



Cadence Bank Podcast: In Good Companies

Season 2 Episode 2: Point A to Point Z: Supply Chain Challenges

From the front page of the paper to the top of the nightly news: everyone's talking about the supply chain. By now we know that pandemic factors across the globe caused disruptions to the logistics industry. But we rarely hear the story from the people running the show. So on this episode, we're exploring the supply chain from the inside, with the people who know it best.

Matthew Decker is President of logistics company US Multimodal Group, and John Brooks is its CEO. Whether it's via ship, train or truck, connecting products to businesses is their bread and butter. Over the past several years, they've had a front row seat to the challenges at the heart of supply chain interruption. Together, we'll explore the complexities of the logistics industry, how slowdowns started even before COVID-19 and why labor is actually the biggest hurdle facing their business. Plus, tips for creating strong logistics partnerships and getting the best out of your providers.

So listen in as we take you from Point A to Point Z of supply chain challenges.

Episode Transcript:

[00:00:00] **Matthew Decker:** When things are running smoothly, you don't need people. People don't need to be involved.

[00:00:03] **Patrick VO:** The supply chain: it's been obstructed, disrupted, interrupted--shut down, backed up, and bottlenecked. Will it ever be fixed? Or are we looking at it all wrong?

[00:00:13] **Matthew Decker:** The problem is nothing runs smoothly in our industry, and you've got to have someone there to solve the problem.



[00:00:18] **Patrick VO:** I'm Patrick Pacheco and you're listening to Season 2 of *In Good Companies* from Cadence Bank, the podcast where we guide you through the forces shaping your business, inside and out.

You can't open a newspaper or turn on your TV these days without hearing about the supply chain. Manufacturers aren't able to secure the materials they need, causing huge delays in product availability. We've seen shortages of toilet paper, lumber, baby formula, semiconductors. If you're trying to get a new car, good luck--there's always next year.

The drivers of supply chain pain are well documented--COVID lockdowns, increased demand, and geopolitical conflict have all caused problems. In today's global, interdependent economy, a single obstacle can slow everything down, and these past two years have seen a perfect storm.

But that's not the whole story. So today, we're exploring the supply chain from the inside, with the people who know it best. We'll discuss why the supply chain is more complex than people understand, and the biggest challenge facing the industry--it's not what you think it is. Plus, strategies to help you solve your business's supply chain issues.

To get us from point A to point Z, we've called in two logistics experts.

[00:01:40] **John Brooks:** Sure, you bet. This is John Brooks. Thanks for having us on today. So, I am the CEO of US Multimodal group.

[00:01:48] **Matthew Decker:** Yeah. And good afternoon. I'm Matthew Decker. I'm the president of US Multimodal Group, responsible for the day to day operations. So, I've spent the majority of my career on the third party logistics side involved in truckload and intermodal services.

[00:02:04] **John Brooks:** Look, you guys can tell Matthew, on the nuts and bolts, clearly is going to be a better person here on answering these questions. Maybe not as exciting as me. I'm just kidding, Matthew.



[00:02:16] **Patrick VO:** John and Matthew started working together in 2021--but as you can probably tell, their relationship goes back much further than that.

[00:02:24] **John Brooks:** Matthew and I, both originally from Tennessee, actually had known each other for 30 years, went to middle school together.

[00:02:30] **Patrick Pacheco:** And does John still throw stuff at you in the office like he did in third grade or-

[00:02:35] **Matthew Decker:** No, he didn't throw anything at me.

[00:02:37] **John Brooks:** I do not throw things at Matthew. This is an audio podcast, so listeners cannot see, but he's got some size on me. I do have speed.

[00:02:46] **Patrick Pacheco:** You can't go anywhere now without hearing supply chain. If you listen to anything, MSNBC, you hear supply chain all the time. And you guys are involved in supply chain. So, what is the supply chain, a supply chain? What does supply chain mean?

[00:03:00] **John Brooks:** Look, the supply chain is effectively getting product from point A to point Z. It seems... It's a buzzword. Nobody knew about it, kind of pre-pandemic, unless you were in the industry. And all of a sudden, everybody in the world kind of hears about supply chain

[00:03:15] **Matthew Decker:** It's raw materials, it's packaging, it's transportation services, you're manufacturing. I mean, you could even consider it, I mean, I think more importantly in the kind of a recent time, all the way for staffing. I mean you can consider it part of the supply chain as well, depending on where the bodies are going to come from to do the work you need to do.

[00:03:15] **Patrick VO:** A common misconception about the supply chain is that it's all one singular entity.

[00:03:41] **John Brooks:** Every industry, every company has a different supply chain.



