



NTDA MARKET OUTLOOK

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CONNECTING THE TRAILER INDUSTRY THROUGHOUT NORTH AMERICA



Roll With the Changes

National Trailer Dealers Association

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The times they are a-changin', and even though trailer sales are expected to continue their torrid pace through 2019, it's not all great news. Trade wars, interest rate increases, government shutdowns, states of emergency and other big shifts, including demographic upheavals, will all impact your business.

Record trailer sales won't always be the case. That said, the very technologies that are allowing fleets and businesses to better utilize existing freight capacity are simultaneously making it clear that there is no better friend to commerce than semi-trailers. It seems counter-intuitive, but optimized freight should ultimately lead to more trailer sales because the value proposition for the entire industry gets even better. Plus, as "smart trailers" provide valuable insight into the status, location and real-time demand of everything inside the trailer, that could mean semi-trailers become even more important in the economic value chain.

Smart trailers are also likely to require enhanced services, accessories, and upgrades, all good for business.

In this issue of the *NTDA Market Outlook*, we add two new regular features: "Safe Space" and "Top Ten." Safe Space examines an issue related to best safety practices, while Top Ten delivers a readable, point-by-point information blast on a topic of particular importance to your business. We also look at how to build the best sales team, explore the harsh realities facing autonomous trucking, and shed light on the benefits and pitfalls of an Employee Stock Ownership Plan for those dealer owners exploring succession options.

To submit articles or to advertise in *NTDA Market Outlook*, contact NTDA President Gwen Brown toll-free at 1-800-800-4552, direct dial (810) 229-5960, mobile (810) 844-3124, or e-mail gwen@ntda.org.



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Succession Planning Option: ESOP

EXECUTIVE BRIEF

1. Employee Stock Ownership Plan or ESOP is a liquidity tool that gives owners a means to sell their business while also providing financial security for long-time employees.
2. There are many tax breaks that come with an ESOP, for both the departing owner and employees, as well as tax breaks that enable the ESOP to buy up other businesses. However, the cost of administering an ESOP can be high.
3. It's probably best suited for small- and medium-sized private businesses that are well-established, profitable and have a strong team already in place.
4. It may be the best option for keeping a healthy, independent business as is, but may not deliver the highest potential price for an owner looking to sell.

We learned from Suzie Eyrich, CFP, Senior Wealth Planner with BMO Private Bank at the 28th Annual NTDA Convention at The Broadmoor in October 2018 that even though most owners have spent much of their adult life building their business, they've not spent nearly enough time deciding on the best succession

Employee stock ownership plan or ESOP is a liquidity tool that gives owners a means to sell their business while also providing financial security for long-time employees.

plan — for themselves and for the business they hold dear.

When the time is right, how will you exit your business? Sell it to a private equity firm, a competitor, have a family member or trusted associate take it over? An ESOP is one option



that is of interest to small- and medium-sized businesses as it provides liquidity to the owner, offers a measure of assurance that the business will continue well into the future, and empowers the management structure the owner has put in place. Plus, it allows full-time employees at every level to directly share in the ongoing growth of the business.

The ESOP is the structured entity that buys the business from the owner. The owner gets to sell their company, access liquidity, help take care of employees, and — prior to the ESOP — establish the management team to run the company.

1. WHAT IS AN ESOP?

An ESOP is an IRS-defined contribution plan, like a retirement plan, that enables all full-time or long-term employees to have an ownership interest in the company. An ESOP provides business owners with a means to sell their company but without having to find an outside buyer. This may be particularly important for family-owned entities where there is no clear successor, and for those business owners that want to ensure the integrity of their business and aid current employees into the future. It is not a cooperative, whereby all employees have equal shares and an equal say. Rather, a means of enabling an owner to sell all or part of their business, gain liquidity, and keep the business running very much like it does now.

Through the ESOP trust, the ESOP buys all or some of the shares of the departing owner. Employees are given shares in the company as part of their compensation package. These shares are held until the employee retires or leaves the company, and the shares are re-purchased by the company. The number of shares awarded to employees is based on their salary and time with the company — the worker doesn't buy shares. The value of a share is determined once a year by an outside trust company.

Owners use an ESOP to create a market for their shares. The company sets up a trust fund into which it contributes new shares or cash to buy existing shares. The owner gets liquidity, the business remains an independent entity, and employees are (potentially) more committed to its ongoing success because under an ESOP, all full-time employees (20+ hours/week) with over a year of service receive shares as part of their remuneration. These shares vest over time and may only be withdrawn — sold back to the company at a fair market price — when the employee leaves the company. Each year, the company makes a tax-free contribution to the ESOP, and the ESOP uses this money to retire the loan it took to acquire the company. As the loan is paid down, more shares are released to employees.

Succession Planning Option: ESOP

2. WHY CHOOSE AN ESOP?

An ESOP is a liquidity strategy for owners who have much of their wealth tied up in their business. In effect, an ESOP creates a market for “shares” in a private company.

About two-thirds of all ESOPs are used to provide a market for the shares of the owner of a business, with the other one-third being a means to enable a company to borrow money using ESOP’s favorable tax rules. It is an attractive exit strategy for some because it provides tax benefits to the owner, to the company, which will operate under the ESOP plan, and the employees. Along with potential tax savings and liquidity needs, there are other reasons why an owner may choose an ESOP.

There may be no single family member able or willing to run the business for the foreseeable future. Plus, a current owner may be looking to keep current management in place and to take care of long-term employees, as well as keeping the business an independent concern for years and even decades to come.

An ESOP means that a management team and employees own the company, so the owner doesn’t have to look for a buyer. Plus, sometimes the owner doesn’t want a buyer who will change the culture and/or eliminate jobs. However, while it’s expected that an ESOP delivers fair market value to the current owner, there is not likely to be a “strategic premium” above the expected market value of the business. Some owners may find a better offer via private equity or other means, for example, even with the many tax benefits that an ESOP offers.

3. WHO IS AN ESOP BEST SUITED FOR?

ESOPs typically work best where the company has been around for many years, is profitable, and has a strong culture. For small and mid-sized businesses, an ESOP is viewed as an attractive method of recruiting and retaining the best employees. They are especially popular in hospitality and trucking, where there is a high turnover rate and retaining employees is difficult. They are not as well-suited for newer businesses, companies that won’t have a solid management team after the owner departs, or businesses that are performing poorly.

An ESOP is also not a cooperative. In the typical ESOP, management has far greater

flexibility in making day-to-day decisions and in setting long-term strategy. Employees are able to allocate their shares on certain major issues, such as closing or relocating, but don’t generally get involved in business operations.

Having ownership spread across employees should incentivize employees to help grow the company, stay with the company, and actively participate in methods to increase the company’s value. It also helps prevent a hostile takeover.

There are significant federal and state tax benefits to an ESOP, and these should be carefully reviewed to determine if an ESOP is the correct structure for your business.

It’s important to note that the cost of setting up an ESOP can be significant, and thus should be done where the owner is seeking to leave the company, make their ownership liquid, and provide a path for the company’s management and employees for the long-term. Though there are many benefits for the owner, for the employees, and tax benefits which make borrowing or acquiring assets cheaper by using an ESOP, this may be off-set by the fact that ESOPs can cost more to administer.

4. HOW DOES AN ESOP WORK?

While there are numerous tax advantages to an ESOP, for the departing owner and the company itself, the primary goal is to buy the shares of a departing owner, enabling them to get liquidity, while simultaneously creating a vehicle that ensures the business, its management team and long-term employees will remain, with the added benefit that employees now own shares in the company at which they work.

With an ESOP, a company sets up a trust fund into which it contributes cash to buy existing shares of stock. These contributions are generally tax-deductible. Shares in the trust are allocated to employees based on number of hours worked, seniority and position. These shares are purchased back at a designated “fair market” rate when the employee leaves the company, typically at retirement.

There are two primary types of ESOP: non-leveraged ESOP and leveraged ESOP. In a non-leveraged ESOP, companies establish a trust fund and then each year contribute cash or shares into the trust, which issues shares to employees. These contributions are tax-deductible.

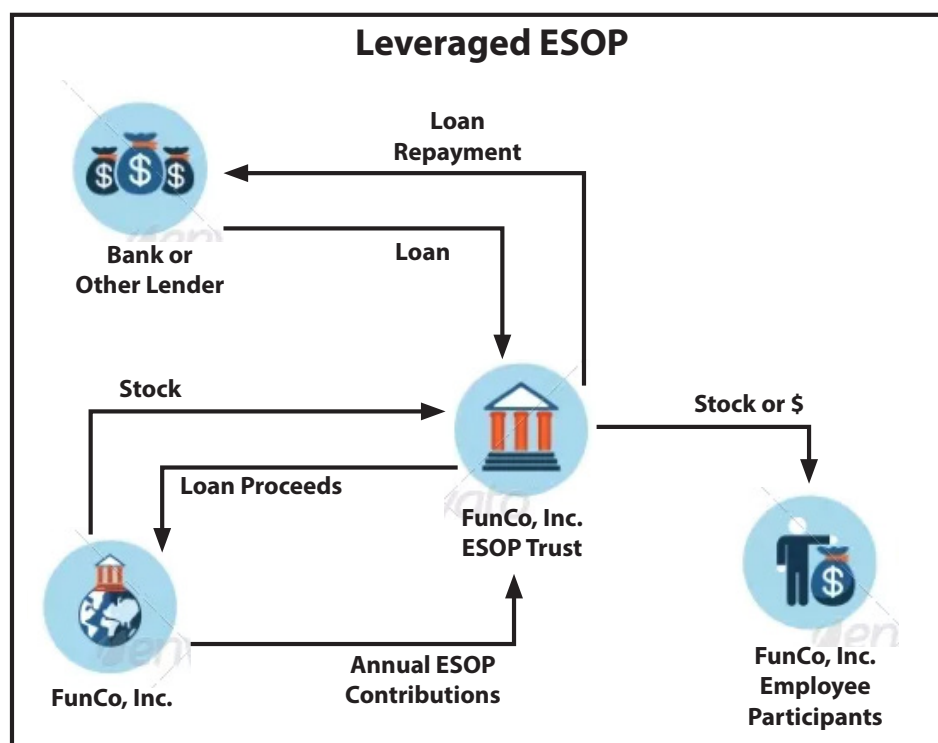


Figure 1: Leveraged ESOP. Courtesy Mercer

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Succession Planning Option: ESOP

In a leveraged ESOP, the company can use those shares — plus tax benefits on borrowing that are available only to ESOPs — to borrow money to acquire another company. The company then contributes to the trust, which pays down the loan used to buy the other company as well as awarding shares to employees. This has become more common.

