

2024 Edition

Driver Management in the Foodservice Distribution Industry: The Business Case for Outsourcing



Introduction

Foodservice distributors face unique logistic challenges. Product shelf-life, temperature control, food safety, and unique regulatory compliance requirements make inventory management and delivery more nuanced than most other industries. As a result, effective transportation management is crucial to ongoing success and profitability.

For foodservice distributors, the need to find skilled labor can be especially problematic. In addition to specific skills needed to meet the stringent operating requirements, labor shortages for critical roles make finding, training and retaining talent difficult. This is especially true for both CDL and non-CDL driver workforces. The result has been that many foodservice distributors experience lengthy hiring cycles for their commercial driving workforce, which can leave trucks sitting idle and create costly delays for the shipment and distribution of goods.

In this whitepaper, we examine driver management trends in the food-service distribution industry, providing a comprehensive analysis on the business case for outsourcing CDL driver management.

Driver Challenges in the Foodservice Distribution Industry

Like many logistics' businesses, attracting and retaining commercial drivers is a core challenge for foodservice distributors. The rising cost of labor, high turnover and lengthy time to fill open driving roles places significant stress and burden on transportation managers, who are often concerned with on-time delivery and containing their cost per mile (CPM).

Open seats in commercial vehicles can lead to delays, missed shipments, product waste, increased compliance risk, and significantly disrupt customer service levels.

To maintain competitive advantage, many distributors are competing for talent by providing above average wages for drivers, offering referral bonuses, and looking inward to upskill existing staff into driver roles. Still, the average hiring time for a driver role across foodservice distributors is 32.4 days. Letting positions remain open for over a month, which often leaves trucks sitting idle, is simply too much time in an industry where delivery deadlines are critical. Furthermore, most companies do not have a strategy to manage the increasing cost of employing drivers.

KEY DRIVER STATISTICS

in Food and Beverage

32.4 Days

Average Time to Hire
Driver Staff

31.8% Turnover

In Driving roles,
annualized

\$27.34 Hourly Pay

Industry-wide average
for CDL drivers

\$500 Bonus

Median Referral

Source: IFDA Cross-Industry
Compensation Survey: Driver and
Warehouse Positions Edition 2023

Why is Driver Recruitment and Management So Challenging for Food Distributors?

Any company with a logistics operation faces unique complexity in driver recruitment, management, and retention. For food and beverage distributors, we can make some key assumptions based on the nature of the work and fleet type:

1. It's a Tough Job

While many operating in the food and beverage sector are providing great pay and local home daily routes, the job is often physically demanding due to touch freight requirements. This can impact not only the number of drivers applying for the job, but can also lead to higher driver turnover.

2. Integrated Recruiting Processes

Having generalist recruiters who fulfill company-wide needs versus having dedicated driver recruiters can be another obstacle for food and beverage companies. Due to the competitive, high-touch, and highly regulated nature of driver recruitment, dedicated CDL driver specialists are typically required to get the right talent through the door quickly.

3. Internal Staffing

Even companies with dedicated driver recruiters may struggle to fully meet their business needs, especially when accounting for turnover. For instance, if you operate a fleet of 300 trucks with 2 dedicated recruiters and face a driver turnover rate of 30%, you will need to hire 90 drivers within a year to maintain full staffing. This translates to approximately 4 hires per month per recruiter. Given the average application-to-hire ratio of 1% from job boards, the recruiters must process around 400 applications each month—reviewing, contacting, moving through compliance, and extending offer letters. It's a tough feat for even the best recruiters.

In addition, CDL drivers must meet certain Department of Transportation mandated requirements to be hired and allowed on the road. Skilled Compliance and Safety teams are often required to collect and evaluate each driver candidate, including a Motor Vehicle Record, Background Check, Employment Verification, and Drug Screen, to ensure a driver can be hired. Many foodservice distribution companies are not designed to efficiently manage this process.

The Financial Case for Outsourcing CDL Driver Management in Foodservice Distribution

Considering the complexities that foodservice distributors face in driver recruitment and retention, outsourcing driver management can be an effective strategy for managing costs and efficiency. In an outsourcing model, a third-party provider will take over the company's driver-related functions to allow the foodservice distributor to focus on their core business.

These functions include:

- Recruitment Marketing
- Recruitment & Onboarding
- Payroll & Benefits
- Workers Comp Administration and Loss Control
- Employment
- Safety and Compliance Management

A specialized provider can offer more skilled resources at a competitive cost, which helps meet critical company goals of full fleet utilization, on-time deliveries, customer satisfaction, lower cost per mile (CPM), and overall profitability.

Reducing Costs with an Outsourced Partner

The full cost of a driver on your company payroll extends beyond their hourly rate. Other factors must be considered include workers comp, FICA (Social Security and Medicare), FUTA (Federal Unemployment), SUI (State Unemployment), Health Benefits, PTO (Personal Time Off) and Vacation Policy, as well as the cost of driver turnover.