[00:03:45] **Matthew Decker:** Yeah, there's not one supply chain we can go out there and fix. Even if you're a raw material supplier for a manufacturer, you've got your own supply chain. I mean, it's millions of supply chains out there making up the overall supply chain.

[00:03:59] **John Brooks:** But there's not...Like you said, there's not a single chain anywhere. You can go out and fix it. Very complex, a lot of moving pieces, a lot of different players.

[00:04:07] **Patrick VO:** And when John says a lot, he means *a lot*.

[00:04:53] **John Brooks:** In general, I would say transportation's a pretty fragmented market and to Matthew's point earlier, just a lot of the activity kind of inside of our market can be more regional or more local in nature. And so by virtue of that, you can have local operations. There are some large players within the industry, absolutely. But when you talk about trucking for instance, I don't know what the number is, but I believe it's hundreds of thousands of trucking companies in the US, if not hundreds, at least tens of thousands. And so it's a highly fragmented industry with a lot of players kind of operating inside of it.

[00:04:58] **Patrick VO:** When it's working, the benefits of a global supply chain can be enormous, for consumers and businesses.

[00:05:04] **John Brooks:** Sure. Well, look, I mean, if the supply chain's functioning properly, I think the benefit is that you can tap on your phone and within a day or two days, you can have whatever you want. In today's world and economy and society, we're so used to convenience. I don't think anybody really appreciates all the complexities of what is required to accomplish that. And so when it's functioning properly, you can go show up at your local car dealership, get your car on order. You can walk into your department store, pick up whatever shirt you need, whatever pants you need. And at the same time, the companies that are managing that inventory are not just having to carry gobs and gobs of it just to satisfy you. And so a properly functioning supply chain benefits consumers, as well as the companies that manage inventory and ultimately sell you product.

[00:06:06] **Matthew Decker:** When the supply chain is running efficiently and smoothly, what do you get? A big part of it brings the cost lower. I mean costs go down, if everything is functioning as it should be, trucks are where they need to be, everybody's networks are



balanced, loads are being received by warehouses in a timely manner, which gets them on the shelves faster, which allows those companies to realize sales and we're not carrying the inventory costs that we were. I mean, it's just overall, from the timeliness of getting your products to keeping costs down for everybody when the supply chain runs smoothly.

[00:06:38] **Patrick VO:** Of course, the supply chain *isn't* running smoothly, and it hasn't been for a while.

[00:06:44] **John Brooks:** Relative to why it's not functioning properly right now, I think there's a number of moving items, any one of which, on its own, would be very problematic for a properly functioning supply chain.

[00:07:01] **Patrick Pacheco:** What was the first hint you started seeing that something was not going, and that you're then maybe facing some big problems down the road?

[00:07:09] **Matthew Decker:** I mean, the obvious part was shut downs in Asia. But even really before, we started seeing stuff, even before COVID. With some of the tariffs put in place during the Trump administration, we really saw freight fall off a cliff moving into COVID. The fourth quarter moving into COVID, there wasn't a lot of international activity in terms of imports coming over into the United States and being delivered. So again, it goes back to business was slowing down, drivers were leaving the industry, going to find better work. Then you have the lockdowns of COVID. When they shut down, you know, look at how much product we import over from Asia. When they shut down their manufacturing facilities, when they shut down their ports, when they went into lockdown, everything quit moving. And then when the lockdowns got lifted over in China, we went into lockdown. So, everything was moving over here, but there was no one working at first to receive the goods. So, that kind of started that bull up effect of product moving.

Then you have the start, everything's starting back up and money being pumped into the economy, people spending. And all of a sudden, we got to get all this freight delivered. And everybody's buying like crazy. Everybody's working from home. Everybody's moving out of the cities, moving into mountain towns, because they can. And now you got a lot of goods that needed to be delivered in places they've never had to deliver them to. And so you think about that as everybody's networks got flipped upside down and everything was out of position.



[00:08:35] **Patrick VO:** The volatility of COVID hit hard. But even as lockdowns eased, the supply chain issues remained. For John, the reason is clear.

[00:08:44] **John Brooks:** Frankly, the answer's really pretty simple when you boil it down, which is it seems to me to be a labor issue. For instance, everybody's heard about the truck driver shortage in our country. Obviously, not enough truck drivers to drive the truck to deliver freight from point A to point Z, can have a material impact. But what you don't hear about is the folks that maybe work on trucks or work on the trailers to repair those assets to get them able to work and able to run. When COVID hit, obviously a lot of folks ended up having to head home for a bit for a number of reasons. And I think restarting that has been much more of a challenge than I think most folks really appreciate.