5. MORE QUICK FACTS ABOUT ESOPS

An ESOP enables the departing owner to create a market for his or her “shares” in the business. Owners don’t have to sell the entire business to the ESOP.

ESOPs provide companies with additional means to lower taxes associated with borrowing money.

It’s estimated that there are over 6,500 ESOPs in the U.S., covering more than 14 million employees. Publix Supermarkets, Hy-Vee and Gore-tex are notable examples.

Some studies suggest ESOP-based companies grow faster than non-ESOP counterparts, though these have limited data

for accurate comparison. There is stronger evidence, however, that ESOPs are better suited to acquire related businesses or competitors, given their ability to borrow money at lower costs, their longer time in the market, and more productive employees.

About 80% of all ESOPs in the U.S. are in the services, manufacturing, financial services (e.g., real estate, insurance), or construction industries.

Since the first ESOP, in 1956, the goal has been to provide a means of spreading wealth, create a means for workers to save for retirement, and provide a means for a departing owner to gain access to their wealth tied up into a business concern. Despite numerous tax law changes, these overarching goals remain in place.

6. IS AN ESOP GOOD FOR EMPLOYEES?

ESOPs are designed to benefit all full-time employees fairly, without favoring one group or echelon. ESOP shares are part of the employee’s remuneration. They are also designed by

government to encourage workers to save for retirement.

Employees working for an ESOP-based company appear to fare significantly better than at non-ESOP counterparts, with slightly higher wages and reportedly more than three times as much in retirement savings. Because they have an ownership stake, they are more likely to stay with the company and help it grow.

As with a 401K or similar vehicle, the employee’s investments grow tax-free until the funds are distributed (at retirement, typically). The employee can take the distribution or roll them into another account, such as an IRA.

There are risks. With an ESOP, employees tend to have most of their retirement savings tied up with the company they work for, making them highly dependent on the company’s well-being. Most experts suggest a more diversified portfolio is a safer option, though the reality is that employees at ESOP companies are more likely to have more put away into retirement savings, even though much of it is in their own company.



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A Social Media Primer

Facebook earned \$16.91 billion last quarter. The company boasts 2.3 billion total users and an astounding 1.5 billion daily users. Everyone, it seems, is on Facebook, not just people, nearly every business now has a Facebook presence. Do you? You probably should, though there are caveats.

Social media permeates our personal and professional lives. More than 70% of Americans regularly use social media. While there are many concerns about social media usage, including wasted time, and the capture and sale of our personal data, there's a general consensus that, done right, social media can be a boon to any business of any size. You can promote your company, your people, your service and your industry vision, plus engage with customers and prospects in real-time on their turf. That's big.

It's extremely easy to jump into the beckoning social media pool, and just as easy to spend too much time inside. That's why we offer this quick list of don'ts and do's that bear repeating:

Facebook earned \$16.91 billion last quarter. The company boasts 2.3 billion total users and an astounding 1.5 billion daily users.

DON'T

1. Don't reveal private, personal and/or confidential information about a customer, competitor, supplier or business.
2. Don't share every image, link, article, .gif, or post that grabs your attention.
3. Don't join every social media network, unless you run a very large company that has a sizable number of customers



on each. For every social network you're on, your business profile and "voice" should be consistent.

4. DON'T POST IN ALL CAPS.
5. Don't spend more time than is necessary. If you are representing your company, the goal of social media is to increase customers, grow walletshare, and promote your brand.

DO

1. Reveal your expertise.
2. Periodically provide insight into what makes you tick, your interests and passions. This makes your business appealing.
3. Promote your business. Remember that the point is to get people to call your company or at least visit your Web site for more information. Encourage face-to-face interaction and follow-ups.
4. Stay positive.
5. As often as is appropriate, use a picture or video. These garner much more attention.
6. Engage with your audience. Those that comment or like a post, and the ones that post a complaint are all reaching out. If you cannot respond, you don't have time to be on social media.
7. Stay professional. Try not to use foul language or launch personal attacks. Re-read your post before posting.
8. Keep your message fresh. A new

employee, shared insight, celebration of a company anniversary, new product introduction, and latest goal achieved are all great messages to share.

9. Be authentic. Everything you post reflects back on the company and its identity.

BENEFITS OF SOCIAL MEDIA

- **Promote**
- **Respond**
- **Connect**
- **Grow.**

Most of North America and nearly half of the entire world's population regularly uses social media. This includes, primarily, Facebook, as well as Instagram, Twitter, Snap, Pinterest and LinkedIn. Because of the unique value they can provide trailer dealers, trailer manufacturers, and businesses that support these, our focus here is on Facebook and LinkedIn.

Facebook has the scale. LinkedIn is optimized for professional connections. Both can help promote your company.

PROMOTE

You can promote your product, business, brand — even your employees — via social media. When done correctly, customers, prospects, partners and others view your company not just as a business but as a friend or member of their community.

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Remember to use social media to promote how your business is helping customers, aiding the community, growing the economy, or solving problems.

Show potential employees why they will be happy choosing to work for your business.

RESPOND

Like it or not, social media provides the perfect channel for anyone to post any complaint online, no matter how disputable its accuracy or context. It's also a means to deliver praise, to show your business and employees as fast-acting, capable and eager to make a positive impact on others. It is also an opportunity to fix what's wrong or make the right even better from a public relations perspective.

The Most Effective CEO Tweets

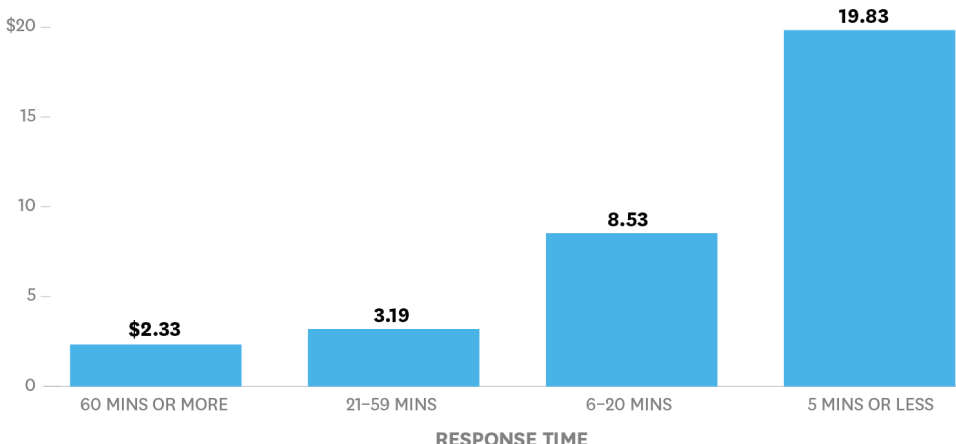
Feel the need to tweet? According to consumer research, a President or CEO's tweets that have the most positive impact on the company and brand are, in order:

1. *Stating the reason(s) for a particular business decision*
2. *Revealing thought leadership in their industry*
3. *Provide an inside look at the company*
4. *Response to a crisis*
5. *Provide an inside look at what it's like to lead the company*
6. *Reveal an employee's success or background*
7. *Confess a mistake the company made*
8. *Confess a mistake the CEO made*
9. *Mention the leader's friends and family*
10. *Mention the leader's hobbies or personal interests.*

Responding Quickly to Customer Complaints Makes People Willing to Pay More in the Future

A study of tweets to airlines shows that when a tweet is answered in five minutes or less, the customer will pay almost \$20 more for a ticket on that airline in the future.

ADDITIONAL AMOUNT WILLING TO PAY (\$U.S.)



SOURCE: WAYNE HUANG ET AL.

© HBR.ORG

Figure 1: From Harvard Business Review

With social media, you can quickly direct people to the right person and get their issue resolved. Do they have a question about a trailer? Connect them with sales. Have they posted a query about their bill? Put them in touch with billing. Do they have a legitimate complaint? Respond right now. Social media allows for all of this.

According to *Harvard Business Review*, there's evidence people will pay more for a product if they sense legitimate customer problems are quickly resolved, particularly when using social media to expedite them.