We've applied some industry standards to help gain an idea of the actual annualized cost of a driver. The assumptions are as follows, based on averaged standards for the food and beverage distribution industry at large and may vary for your business:

- Hourly Pay Rate: \$27.63
- Workers Comp: 12%
- FICA: 7.65%
- FUTA: 6%
- SUI: 2.5%
- Benefits: 8.5%
- Paid Vacation: 10 Days
- Paid Holidays: 6 Days
- Adjusted Turnover Rate (Recruitment Costs for Backfill of Role at 30% turnover): \$1.7K

As a result, the average annualized pay for a single CDL driver on your staff may look something like the table below (Table 1). In this model the total cost for a driver at a base wage of \$27.63 per hour is \$83,854:

Table 1: Annualized Pay for a CDL Driver

| | <u>Percentage</u> | <u>Cost per hour</u> | <u>Annual Cost</u> |
|--|-------------------|----------------------|--------------------|
| Hourly Pay Rate | | \$27.63 | \$57,470 |
| <u>Direct costs:</u> | | | |
| Workers Comp | 12.00% | \$3.32 | \$6,849 |
| FICA | 7.65% | \$2.11 | \$4,396 |
| FUTA | 6.00% | \$1.66 | \$3,448 |
| SUI | 2.50% | \$0.69 | \$1,437 |
| Health Benefits | 8.20% | \$2.27 | \$4,713 |
| Paid Vacation Days | 10 | 4.10% | \$2,355 |
| Paid Holiday Days | 6 | 2.46% | \$1,433 |
| Sub-total direct costs | 42.91% | \$11.86 | \$24,659 |
| <u>Indirect costs:</u> | | | |
| Recruiting/turnover, assuming one turn per year per position | 3.00% | \$0.83 | \$1,724 |
| Total cost annually (52 weeks) | 45.91% | \$12.68 | \$83,854 |

Now, let's look at how this compares to an outsourced driver model. The outsourcing provider will often charge a markup rate per driver to recuperate their own costs of recruiting, benefits, safety and compliance.

In Table 2, we assume a 40% markup rate, on the same cost per hour for the driver, which translates into a total annual cost of \$80,459:

Table 2: Annual Cost to Outsource a CDL Driver

| | <u>Percentage</u> | <u>Cost per hour</u> | <u>Hourly Bill Rate</u> |
|--|-------------------|----------------------|-------------------------|
| Hourly Pay Rate | | \$27.63 | \$38.68 |
| <u>Direct costs:</u> | | | |
| Workers Comp | 12.00% | \$3.32 | included |
| FICA | 7.65% | \$2.11 | included |
| FUTA | 6.00% | \$1.66 | included |
| SUI | 2.50% | \$0.69 | included |
| Health Benefits | 8.20% | \$2.27 | included |
| Paid Vacation Days 10 | 4.10% | \$1.13 | included |
| Paid Holiday Days 6 | 2.46% | \$0.68 | included |
| Sub-total direct costs | <hr/> 42.91% | <hr/> \$11.86 | |
| <u>Indirect costs:</u> | | | |
| Recruiting/turnover, assuming one turn per year per position | 3.00% | \$0.83 | included |
| Total cost annually (52 weeks) | | | <hr/> \$80,459 |

The result is annual cost savings of **\$3,395 per Driver**. Depending on the size of your fleet, this can translate to varied annual savings.

Annualized Savings with a Partner:

| Number of Drivers Outsourced | Potential Annualized Savings |
|-------------------------------------|-------------------------------------|
| 20 Drivers | \$67,900 |
| 100 Drivers | \$339,500 |
| 300 Drivers | \$1,018,500 |

This analysis shows that the base cost per driver can be less expensive when outsourced to a specialist. However, there are much larger and more strategic benefits that can be unlocked by outsourcing a driver workforce. These can include:

COMPRESSING THE TIME TO FILL AN OPEN SEAT

Industry average is >30 days to hire a new driver. A specialist firm, through their large, skilled driver pools, can often fill seats the next day.

IMPROVED SAFETY

Specialist firms often have safety programs that reduce accident rates, reduce workers comp claims and, most importantly - save lives.

IMPROVED RETENTION

Specialist firms can source from a larger driver pool and apply strict recruitment guidelines to find drivers who will both perform well and “fit” well with the company, leading to longer tenure.

BETTER PROFIT MARGINS

By reducing cost and getting more drivers, trucks, and deliveries on the road, companies can see profit margins improve.

How to Assess an Outsourcing Partner

The decision to outsource any part of your business is not to be taken lightly. An outsourcing relationship is a true partnership that only works if the partner can truly manage a skilled driver workforce, while working with you to ensure that even though the driver paycheck comes from the partner, the driver feels like a core member of your team. You will want a clear view on the company’s driver recruitment capabilities, access to a skilled driver pool across geographies, track record with other outsourced customers, safety track record, among other attributes that ensure the partner will effectively augment your business.

THINGS YOU MAY WANT TO ASK AN OUTSOURCING PARTNER:

- ✓ What is your retention rate during the transition of a driver workforce to your staff?
- ✓ How many days on average does it take you to hire safe and compliant drivers?
- ✓ What is your safety protocol, and do you have proactive safety training? What does that look like?
- ✓ What is your safety track record, measured by incidents per miles driven?
- ✓ How do you source new drivers? How large is your driver pool ?
- ✓ Where are your operations located and how would they support our geographic needs?
- ✓ What is the average tenure of your recruiting, compliance, and safety staff?
- ✓ How many other customers do you serve? How many drivers to you manage?

How TransForce Can Help

We are proud to offer foodservice distributors and manufacturers effective driver outsourcing solutions. We can help you reduce time to hire to 12 days on average and increase your driver safety rating, all while helping you mitigate the growing cost of driver employment. Our dedicated staff are experts in truck driver recruitment, retention, safety and compliance – allowing you to focus on your business while we focus on keeping your drivers happy. Clients who choose TransForce as partner see retention rates as high as 99% during the transition to our staff, and we partner with you to keep retention high all year round.

About TransForce

TransForce is the largest and most reliable CDL driver solutions company in the United States, offering driver outsourcing, staffing and recruiting services to motor carriers and private fleets. We take pride in our local approach to recruitment and dispatching, allowing us to serve our customers in real-time from coast to coast.

[Visit TransForce →](#)

Resources

1. IFDA Cross-Industry Compensation Survey: Driver and Warehouse Positions Edition 2023