[00:09:30] **Patrick Pacheco:** Is that because people are getting alternative jobs, or this because they're just not coming back to the job at all? What are you probably seeing the most?

[00:09:40] **Matthew Decker:** I think it's a mixture of both. I think people are upgrading the jobs they have. I think people are... And some people are staying at home and not having to go to work. Yes, there's a lot of empty seats out there, if you will, but it's also the turnover of people just trading up and moving over to something they think is better.

[00:09:56] **Patrick Pacheco:** Yeah, it's interesting. All of the stimulus they pumped in the economy fueled a big demand for products, and now you don't have me to move the products or pack the products or anything else.

[00:10:07] **John Brooks:** And everything costs 10% more than it did kind of pre-pandemic too, right?

[00:10:12] **Matthew Decker:** I'd also add, to that comment, I mean just the pieces aren't in the right place. If you look at this as a puzzle, I mean our business kind of the more local regional drainage, to and from a port, to and from a rail ramp, a lot of our drivers, when the truckload rates, when the spot market skyrocketed, those guys that wanted to be at home because the trade off between being on the road versus being at home didn't mean a lot to them financially, all of a sudden that financial benefit of being on the road two or three days and running long haul became much more lucrative for them. They got out of the local haulage, and they went



more long haul over the road kind of runs. And then when the spot market started falling, those guys kind of filtered back into our business and out of the truck.

So, it's just a lot of pieces just aren't in the right places. And I think that's true for the supply chain.

[00:11:03] **Patrick VO:** Labor might be the primary issue facing logistics companies, but it's far from the only challenge.

[00:11:09] **Matthew Decker:** I mean, there's some larger issues, when you look at our transportation network, that have to be addressed, whether that's through autonomous trucks or autonomous trains or whatever it is. But at the end of the day, you're still dealing with the same port systems, the same capacity in the ports to bring imports and exports out. The problem is the ships are coming in. They're bigger ships now. They're carrying almost twice as many containers, and we're trying to unload them in the same port structure that we had before. I mean it takes a longer time. It takes more chassis to be available at one ship, where they used to be you're unloading eight or 10,000 containers from a ship. You need all those chassis. But now all of a sudden, you're unloading twice that many, and you've got to put them on the ground. And then the next ship comes in and you still don't have the chassis, so you put more containers on top of those containers and you just start piling on top of each other.

[00:11:55] **Patrick Pacheco:** And the chassis: that is that the piece that's on the back of the truck that they just bolt the container down to?

[00:11:59] **Matthew Decker:** Yeah, there's the wheels. I mean, that's the trailer, you know, the chassis is what goes underneath the container and that we come in and pull out under and it's just, they don't turn fast enough to be able to unload those larger ships.

[00:12:10] **Patrick VO:** The logistics industry is desperately trying to get more chassis, but supply chain operators aren't immune to supply chain shortages.

[00:12:18] **Matthew Decker:** Something as simple as what we call a top lift or a load lift, which is basically a massive forklift that can lift a loaded container off of a chassis to generate a chassis, you can't get those. If you want one, you're waiting a year. You want a new truck to add capacity, our dealers aren't accepting orders for 2022. There's nothing available for 2023, and they're not accepting orders for 2024 yet, because they don't know what their allocations are going to be.



[00:12:48] **Patrick VO:** And in a system as tightly wound as the supply chain, these labor and material shortages compound each other.

[00:12:55] **John Brooks:** Yeah, those chassis are repaired by folks working inside of the port facilities in some of these places. And with COVID restrictions and the like, and not having folks working right next to one another, et cetera, et cetera, not having folks in the office, even what we have, delays in repairing those chassis to be able to get back into the market impacted as well. So, not only is it a lack of a number of chassis available. It also has to do with that labor piece we talked about earlier.

[00:13:29] **Patrick Pacheco:** To really have some substantial improvement, what area probably needs the biggest fix? Is it what's coming out of China? Is it the ports? Where's probably the biggest bottleneck right now?

[00:13:38] **John Brooks:** This is probably not the answer you want to hear, but I'd probably just say all of the above. And there is no snap your fingers fixed, in my opinion.

[00:13:50] **Patrick VO:** The supply chains of the world are too big and interconnected for any one company to fix. So with the system stuck in limbo, what can you do? John and Matthew suggest narrowing the focus—concentrate on making life easy for your partners within the supply chain.

[00:14:08] **John Brooks:** Kind of going back to earlier in our conversation, there are so many different elements involved here that trying to implement a strategy that's sort of a cure-all is probably not a fruitful endeavor, is what I would say. That said, I think folks are very much focusing on their niche within a supply chain, and doing all they can to make things as efficient as possible.