CONNECT

Besides selling a product, what does your business stand for? What are your strengths? Social media allows you to connect with individuals and groups, not just as a means of selling a product right now, but for establishing a relationship. With social media, you can reveal your role as a leader in the industry, as an ally in some charitable cause, a thought leader, innovator or pillar of the community. You can connect with individuals and scale that to thousands of people, all prepared to read and share your thoughts.

GROW

Tens of millions in America visit social media sites multiple times in a day, every day, making it a path to grow your sales. Of course, hoping to grow your sales via social media is more of a multi-step process. They find you on social media, engage with you, and that leads them to your Web site, and then to contacting you directly, for example.

Social media is also a way to learn about your customers. What motivates them, angers them, what drives them to complain online — or praise online? What do they think of your company and all its moving parts? Knowing this will help you optimize your business. Oh, it's also a great way to find out what's being said about your partners, suppliers, and your competition. That's useful information, too.

HOW YOU SHOULD USE SOCIAL MEDIA

- **Plan**
- **Commit**
- **Be personal**
- **Stay professional.**

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A Social Media Primer

PLAN

Who will be responsible for posting and sharing? For responding to questions, comments, or negative reviews? How often should you post? You don't need social media rules set in stone but also don't let the ease of social media — or the uncertainty of it — prevent you from crafting a plan.

What are competitors doing? Partners? That is a useful guide.

COMMIT

A plan in place enables you to know how

these channels. It may take six months or longer to fully understand the potential social media can have on your operation. Focus on quality over quantity.

BE PERSONAL

Social media enables a more personal, interactive approach, even at scale. It offers your business the opportunity to reveal its personality, show what it is like to work there, show how customers are treated, and discover what your opinions are on a variety of issues. This creates a bond with your readers and followers — and customers.

businesses to develop a personal relationship over the Internet. Remember that you are operating a business. This doesn't simply mean try not to offend readers. Use your social media platforms to reveal how ready you are to help a customer, to mitigate a complaint, and show how quick you are able to right wrongs or, even better, make someone better off than before they came to your social media feed.

Monitor what is being said about your business, and why. Be quick to respond appropriately. When you commit to social media, remember that part of that effort should be spent with engaging your followers, not simply posting your content.

THE CHOICES

In deciding which platform(s) to focus on, it helps to know what each are best at — and to know where your talents and experience can be put to best use. A quick overview of the top platforms, ranked for the semi-trailer industry:

1. **Facebook:** The most popular social media platform in the world. A must for every business. You can list your company contact information, use text, images and video to promote your business, and respond to inquiries and complaints. A downside is that Facebook "games" its algorithms so that not every follower sees everything you post — they do this to encourage you to spend money on advertising.
2. **LinkedIn:** The most popular social media platform for building professional connections, it's great for networking with others in your industry, for recruiting management candidates, and writing posts that promote your thought leadership. Unfortunately, it's not a great platform for promoting your company's brand or revealing your business' competitive advantages.
3. **Twitter:** Users share their "tweets" — 240 characters of text, plus an image



much effort you will commit to social media, and your focus.

Will you spend one hour early morning to review what was posted? Will you commit 50% of an employee's time to social media? If you start promoting your company on Facebook and LinkedIn, for example, then significantly pull back, what might potential customers think?

It's easy to over-commit at the beginning. Be careful. That said, know that it takes time to build an audience on social media and to understand when and how best to respond to inquiries or complaints that come through

Be careful not to appear casual, partisan or angry, however. Do be original, honest and accessible. Also, note that who you follow, plus what you like and share on social media is accessible by nearly everyone. Be mindful of this. This applies to your personal accounts and business accounts. That the president of a trailer brand re-posts something on Facebook or likes something on Twitter is information that anyone can access.

STAY PROFESSIONAL

The lure of social media is that it allows even

A Social Media Primer

— on Twitter, which makes it well-suited for summarizing a blog post or press release, and for quickly promoting a new product or new milestone. These limitations, a few words and a picture, mean that each tweet should contain some impactful message. Caution: Twitter makes it extremely easy for anyone to quickly tweet what's on their mind, even if that shouldn't be shared publicly. Think and reflect before you tweet.

4. **Instagram:** An extremely popular social network, with an emphasis on pictures and short videos. Great for showing an image of a new trailer, for example, or new employee, but not very interactive. Best for lifestyle brands. However, since Instagram is optimized for mobile devices, and is beloved by Millennials and younger, it's worth considering for future marketing endeavors.

5. **YouTube:** Google's video streaming and video sharing network is great for companies that have a large marketing department or the ability to craft appealing videos. It's also great for posting corporate videos, video of some company milestone, convention, or television advertisement. However, it's not a great way to interact with customers or prospects. Professional-quality videos can be costly to develop and once posted to YouTube, it's nearly impossible to control how the videos are shared or what commenters can say. If there's a hidden, killer feature of YouTube, it's that Google, which owns YouTube and is the world's largest search engine, by far, aggressively promotes YouTube videos in its search results. Thus, a search for "semi-trailer" or related term on Google will likely include a link to one or more videos in the top first page of Google search results.

6. **Pinterest:** Very popular social media network with 250 million users. One out of two Millennials use Pinterest. Two thirds of "pins" represent brands or products and 50% of users have made a purchase from the site. The one caution with Pinterest though is that it is geared specifically for users under 40. Sixty percent of users are women while 40% are men, but the site is primarily geared toward "household" interests.

7. **Snapchat:** A smartphone-only social media network that lets users post short videos and animations that can be programmed to essentially disappear after a short period. Great for individuals, artists, and lifestyle brands, but less so for other businesses.

DEEP DIVE

There are numerous social media channels available, but not all offer the best use of your time and money. It's best to focus on no more than two or three that fit the needs of your business and are likely to be preferred by the majority of your customers. For a larger company, having a presence on all major social media platforms is fine, though not all will receive the same level of engagement. For most, having a presence on Facebook and LinkedIn are critical.

FACEBOOK

Everyone is on Facebook, it seems, and you can post images and videos, share content and respond to customers. The downside is that Facebook wants you to spend money on its platform, so they will "game" who sees your content and when, in the hopes it will encourage you to pay for advertisements or to promote a post or event.

The "culture" of Facebook, even for businesses, is one of friendship and relationship. Users can "like" your various posts (or not) and leave comments or share

with others what you post. Facebook can reveal your company as accessible, though this can prove limiting when you need to be professional or attempt to use the platform to sell product or promote any specials, for example.

Social Media Tricks

1. *Share and re-purpose content that you found interesting or even provocative. People are awash in content but are looking for something worth their time, and they value your recommendation.*
2. *Repetition can be your friend. Periodically remind followers, new and old, of your business hours, your specials, and the many different services you offer.*
3. *Images of happy employees, of staff repairing a trailer, helping a customer, of your newest product, will all attract positive attention. An appealing video, one that takes your followers inside your company, lead to developing a stronger relationship. Instructional videos are also well-liked, particularly on YouTube.*
4. *Remember to regularly direct followers to your business site and contact information. You want that information always at their fingertips.*
5. *Be just as willing to engage with customers and respond to followers as you are in promoting your business and product.*

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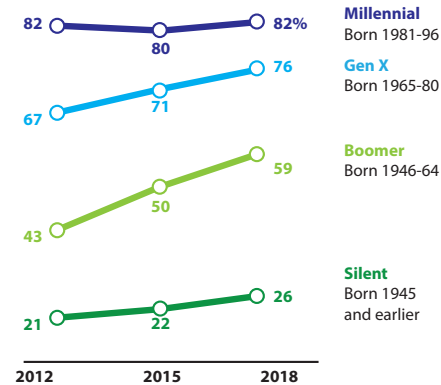
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A Social Media Primer

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Similar shares of Gen Xers and Millennials now use Facebook; Boomers growing fast

% of all adults in each generation who say they use Facebook



Source: Survey conducted Jan. 3-10, 2018

PEW RESEARCH CENTER

Figure 2: Facebook is very popular

BUILD YOUR FACEBOOK PAGE

A personal Facebook account is required to create a Facebook page for your business. In building your company page, what's most important, is the ABOUT section. This will include your address and contact information, Web site, and additional data, including a map of your business that Facebook generates.

Once completed, many business owners simply post to this page and read user comments to the posts. However, know that Facebook automatically generates multiple pages linked to your business page. Be mindful of these. They include a VIDEOS page, a PHOTOS page, a JOBS page, EVENTS page, REVIEWS, and more. If your page is public, anyone can see the videos posted, the pictures, and all the reviews. Facebook — and all social media — doesn't work well if left alone.

Facebook Page Sections:

- **Posts:** Contains all your posts.
- **Videos:** Contains all your videos.
- **Photos:** Contains all your photos and photo albums (e.g., "President's Day Sale album").

- **About:** All your necessary business information. Probably the most important section of your Facebook presence.
- **Community:** Everything that customers (or followers) post to your page, including any "check ins" where they state they are at your location, or post comments or images.
- **Jobs:** You can post job openings here.
- **Events:** You can post upcoming events and promote them here. As with JOBS, Facebook will encourage you to pay to "boost" how many people will see your EVENTS postings, and when.

• **Reviews:** Where customers write review of your

business. You can delete this section if you prefer.

- **Services:** This is where you can showcase your services — such as general repair or other specialized services. Anyone can click on this tab for a quick glance at what you offer.

Facebook is more robust than many realize. You can promote your business, your services, your people, upcoming events, job openings and more. Take advantage of these.

