.

Removing the barriers to entry will give a competitive edge when it comes to engaging prospective drivers, allowing you to fuel your business' growth the right way. Carriers are crying out for a so-called 'Fast Start' solution – a proposition that will enable drivers to finance a new vehicle from day one, and then transitions into a standard finance agreement following a successful qualifying period.

IN-SYNC Credit Services (https://credit.insyncgroup.co.uk/?utm_source=reponse_source&utm_campaign=fleeting) has the solution to this problem and are happy to announce the introduction of a new and innovative financing option designed specifically for professional drivers.

Launching later this year, drivers will be able to enter into a conditional sale agreement that allows users to build their payment profile and, after a successful qualifying period, reduce their monthly payments for the remainder of the agreement.

Rob Buckland, Direct of Credit Finance at IN-SYNC Credit Services said, "This is an extremely exciting time for IN-SYNC. We've built this new 'Fast Start' proposition because we know that for prospective drivers trying to get into the industry, buying a van can be one of the biggest barriers to overcome."

"The two-dimensional approach of relying on credit scores to create a credit profile and assess lending potential doesn't work for the self-employed. We take a wide range of information specific to that self-employed driver and use that to underwrite, meaning that the driver can get into a van they actually want, at a price they can actually afford."

"The logistics sector continues to grow at a significant pace and when we launch later this year, we plan to set the standard in van financing for the self-employed so driver shortages become a thing of the past."

IN-SYNC Credit Services specialises in credit and lending specifically for the self-employed. To find out more about self-employed van finance, go to credit.insyncgroup.co.uk or come along to our event on 26th September at the Mercure London, Hunton Park Hotel in Watford.

Visit our Leaders in Logistics event page (http://go.insyncgroup.co.uk/event?utm_source=reponse_source&utm_campaign=fleeting) to register for your place, Hurry though, places are limited!

For further details please contact Daniel Betts
T: +44(0)1252 702270
E: marketing.support@in-syncgroup.com