[00:14:35] **Patrick Pacheco:** So, how would a business work best with you guys? What can a business do to maximize their efficiency with their supply chain providers?

[00:14:44] **Matthew Decker:** For us, what would be the best case scenario would be that when our trucks show up with their goods, they unload them. And when our trucks show up with the equipment to load their goods on, they load us, and we get in and out.



You know, if you've got a retailer that has two or three hundred containers loaded sitting in their yard right now—that they're using basically for warehouse on wheels—if we could take that container off of the chassis and then utilize that chassis, we could move more, we could move more freight.

But you know, keeping our drivers moving and not sitting around waiting helps us recruit drivers, hire drivers, retain drivers. It keeps our costs down, our fuel consumption down. It allows us to get more turns out of our trucks every day to get a higher utilization. So, what's ideal for us is, hey, when we show up, you take the product that we're bringing to you, and we move on. I mean, that's the ideal state.

[00:15:31] **John Brooks:** The other piece I would point to is we can adjust to anything. I think it's a matter of trying to have a partner in the way you approach things. And so I think a lot of times folks are not looking at their vendors as partners and it's sometimes just a cost center. And so to the extent that we can be a partner and that we can have open dialogue and be planning these things out ahead of time as much as possible, that, to me, is really what I want out of a client more than anything else, because you can plan and execute on pretty much anything, as long as you've got coordinated effort.

[00:16:12] **Patrick Pacheco:** Yeah. I use that saying with vendors all the time. I say, "So, do you want to be a vendor and be treated like a vendor, or do you want to be a partner? If you want to be a partner, it makes for a much better relationship than you just being a vendor, because you're a vendor, I'm just looking for low cost and I'm moving on." And so that makes a whole lot of sense. I can tell that John's more like me, because I run the asset management trust group. When somebody says, "Can you get that done?" my answer is, "Sure we can get it done." Then the people behind me are going, "Okay, there's a lot more into this, John, than just saying we can get it done."

[00:16:47] **Patrick VO:** Given the complexity of the supply chain, having a consistent partner can make all the difference—for both parties. Reliability opens up capacity for logistics operators, which can ease some of the pressures and get your products faster. But that only happens through trust.

[00:17:04] **Matthew Decker:** I think when you look at what we call logistics or supply chain, you start going back to the early 2000s, it became a huge area for companies to save a lot of money



and people really started focusing, we're going to ratchet down on our costs, our delivered costs, and we're going to spend a lot of time. We're going to get a lot of value out of reducing our supply chain costs, if you will. And at that time, that was value.

And I think that's one of the bigger areas where you got to look at in the supply chain and the transportation side, is this bid every year and this disruption every year, everyone's networks from a service provider's perspective is getting turned upside down, because someone beat them out by 5 cents a mile. It's one thing to check pricing every year, but it's one thing to continuously turn over your carrier networks and your supplier networks for the lowest price, because then no one learns your business, no one learns your customers, no one's building a network around you anymore. They're taking the freight or offering the services when it's good for them. And it depends on the market conditions and everything else. I think people are becoming educated on how important it really is to pick a good partner, not just a vendor, and someone that's going to grow their business around your needs to make sure your goods get delivered.

I think if there's one thing COVID has taught us and the current marketplace, it's just how important the supply chain really is in terms of... We're an extension of our customers to their customers. We're important in providing and delivering goods on time, providing that capacity. You want us to invest in capacity, be able to pay the wages, we need drivers, it's not just beating your vendors down on the lowest rate anymore. It's really what makes you important to them? What makes them build a network around you? Which, over time, if everybody's building networks around their customers or making sure their assets are positioned where they're needed based on demand, then this thing works itself out.

[00:18:54] **Patrick VO:** And the good news is, there is light at the end of the tunnel.

[00:18:58] **Patrick Pacheco:** Will it ever be back to normal? I don't even know what normal was. I think it was normal that we didn't hear the word supply chain in every broadcast of any type of news every night. How far away are we from normal?

[00:19:11] **Matthew Decker:** I mean we could be close. I mean, it really just depends on what the economy does. And do we need a break so everybody can get caught up? If demand stays up and these companies, like the ports, like the railroads, like larger trucking companies, like larger warehousing companies, is they need to invest in their infrastructure to be able to handle



more demand, they're going to do it because they're going to see there's more money to be made. But if demand falls off, does that investment slow down? And does that put us right back? A typical freight market is usually eight to 12 quarters based off of supply and demand and what's going on. Was there a weather event? Was it a recession? Was it COVID? It usually takes a couple quarters for the market to catch up on demand. What's happened with COVID is there were no trucks to go by to create additional capacity.