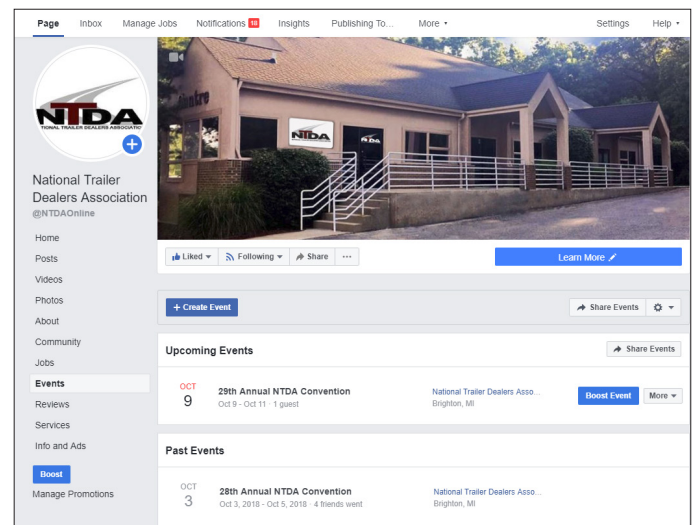
LINKEDIN

LinkedIn is the largest "professional" social media network, with about 500 million users, and over 100 million monthly users. Nearly every professional in the U.S. has a LinkedIn account. The platform allows for a business to have its own "page" that lists all the pertinent details about your business, and has a feature called "groups," which any business can create

— and decide who can join and participate.

LinkedIn is less real-time than Facebook and isn't as good for responding to complaints or inquiries. They even charge for some types of messages. It's also far too easy for anyone to join LinkedIn, "spam" your followers, or to join your "group" and then constantly pitch their products to your followers. Operating a LinkedIn page or group requires regular pruning. Remember, everyone on LinkedIn is either looking for a job or promoting their product and is less interested in what you have to offer.

Where LinkedIn shines is that it allows anyone to connect to your business, enables you to connect with anyone, and makes it easy to post articles such as your latest press release or a "thoughts from the CEO"

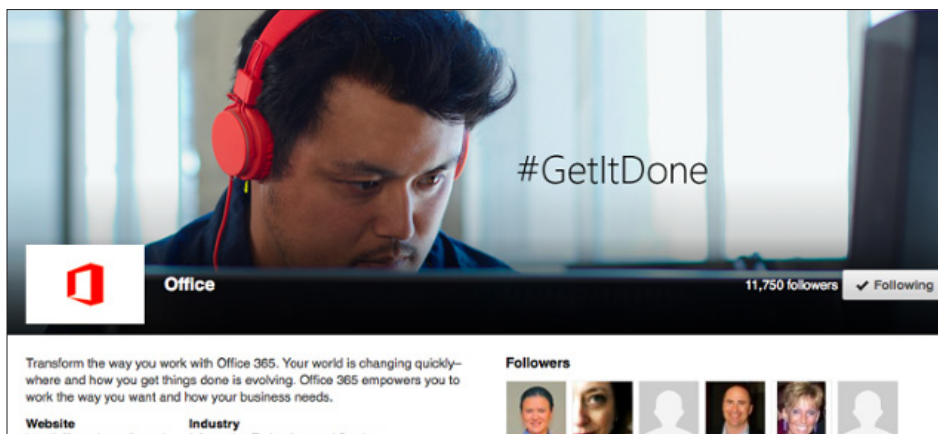


letter that anyone can read. It's also a great recruiting tool. You can list job openings (and there is a fee-based recruiting service), provide an overview of your strengths and your business's capabilities, and let others comment on why your business is such a great place to work.

Another great LinkedIn resource is that you can follow thought leaders and industry innovators, learning their insights and discovering what they are focused on. One area you can stand out is via LinkedIn Groups. You can create a group, choose

Continued on Page 11...

A Social Media Primer



who may join, and regularly post items of interest to this group. Your group can focus on transportation regulations, or local business concerns, for example. It's a way of sharing and communicating with others of similar interest.

COMPANY PAGE

LinkedIn is your best source for connecting with other professionals on social media, but it is a limited tool for promoting your business. The exception is that you can post job openings for a fee and find those actively looking for a new job.

With your company page, you can do the following:

Include an ABOUT US section on your company that includes your Web site, industry, general company size, year founded, and particular specialties.

It's here that you can post updates, such as "we are expanding our service bay capacity," or general information, such as an article stating that "the government shutdown shaved 0.5% off last quarter's GDP," and then include a link to the article. You can include images and video clips in your posts and can reply to any reader comments.

Showcase Page: Another useful LinkedIn feature is the Showcase Page. From the ADMIN dropdown menu of your company page, you can also create a SHOWCASE PAGE. These pages are like mini-company pages that anyone can quickly access. For example,

Microsoft has a SHOWCASE PAGE for Office, Skype, and other services. These are a great way to showcase particular services or products you offer that can stand apart from your regular company page. They can also be created for an annual event.

Communities: From the ADMIN dropdown menu of your COMPANY PAGE, you can add up to three community hashtags that become associated with your LinkedIn page. For example, add #freighttransportation, and then anyone who searches LinkedIn for this topic can find your business. Similarly, anyone can "follow" a community hashtag, and now you are associated with this.

Groups: Connected to your company page are any groups you form or belong to, and this is a great way to stay up-to-date on topics of interest (e.g. Digital Marketing), and to create your own group that showcases your — and your company's — expertise, insight and thought leadership.

Lastly, it is also important to make sure your staff, particularly management and key members of your team, link their personal LinkedIn account to the company page. The COMPANY page includes a "PEOPLE" tab, so anyone who clicks gets a quick insight into your size and abilities.

The Big Number

\$78,000,000



Rod McClane, Vice President of Marketing for Peloton Technology, spoke at the 28th Annual NTDA Convention in 2018. The company has received \$78 million in venture capital funding for its truck platooning technologies. Approximately \$18 million has come from Intel, with \$60 million from Omnitracs, LLC.

It is expected that Peloton will seek millions more in funding this year, likely from UPS or other private fleets where their technology may be best suited. Peloton is running several pilot programs for its platooning technologies, with different fleets, and hopes to have a customer using its tech on the open road later this year.

Truck platooning automates speed, distance and braking, which enables two (or more) trucks to safely operate in very close proximity with one another. This helps put more trucks — more freight — on the same road space while also saving on fuel consumption. Peloton claims that fuel savings total about 7% across two trucks, a fairly substantial amount.

See related article "Truck Platooning Versus Autonomous Trucking" on Pages 16–17.

12

Know Your Demographic

BABY BOOMER

GEN X

GEN Y

GEN Z



THE FUTURE STARTS NOW

Demographics has a huge impact on industry and individual companies. They effect hiring, retention, training, pay and opportunity. The different major demographic groups each have different needs, different amounts of time and income, and aren't motivated by the same messages or rewards. It's important to know your demographic! Consider that over the next 10 years, global spending by baby boomers — for personal and business needs — will nearly drop-off, while spending by Gen Y (Millennials) and Gen Z will soar to over \$15 trillion each. Yes, trillion.

It's not just about sales, however. Failure to know who tomorrow's customer is or what motivates future staff could both set your business behind the competition.

In North America, there are five distinct demographic groups, categorized by age:

1. **Seniors**
2. **Baby Boomers**
3. **Gen X**
4. **Gen Y (Millennials)**
5. **Gen Z.**

Nearly all "seniors" are all already retired or are unlikely to buy your product, so this article concentrates on segments 2–5. While the definitions of the major age

demographics aren't set in stone, generally they break down like this:

- **BABY BOOMERS:** Born between 1944–1964, making them 54–74 years old. There are approximately 76 million baby boomers in the U.S.
- **GEN X:** Born between 1965–1979, they are 39–53 years old. There are 82 million Gen X'ers in the U.S.
- **MILLENNIALS:** Born between 1980–1994, near the end of the last millennium. They are 24–38 years old. There are 95 million Millennials in the U.S, making them the largest demographic group by far. Note: because life at 24 can be far different than life at 38, some demographers break down Millennials — Gen Y — as Y.1, age 24–28, and Y.2, age 29–38.
- **Gen Z:** Born between 1995–2015, making them 3–23 years old, so the oldest are only just now entering the labor force. There are 74 million Gen Z's in the U.S. They are also often referred to as "Gen Tech," "Gen Y-fi," or "post-Millennials."

BIG TAKEAWAYS:

1. Approximately 10,000 baby boomers retire — every work day. If they comprise your largest customer segment or make up most of the ranks of your management staff, you are in for a sea change.
2. By 2025, that's just six years from now, almost half of all income earned in the U.S. will be by Millennials (Gen Y). The other half will be everyone else, including younger Gen Z, older Gen X, and much older boomers and seniors. You must be aware of the economic scale of Millennials as you position your business for the future.

KNOW YOUR DEMOGRAPHIC

BABY BOOMERS

Born: 1944–1964

Ages: 54–74

Size: 76 million

Traits: Looking to retire; heavy consumption of traditional media such as television and radio, eager to learn new skills or pursue dormant dreams. Prefer face-to-face interactions.

Know Your Demographic

GEN X

Born: 1965–1979

Ages: 38–53

Size: 82 million

Traits: Now a larger group than Boomers, they are looking to establish their careers and solidify their assets. Watch a lot of television, share a lot on Facebook, and carry the most debt — on home, car, even student loans — all while trying to save for retirement and save enough to help put their children through college. Prefer a mix of face-to-face interactions following digital research.

