LTL carrier A. Duie Pyle expands dedicated logistics business

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A. Duie Pyle (http://www.joc.com/trucking-logistics/ltl-shipping/duie-pyle) may be best known as a less-than-truckload carrier (http://www.joc.com/trucking-logistics/ltl-shipping), but the Northeastern firm got its start in the 1920s as a specialized hauler, using flatbed trucks to haul steel. The LTL carrier is still hauling steel coils for its original customer, and is expanding other services too.

“We don’t want to be a one-legged stool,” said Keary Mueller, chief operating officer of the company’s Customized Solutions Group. “The LTL business has been tough for decades. The Northeast has lost something like 200 carriers since the 1970s. We need to develop other services.”

That’s a common need across transportation modes, but it’s especially common in trucking, where hauling freight from point A to point B is a direct route to commoditization. Many U.S. trucking operators now also offer various third-party logistics and multimodal services.

Similar factors propel the drive for diversification at A. Duie Pyle, but it is manifest a bit differently, thanks to the regional nature of the business, its Northeast location and customer mix, and its LTL history with rolling assets, real estate and a focus on industrial freight.

Mueller joined the West Chester, Pennsylvania LTL carrier in 2012 to get new services up and running at Pyle. Previously, he spent more than 20 years with logistics company NFI and J.B. Hunt Transport Services. Pyle initially recruited him as a consultant to draft its CSG strategy. “Our strategy, from a CSG perspective, is to strive to provide multiple services for select customers,” Mueller said. “We want to integrate our asset and non-asset services into customer supply chains, using our existing footprint and facilities," adding equipment when needed.

Dedicated logistics is a big part of the CSG plan, and has been growing fast for Pyle. Dedicated logistics is not just dedicated trucking, but a blend of trucking, logistics and warehousing that naturally grows from Pyle's LTL roots and the industrial needs of Northeastern shippers.

Pyle has nine warehouses, in addition to 22 LTL terminals. Last year, the carrier opened its first fully integrated logistics center in Westampton, New Jersey, bringing its trucking, warehousing, dedicated and brokerage operations together under one roof. The company also offers a direct intermodal connection, using indoor rail sidings to load and unload boxcars at warehouses in Parkesburg, Pennsylvania and Westfield, Massachusetts. One warehouse is served by a short line railroad, the other directly by Norfolk Southern Railway.

"Our custom dedicated business and logistics centers are the fastest growing part of our business," Randy Swart, COO of A. Duie Pyle, said in an interview. "We don't plan on growing out of our core New England, Mid-Atlantic area, but we have plenty of opportunity to grow."

"We began this year with a $30 million base business" in dedicated logistics, Mueller said. "We'll end the year pushing somewhere between the mid-forties and fifties (millions of dollars). In 2013, we had zero." Pyle had $282 million in LTL trucking revenue in 2015, SJ Consulting Group data (http://www.joc.com/sites/default/files/u48801/truck-tables_1_0.jpg) show. That made the company the 19th-largest U.S. LTL trucking firm, following regional rivals Pitt Ohio, ranked 17th in the JOC list of Top 25 LTL Trucking Companies (http://www.joc.com/special-topics/top-25-ltl-trucking-companies), and New England Motor Freight, ranked 18th.

When it comes to dedicated, Pyle is looking at different types of customers with different types of needs than truckload competitors offering dedicated services. "We're not going to compete with the high-capacity van provider," Mueller said. "Our services are more specialized."

The idea, he said, is to "dovetail" specialized LTL with private fleet replacement. "We've grown in a 60/40 model, with 60 percent specialized services and 40 percent private fleet," he said. Pyle also avoids seasonal, short-term retail business that Mueller calls "quasi-dedicated."

"This is a lean, mean LTL machine — I don't have trucks parked on the fence waiting for a surge," he said. "We want contracts with commitments on the customer end." Those commitments include service agreements substantially longer-than-typical contracts. "The LTL business is very transactional, but our (dedicated) terms tend to be longer in length, three years or more on average" he said. "We have some customers with five- to seven-year contracts." In those cases, he said, the carrier and shipper must be ready to "constantly evolve."

Dedicated logistics also isn't treated as a silo, run separately from Pyle's other divisions. "If a customer wants private fleet replacement with no other value, we're starting to move away from that. We want to move deeper into customer supply chains using our people and assets."

The ideal contract is one where "all four of our service buckets are being touched: LTL, dedicated, distribution and brokerage," said Mueller. "Integration is an easy word to say, but it's very hard to sell and execute it. Our strategy is seriously based on operational integration."

Pyle also is growing its time-sensitive Pyle Priority Service, which increased volume 30 percent year-over-year in the first quarter, handling 15,000 shipments. The priority service lets LTL shippers choose a guaranteed delivery before 10 a.m., 12 p.m., or 5 p.m. The carrier is expanding its footprint within its territory as well, opening a facility in Newburgh, New York, to serve shippers in the Hudson Valley. Pyle plans to open a terminal in the Bronx, New York, Swart said, to serve the five boroughs of New York City and Long Island.

"We're pretty optimistic as we look at our shippers and the economy," Swart said. "I wouldn't say the economy is robust, but it's not in contraction. We're looking for more business from the ports in the Northeast. We're waiting to see the impact from the expansion of the Panama Canal (http://www.joc.com/port-news/panama-canal-news)."

As e-commerce shippers sell more pallet-sized products online, Pyle is adding 20-foot box trucks to its fleet that can deliver in urban areas where a 53-foot trailer is a handicap. “We can hire drivers for those trucks at 18, rather than 21 years of age for a tractor-trailer,” Swart said. “That’s helping us build a business and a labor force.” That labor force is on Mueller’s mind, too, especially when it comes to private fleet conversion. Driver turnover, even at private fleets, is driven by inefficiencies that cut into a driver’s working day and low pay, he said.

“A driver or delivery associate, if they’re compensated for a fair day’s work, you’ll retain them,” he said. “Compensation for commercial drivers is historically below what the job entails. Unskilled labor? Are you kidding me? Truck driving is a critical, technically challenging job.”

Truck driver pay is negotiated in each dedicated contract Pyle signs with a shipper. “We’re not going to cut a contract without wage increases,” Mueller said. “You need them for retention.”

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