There were chassis to go by, because you couldn't get them. They couldn't be manufactured. You couldn't get them over here in time to help offset the demand. And so things slowed down and came to a screeching halt. So I think we can just get some steady quarters under our belt, not a lot falling off, not a lot growing. I think you'll see the market adjusts and things will kind of normalize. Big swings, one way or the other, just create the same problems we're already in, especially when it's as volatile as it is right now.

[00:20:18] **Patrick Pacheco:** John, any thoughts on that?

[00:20:20] **John Brooks:** Yeah, I have a lot of thoughts. I don't know if any of them are valuable. Just ask my wife. I think the same thing that ultimately corrects our challenges relative to inflation is probably the same thing that corrects a lot of our challenges relative to supply chain, which is at some point, economics slowdown recession, whatever, that looks like, I think, gives some of this excess bottleneck chance to work through the system, so to speak. And it'll probably be pretty painful for a lot of folks, but ultimately, it corrects. But even within that, again, I go back to labor. And if labor doesn't sort of correct itself, then I have a hard time seeing a rosy sort of go forward environment, if you will.

[00:21:09] **Patrick VO:** This labor piece is essential. John cited it earlier as the main challenge facing the industry. And so the biggest solution available to business owners might not be technological or systemic, or even logistical. It might be as simple as an attitude shift. Because what everyone forgets-- consumers and economists, business owners and CNBC--is that the supply chain runs on people-power.

[00:21:22] **SFX:** Patriotic music swelling underneath; maybe some John Philip Sousa



[00:21:25] **Matthew Decker:** We've had to give driver wage increases out to the market. It was needed forever. And if they can't earn the wage they need driving a truck, they'll go build a house and they'll go look for other things to do.

Things don't go right in our business a lot. I like to tell the joke, it's getting yelled at by the customer who's sitting in the same traffic jam as our driver did on the way to work today, but they're yelling at him while he was late to work. Couldn't he have left earlier? He was doing another load. We can't service our customers without our drivers. Our business is all about the drivers as much as it is the customer. And that means people need to be thoughtful with how they treat these drivers, getting them in and out of their facilities. We've got to give them a good experience from the dispatchers they work with from a fair wage, a good wage, that allows them to grow and support their families.

[00:22:25] **John Brooks:** And with that, I'd like to offer my endorsement for Matthew Decker for president in 2024.

[00:22:31] **Patrick Pacheco:** I'll go ahead and make a contribution there, John. You can be the campaign manager.

[00:22:38] **Patrick VO:** The supply chain; of the people, by the people, for the people.

[00:21:22] **SFX:** Music peaks, fades out.



[00:22:43] **Patrick VO:** The supply chain is deceptive. At first glance it seems simple, but the more you look, the more complicated it gets. Everything is connected--you pull a string here and something unravels over there. But while you may not be able to fix "the supply chain" yourself, understanding your own supply chains is key to surviving disruptions. Value your logistics partner and give them consistency and respect. They're just as affected by slowdowns as you are, perhaps more so. Get your products loaded and unloaded; don't be the bottleneck. That efficiency will have increasing benefits throughout the supply chain. Someday, the infrastructure might catch up--until then it's up to you and your partners to navigate the matrix of complex global systems that stand between Point A and Point Z.

[00:23:31] **Patrick VO:** Thank you to John Brooks and Matthew Decker of US Multimodal Group. May there be open roads and plenty of chassis in your future.

[00:23:41] **Patrick VO:** In Good Companies is a podcast from Cadence Bank, member FDIC, equal opportunity lender. Sheena Cochran is our production coordinator. Our executive producer is Danielle Kernell, with writing and production from Andrew Ganem and sound design and mixing by Ben Cranell at Lower Street Media.

I'm your host, Patrick Pacheco. If you've made it this far, why don't you go rate and review us in your podcast app? It's the best way to grow the show so we can reach even more listeners. And while you're there, subscribe! We'd love to have you--because when you're with us, we're in good companies.

[00:23:57] **Patrick Pacheco:** So, I got one joke for you guys. So, how many logistic supplier planners does it take to change a light bulb?

[00:23:50] **John Brooks:** Oh, man.

[00:23:50] **Matthew Decker:** It takes a team.



[00:23:52] **Patrick Pacheco:** None. The light bulbs are late.

[00:23:55] **John Brooks:** There you go. That's good.

[00:24:38] **Disclaimer:** Insert updated S2 disclaimer language here when approved.