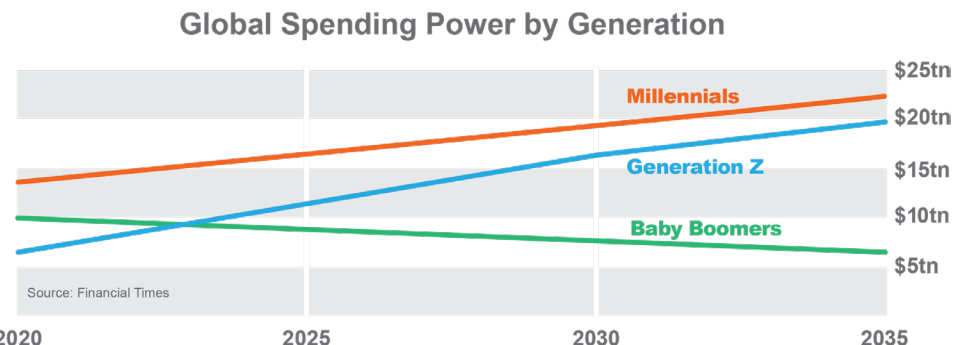
MILLENNIALS (GEN Y)

Born: 1980–1994

Ages: 24–38

Size: 95 million

Traits: They dominate the workforce. By next year, Millennials will account for 36% of the U.S. workforce and by 2025 they will account for 75% of the global workforce. They have massive economic power as a group, but often less so individually. Having a tight budget, combined with student loans and employment options that can't promise benefits or long-term commitment, they are always looking for a clever bargain or a new service that collectively empowers each



of them (such as Uber, for example). They are heavy users of digital services, both on computers and mobile devices, and want transactions to be as fast, efficient and low-cost as buying from Amazon. When they make a big purchase, they often rely on their spouse, partner or circle of friends (even online friends) to help them make the right decision.

Remember, Millennials are the biggest demographic but given their current age range, 24–38, it can be useful to think of them as two distinct groups: Y.1, those ages 24–28, and Y.2, those ages 29–38. By thinking of them as two sub-groups, it could help in marketing, sales, and in how you motivate them as employees.

GEN Z

Born: 1995–2015

Ages: 3–23

Size: 76 million

Traits: While it may seem too soon to focus on Gen Z, as either customers or employees, note that this demographic makes up nearly 25% of the entire U.S. population. They will matter a great deal, soon. Gen Z has always known a world with smartphones, tablets, and the Internet. They are always connected and expect everyone else to be as well. It is the most diverse generation in history. The typical Gen Z'er spends about three hours per day on their smartphone. They regularly use social media (online relationships) to help them make important decisions.



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VIDEO PRODUCTION (E.G., TECHNICAL, SALES, PRODUCT, TRADE SHOW, DRONE)

Super Bowls and Super Sales Have Much in Common

The New England Patriots recently won their sixth Super Bowl, all of them under head coach Bill Belichick. Their success is no accident. True, the team's quarterback, Tom Brady, may be the greatest of all time, but it's Belichick's rigorous approach, focus, and willingness to change on the fly that keeps the Patriots far above the competition. His method is transferable to every CEO, president, or sales manager.

In Super Bowl 53, the Patriots won with defense, 13–3. In Super Bowl 51, the Patriots won with offense, 34–28. Different competitors and situations demand a different emphasis. Always, the focus is on the end result.

Want to separate your organization from the pack — consistently? Learn how Bill Belichick does it: **six ways for six rings.**

Meticulous attention to detail pays off, not just in a single game or over a long season, but year after year.

1. KNOW YOUR STRENGTHS:

The NFL has a hard salary cap and strict free agency rules. It's a level playing field. By all accounts, Belichick gets the most out of his players, and that has separated the Patriots from all other teams, and garnered consistent excellence.

Not every game is the Super Bowl, but Belichick treats every game as extremely important, with hours spent breaking down film, finding patterns, examining the history of other coaches and players, all to determine how his team's strengths can defeat their team's strengths. Meticulous attention to detail pays off, not just in a single game or over a long season, but year after year. He is an unsentimental evaluator of people and doesn't let anything get in their way of performance.

Belichick has been with the Patriots for 19 years. His only losing season there was his first one. It may take time to put together a team — a unit — but as Belichick saw, a team is more than a collection of individuals, no



Photo by Rey Del Rio/Getty Images

matter how talented they are on their own.

2. DISCIPLINED APPROACH:

Belichick expects every player to contribute to the best of their abilities, and to accept that their role may shift from week to week, based on the current competition. He also demands a disciplined approach of himself, his coaches and players. Meritocracy wins out, every time.

Those that are no longer the right fit for the team, or who ask for more than their value, or refuse to accept the same rules that are applied to everyone else are let go. There's never a bad word said about their departure. Talent doesn't hold the organization hostage. It's an obvious approach, but easier said than done. For Belichick, it's made easier by only bringing in players who are eager to succeed or who thrive under a disciplined approach.

3. PREPARATION EQUALS WINNING:

The Patriots don't just win the Super Bowl, they get to the Super Bowl. That requires winning more often than losing, and for Belichick that means constant preparation. Belichick is constantly studying his competition's strengths and weaknesses, looking for something to neutralize or exploit. No exceptions, no weeks off.

This allows for minor adjustments. When Tom Brady changes a call at the line of scrimmage, it's not only based on what he sees from the opponent, but what he's learned about them from his preparation and the material that Belichick has presented him with. As the coach stated, "We can only control what we can control in the short-term, this week, our next opportunity, so that is where we are at." Preparation enables you to win now, so that's why it must be a continual effort by everyone involved.

Belichick expects every player to contribute to the best of their abilities, and to accept that their role may shift from week to week, based on the current competition.

4. PEOPLE MATTER MOST:

As head coach of the Cleveland Browns, from 1991–1995, Belichick compiled a 36–44

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Super Bowls and Super Sales Have Much in Common

record, with one playoff win. All his planning, film analysis and coaching didn't get him to the Super Bowl with the Patriots years later, the right people did.

However, finding the right people never means relying on a few superstars. Quarterback Tom Brady, for example, thrives by preparation and discipline.

Belichick is also noted for seeking clever ways to beat his opponents, not by countering their system or play-calling, like most coaches do, but by studying their individual players and learning what they each do best and do poorly.

5. NO ENTITLEMENTS:

A mainstay of the Belichick era is adding free agents others consider past their prime, or players that didn't get drafted, and even prima donnas looking for a final shot at glory. However, Belichick expects the same commitment and sacrifice from all of them. No one gets it easier, no one has expectations lowered. As Belichick has stated previously, "no one is paying us today for what we did yesterday."

In bringing in all these players and jettisoning those that aren't going to add to the team's fortunes going forward, Belichick also reveals he is not one to ever mortgage the future for a victory today.

When the Patriots win, all are rewarded, but no one player demands individual recognition.

6. LOVE WHAT YOU DO:

Belichick graduated from Wesleyan University with a degree in Economics. He probably could have gone to work on Wall Street, but he has always been a coach. He helped coach his lacrosse team in college and took a low-paid assistant coaching job (with the Baltimore Colts) right out of college. He's never done anything else.

His reputation and wealth are such that he can retire, no questions asked, no worries, but instead he plans to keep coaching. It's what he loves most.



TOP 10: HIRING SALES SUPERSTARS



The fundamentals for freight, energy, manufacturing and the overall economy still look good. According to ACT Research, 2018 set a record for trailer orders — and with five of the top 10 highest months on records, in fact. Per Freight Transportation Research (FTR), trailer orders for 2018 totaled 409,800. Huge.

Dealers are doing well and about to have even more eager buyers at their door. Right? Maybe. It won't always be boom times, but you will always need good salespeople. Even better than good: sales superstars.

Where do you find these superstars? How do you train them? Is it possible to retain them?

At last fall's NTDA Trailer Sales Workshop in Omaha, NE, attendees spent two days evaluating sales tools, commission structures, sharing best practices, and reviewing methods to capture the full value of customer relationships. One area that garnered a surprising amount of attention, however, was the discussion on whether sales superstars are born with it or made for it. Conclusion: it's a bit of both.

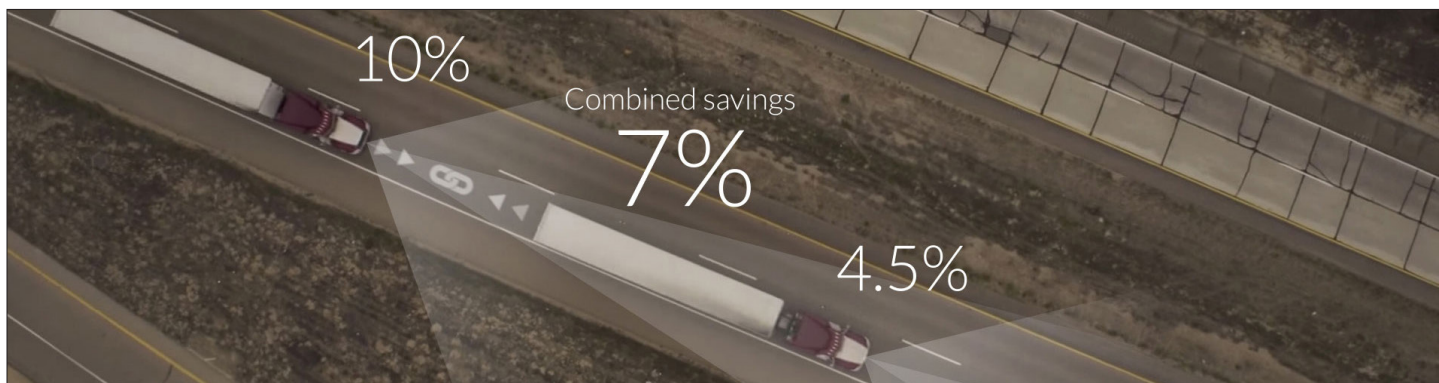
Below is a distillation of what makes a sales superstar — and how you can nurture them to greater heights.

1. A sales superstar understands that to be truly successful they must help their customers help their customers be more successful. They're not just selling a product, they're filling a need — while gaining wallet share.
2. You must define sales expectations and clearly communicate responsibilities, authorities, and accountabilities. Set clear

expectations for sales and make these specific: by units, gross or other metric, for example.

3. Allow sales teams to participate in setting their sales goals. Yes, really. They may be even more aggressive than you.
4. Performance standards must be measurable and easy for everyone to monitor. Also, consider reviewing not only sales won but sales lost. Why were they lost?
5. Any sales superstar must be able and willing to use technology, and this is especially true for spec'ing and quoting. Similarly, if there is a corporate CRM or other platform, make sure your sales superstars document who they called, when, and summarize what was discussed. Remember: These are your customers, after all. That information belongs to you.
6. A sales superstar understands they must follow a prescribed selling system. They are committed to making a specific number of calls, completing a specific number of appointments, and adding to their prospect list with regularity. They should aim for seven appointments and one sale for every 15 initial contacts.
7. Reward individual performance. Demand accountability.
8. No matter what, there must be a culture fit when hiring.
9. Sales superstars know the product, its value, know their market, and negotiate from strength.
10. Always be coaching. Even your top salespeople benefit.

Truck Platooning Versus Autonomous Trucking



Autonomous and semi-autonomous technologies are helping to put more trucks — and more semi-trailers — on the road. Peloton Technology, which presented at the 28th Annual NTDA Convention in 2018, has taken over \$78 million in venture capital, and expects millions more this year, possibly from UPS or another strategic partner. Trucking companies, like Mercedes, have already invested tens of millions into enhancing autonomous features on their trucks. Yet, Peloton and Mercedes are taking very different paths to the future. For Mercedes, the future is autonomous trucks, and about 10 or more years away. For Peloton, it is focused on technologies that enable two or more trucks to platoon at very close distance, saving on fuel and preventing driver fatigue. Both efforts, if successful, should lead to increased trailer optimization initially and ultimately increased growth in semi-trailer sales overall. We take a look at platooning versus autonomous trucking.

DIFFERENT LEVELS OF AUTONOMY

Autonomous vehicle technologies should enable more vehicles and semi-trailers on the road, reduce fuel consumption, ease traffic jams, and even save lives by overcoming driver error and fatigue. The U.S. Department of Transportation's "Automated Vehicles 3.0" statement details the increasing levels of automation in vehicles (cars and trucks). Generally, they are:

Level 0: No Automation: Traditional, with the driver fully in control of all aspects of driving the vehicle.

Level 1: Driver Assistance: Now common, where the vehicle has minor autonomous

features, like adaptive cruise control that automatically decelerates when the vehicle in front of it slows down. It may also include automated steering support, nudging the vehicle back into the center of the lane. These support systems can reduce driver fatigue and fuel costs, while increasing driver comfort.

Level 2: Partial Automation: Like Level 1, but utilizing more advanced sensors and data processing, making the vehicle's systems more cognizant of the environment and road conditions, as well as potential hazards such as cyclists, pedestrians or objects in the road. Though all these systems support the driver, the driver must still be fully in charge of the vehicle and fully aware of their surroundings. In all circumstances, the driver can make any adjustments to the vehicle. The system is designed to provide audible and visual warnings to ensure driver takes action. Works best on interstates, delivering adaptive cruise and lane centering without the need of the driver, but not yet capable of safe highway entering or exiting.

Level 3: Conditional Automation: The start of "automated" systems where the vehicle is driving itself, at least for short periods, and where it notifies the human driver if they need to take over. In some cases, the technology may be able to counteract or overrule a driver.

Level 4: High Automation: Using more advanced systems, sensors, and data awareness than level 3, the vehicle can drive itself and dynamically respond to changes in the road and environment. At Level 4, the vehicle is almost fully autonomous, but a human driver must still be available. Laws and many people

aren't ready for truly driverless vehicles, even though the technology continues to advance. Plus, most analysts believe that even the most advanced sensors, cameras and computing technology won't be able to appropriately react to literally every scenario, so a human should still be present. This level is where most pundits think the future of truck hauling will be. More trucks and semi-trailers on the road, driving continuously, often in platooning formation, but a human is still on board who can take over if it's ever required.

Level 5: Full Automation: A futuristic vision of transportation whereby the vehicle is fully autonomous, no human driver is necessary or available. While unlikely to become the norm, it's certainly possible that such fully automated cars and trucks could be used in select routes for specific purposes, like on a large corporate campus or between two distribution hubs.

Peloton and other companies are focused almost entirely on Level 2, where trucks and trailers platoon in a tight convoy. Platooning puts more trailers on the road, cuts fuel costs, and should improve safety since platooning trucks can brake almost instantly, far quicker than a human.

The lure of platooning is that it seems likely to become commonplace within a few years. However, Daimler Trucks recently announced it was abandoning its platooning efforts. The company says the fuel savings aren't enough to make continued investment worth their while. They also suggest that platooning may not be suitable for non-private fleets, since not all trucks will be equally loaded with the latest sensors, headed to the same location, plus the lead truck garners the least fuel savings. However, Mercedes says they are still going to spend tens of millions on jumping to Level 4, where trucks hauling trailers full of goods

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Truck Platooning Versus Autonomous Trucking

running all day and night, because a driver could be sleeping or working on some other task, become a common sight on America's interstates within about 10 years.

WHERE WE ARE NOW

Platooning

Platooning requires Level 2 automation systems that are available today. However, fleets and truck drivers must be willing to install these systems, participate in platooning efforts, and the regulatory environment must be willing to support these.

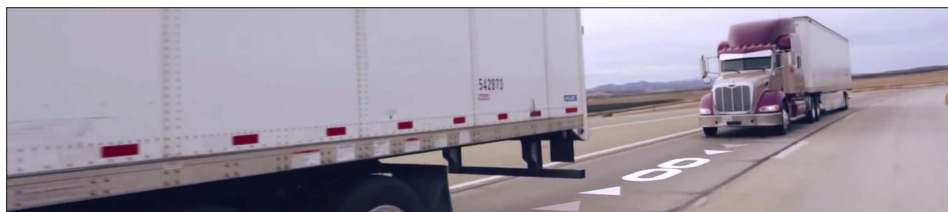
All these are happening, albeit in fits and starts. For example, Peloton says it's running multiple tests in different states. The company has stated that it "expects" to have at least one fleet using its system in real-world commercial operations this year.

With platooning, two or more trucks travel in a tight formation, as little as 55 ft. between trucks on the highway. This saves fuel for each vehicle, enables more trucks and trailers on the road, because the vehicles can travel closely together, and may make the roads safer. Even though the vehicles in the platoon are closer together, the automated systems can brake faster than a human, even when there is more space between vehicles. Thirteen percent of roadway fatalities every year involve large trucks. Presently, most states do not allow platooning, at least not formally. That means the rear trucks in a platoon could be cited for driving too close to the truck in front.

According to Peloton, with two trucks in a platoon, the lead truck sees a 4% drop in fuel savings and the rear truck gets about 10% in fuel savings, while in the platoon. Platooning is probably best suited for private fleets, such as UPS or BP, at least in the near-term. Private fleets can equip their trucks with the technology, have them always join a platoon when available, and use it on regular routes, all of which should validate the presumed fuel savings and safety benefits.

AUTONOMOUS TRUCKING

Despite the funding that Peloton and others have received for platooning technologies, Daimler Trucks recently said that it does not believe truck platooning is viable, at least not in the near-term. The giant truck company will instead focus on Level 4 efforts, whereby a tractor-trailer is driving itself, but with a



driver present should human intervention be necessary.

Daimler says this "high automation" is feasible within 10 years. That means by about 2030 or sooner, tractor-trailers could be hauling freight day and night, as the human 'driver' schedules the next load, completes paperwork, even sleeps.

This may not be an overstatement. Embark said its Level 2 automated trucks drove over 124,000 miles last year. Drivers had to disengage the system and take control once every 1,400 miles, according to the company. It's rumored that Amazon is working with Embark on testing its automated trucks. The jump from today's Level 2 availability to Level 4 draws the attention of Amazon and others because the value of delivery by semi-trailer gets even more advantageous.

Given the rapid advance of sensors, computing, lenses and related equipment, a ten-year horizon for truly automated tractor-trailers on the highways is practical.

IS PLATOONING NOT READY?

It's possible Daimler is pulling out of platooning because other companies are ahead in this space. That said, Daimler claims that its "real-world" testing of its own platooning efforts failed to deliver the expected fuel savings. This was in part due to the fact that other cars and trucks can "jump" into the platoon, cutting down on potential savings for the participating vehicles. Then, when the platoon attempted to create the platooning formation again, that would burn up fuel.

Daimler has said it will use its platooning knowledge and related Level 2 truck technologies and skip Level 3, jumping straight to Level 4 — where the vehicle operates itself, but with a driver available if need be. If this is achieved in ten years, as Daimler suggests, that would allow for far more trucks and trailers on the road, at all hours, making semi-trailers an even better value for transportation and freight.

Daimler says it will spend \$600 million over the next several years to support its auto-

nous vehicle efforts.

WHAT REMAINS

For both platooning and autonomous vehicles, more testing in all road and environmental conditions is needed — snow, ice, rain and heat, for example. More commercial use of these technologies is also needed. The business case must be proven, and the various sensors and systems must be shown that they can last at least five to 10 years in real-world environments.

While it can seem that these technologies won't ever be widely commercialized, this is probably not true. There will almost certainly be a commercial, real-world use of platooning tech in 2019–2020, and companies like Daimler are now offering trucks with Level 2 features: sensors that keep the tractor-trailer centered and at an appropriate cruising speed behind another vehicle, and more. These will save money, fuel, reduce emissions and may possibly save lives.

Semi-trailers moved nearly 11 billion tons of freight in 2017, according to the American Trucking Associations — capturing 79% of the nation's total freight value. Both platooning and automated trucking should only enhance the value and value capture of delivery via semi-trailer. Optimization is rarely a zero-sum game. Rather, it's additive.

Consider aviation. There are radically more commercial aircraft in the air now than ever before and aviation has never been safer. This is due in great part to similar automated technologies that made flying safer, improved optimization due to more precise navigation and routing tools, alerted pilots of potential issues, improved cruising speed judgments, and reduced pilot fatigue. The same is likely to occur in automated vehicles, meaning more trailers can be put to work than ever before. Platooning in 2020 or soon after, and (mostly) automated trucks by 2030, each one hauling a trailer full of goods, is a very real possibility.

Safe Space: Marijuana in the Workplace

MARIJUANA IS LEGAL IN YOUR STATE, NOW WHAT?

Legalized use of marijuana raises numerous safety and workplace concerns for businesses of all types. You need to be prepared.

NEED TO KNOW

1. Marijuana remains illegal under federal law. It is a Schedule I controlled substance.
2. Where states have legalized marijuana use for adults, it is still illegal according to the federal government.
3. In states where marijuana is legal, most though not all such states still allow employers to fire anyone who uses marijuana, whether on the job or not.
4. Testing positive for marijuana (or the cannabinoid THC) is not proof that a person was impaired when a workplace incident occurred. The relationship between how much marijuana is in the blood versus how impaired the person's brain is isn't as clear-cut as it is with alcohol.
5. There is no way of knowing exactly how

long the effects of marijuana remain in a person. How much was consumed, how it was consumed (e.g., smoke or edible), what type, and the person's physiology are all factors.

6. Zero tolerance policies are generally allowable in all states, even those that have made marijuana legal, with a few minor exceptions for medical marijuana accommodations.
7. As marijuana usage gains widespread acceptance, it may be difficult for employers to have a company-wide zero-tolerance policy and still retain the best people.
8. Caution: the biggest potential landmine for employers may be the gray areas between state marijuana laws that generally allow employers to adopt a zero-tolerance policy, and state disability laws that require employers to accommodate persons that may suffer from some chronic illness or other disability where legal medical marijuana helps. Court rulings and lawsuits are getting ahead of legislation here.

With respect to the legalization of

marijuana in several states, know that you need never tolerate an impaired employee on the job or on your premises, particularly where safety is a concern. In addition, no matter what your state allows, the federal government still classifies marijuana as an illegal drug. OSHA rules requiring a safe work environment remain in place. Know your rights and potential liabilities.

The frequently asked questions below are not a replacement for legal or human resources advice.

IS MARIJUANA LEGAL?

To date, 33 states have passed laws legalizing marijuana for medicinal use. Of these, 10 states plus the District of Columbia, have passed laws allowing for "recreational" use of marijuana for adults — typically, 21 and over. These states are Alaska, California, Colorado, Maine, Massachusetts, Michigan, Nevada, Oregon, Vermont and Washington, plus the District.

Legal recreational use of marijuana typically allows residents the right to use, carry (small amounts), and in some cases even grow their own, though not sell it commercially. However, it's not that simple: states that have legalized marijuana are in opposition with federal law — and that disconnect is not good news for businesses that must follow the laws of all levels of government where they operate.

HOW DO I RECONCILE FEDERAL LAW AND STATE LAW?

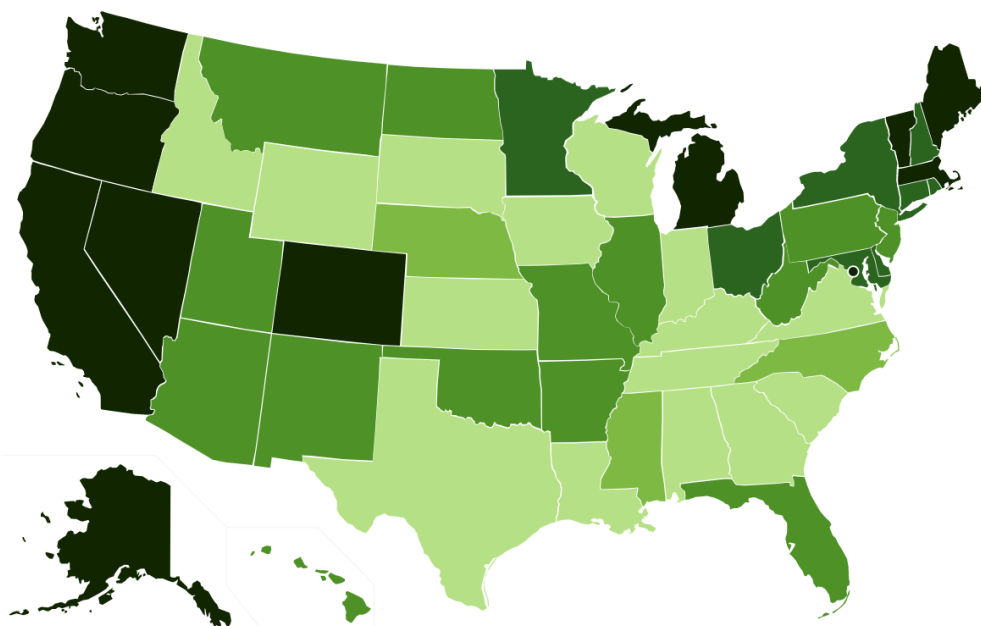
This may not be possible. However, in general terms, federal law supersedes state law, and this includes employment law. Moreover, employer rights are not diminished by the legalization of marijuana.

That said, you still need to adhere to state laws, and these may include restrictions against drug testing. They may also require accommodations for those who claim that (legal) medical marijuana use is necessary for their health or treatment. Know your state and local laws and consult your legal counsel where needed.

The disconnect between laws that allow marijuana use and federal law that does not has no simple, fast resolution. Compounding this, much of this is getting worked out in

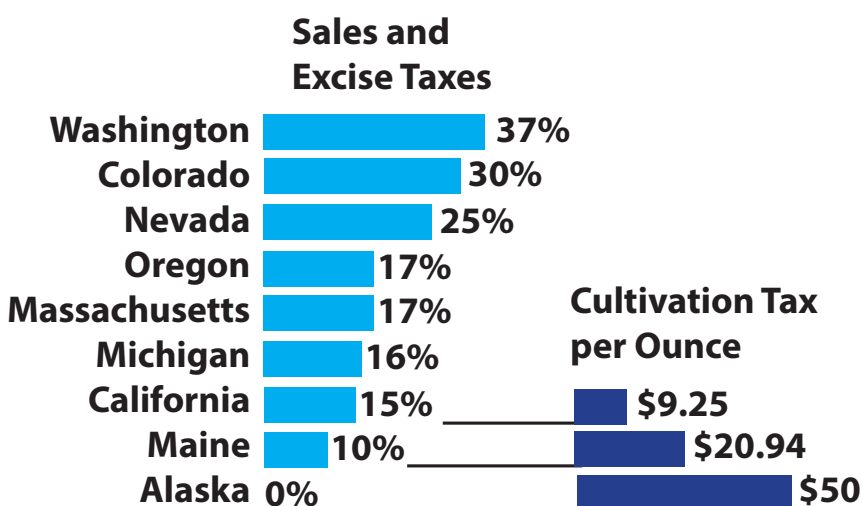
Last Updated: January 2019

Legalized
 Medical and decriminalized
 Medical
 Decriminalized
 Fully illegal



Safe Space: Marijuana in the Workplace

Recreational marijuana taxes



Sales and excise taxes paid by retailers and customers, except in Nevada, where 15% of the excise tax is paid on sales by growers. Local taxes are not shown. Cultivation taxes are paid by growers.

Source: Times reporting

courts, not in legislatures, leaving businesses potentially on the hook.

DOES MARIJUANA IMPACT A PERSON'S ABILITY TO PERFORM THEIR JOB?

Yes. Marijuana usage has at least a short-term impact on reaction, memory, sensory perception, and problem-solving abilities. Where marijuana has been legalized, there is typically an increase in occupational injuries and on-the-job accidents.

HOW LONG DOES MARIJUANA STAY IN A PERSON'S SYSTEM?

Shockingly, it's not known for how long the effects of marijuana last after smoking or ingesting the drug. This is the source of much of the concerns regarding safe usage. While a drug test may reveal that person consumed marijuana, it's possible that was weeks ago — and has nothing to do with any accident or job performance today.

A more pressing concern is how long do the effects of marijuana last? Surprisingly, nobody knows this, either. It depends on the amount and type and mode of consumption and the person's physiology. For some, it may

be four hours or eight hours, for others up to 24 hours or even longer.

You literally can't know if your mechanic, or sales associate who smoked marijuana at home, on his or her own time, is now totally free of the effects of marijuana in the office the following morning.

WILL A DRUG TEST CONFIRM THE PERSON IS IMPAIRED?

The amount of marijuana (THC) in a person's blood does not correlate to impairment as neatly as alcohol. With marijuana, levels in the blood can actually be dropping just as the effects of the drug reach their peak in the brain. That's why several states use a benchmark THC level of 5 ng/mL to determine if that person is under the influence. Over 5, DUI, under 5, legal. However, this is known to be an unreliable marker, and could be challenged in a lawsuit.

IS A ZERO-TOLERANCE POLICY STILL POSSIBLE IN STATES WHERE MARIJUANA USE IS LEGAL?

For the most part, yes. Zero-tolerance is legal and employees (or potential employees) can't sue a company for enforcing a no-marijuana

policy, even with regard to off-duty use. This is true even in states that have legalized recreational marijuana use.

There are creeping gray areas, however. There have been a few successful lawsuits where a medical marijuana user claimed their condition was like a disability and the employer needed to accommodate their marijuana usage. There is some merit to this. If a person suffers from seizures, Chron's disease, or other ailment and is alleviated by medical marijuana, it's perhaps no different than if they were taking some other prescription for their condition. What should you do? There is no easy answer. As the Society for Human Resource Management (SHRM) notes, the federal government's ADA explicitly states that accommodations never need include use of "illegal drugs" and the federal government still lists marijuana as an illegal drug. Yet, a few states (including Massachusetts and Rhode Island) have used their state's Fair Employment Practices Law (or state equivalent to the ADA) to rule that an employer can't discriminate against a worker for a medical marijuana prescription. You should check with your HR or legal staff to be in full compliance.

MAYBE THE PROBLEM WILL JUST GO AWAY?

Probably not. States see big money from recreational marijuana sales and politicians are courting younger votes (and some older ones). California expects tax revenue from legal marijuana to soon top \$1 billion a year.

WHAT IF THERE'S A WORKPLACE ACCIDENT AND THE PERSON TESTED POSITIVE FOR MARIJUANA?

This is another tricky area where legal and HR input is critical. A positive test for marijuana, taken after an accident, is not necessarily proof the person was under the influence at the time of the accident. There is no scientific certainty over how long marijuana effects a person's mental and physical state.

Safe Space: Marijuana in the Workplace



DO I HAVE TO COVER MEDICAL MARIJUANA ON OUR COMPANY HEALTH PLAN?

To date, there is no requirement that medical marijuana be added to a health plan or provided by an employer to an employee who requires it for a pre-existing condition. However, there is at least one case in the U.S. where a court held that an employer must pay for an injured employee's medical marijuana prescription. (The injured employee was prescribed marijuana by his doctor in a state where it's legal.) If this practice becomes common, and employers must pay for an employee's medical marijuana, how does that reconcile with a company's zero-tolerance drug policy? That is another unknown.

CAN I FIRE SOMEONE IF THEY ARE USING MEDICAL MARIJUANA? OR JUST NOT HIRE THEM?

Typically, yes, but check the law in your state. For example, compare California's favorable law with Connecticut.

California: "Employers are not required to accommodate medical or recreational marijuana use in the workplace. Employers may fire employees who test positive for marijuana, even if the use was off duty and for a medical condition with a valid medical marijuana card."

Connecticut: "Employers may not discriminate against applicants or employees based on their status as a qualifying patient or primary caregiver of a qualifying patient under medical marijuana laws."

It's similar in Vermont, where an employee with a medical marijuana card can claim to have a disability (or debilitating condition), and thus has certain employment rights. The employer can't fire the person there simply for being a user of marijuana. Other states, such as Alaska, Arizona, Delaware and Minnesota also forbid an employer from firing or disciplining workers just because they are a registered medical marijuana user.

Here is a link to state-specific laws: <https://www.nolo.com/legal-encyclopedia/state-laws-on-off-duty-marijuana-use.html>.

Remember, however, that there is no law that requires employers to tolerate an employee under the influence of marijuana during work hours.

WHAT ABOUT COMMERCIAL DRIVERS?

Commercial drivers cannot use marijuana, and this is the case even where it's legalized and even for intrastate-only drivers. Commercial drivers are still subject to federal drug screening requirements and marijuana remains illegal at the federal level.

Note: The Federal Motor Carriers Safety Administration (FMCSA) Commercial Driver's

License Drug and Alcohol Clearinghouse is set to go live in January 2020 (although the go live date has been pushed back numerous times previously). Employers will be able to check the database to see if a driver has a previous positive test (including for marijuana).

WHAT IF I OPERATE IN MULTIPLE STATES?

Consult your HR and/or legal staff. You may need to fit drug/marijuana policies specific to each state, similar to how companies have state-specific policies regarding non-compete clauses.

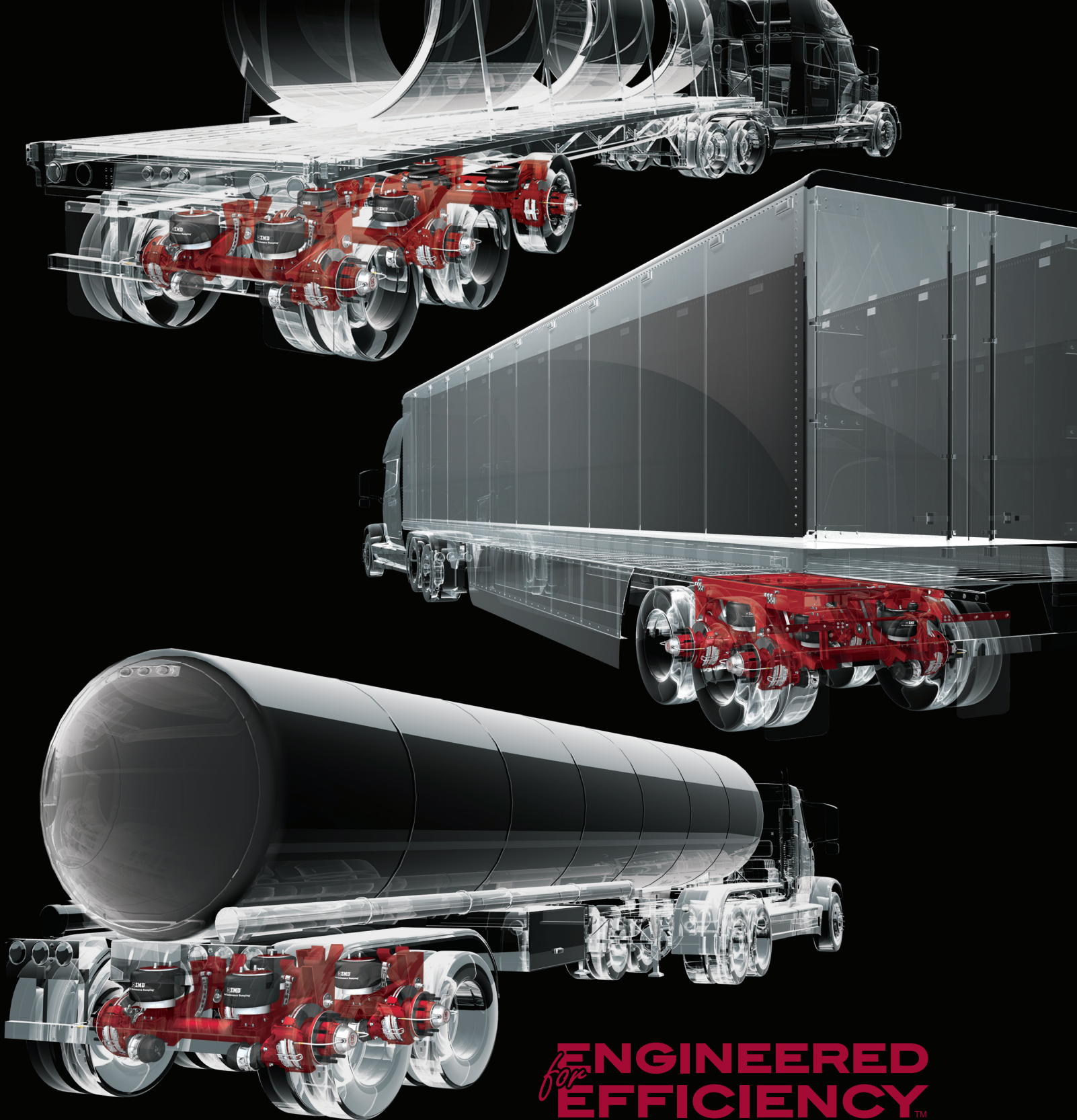
WHAT ABOUT CANADA?

For Canada, the situation is even trickier. Marijuana use is legal for adults throughout Canada. Canada also has a national "accommodation" law that requires employers do everything reasonable to accommodate employees with illnesses, disabilities, or other conditions. Employers will need to accommodate employees who have a doctor's recommendation they take medical marijuana. That said, the Occupational and Environmental Medicine Association of Canada has recommended a minimum wait time of 24 hours from use of marijuana before engaging in safety-sensitive work.

WHAT IF I CAN'T HIRE ANYONE BUT MARIJUANA USERS?

There may be little you can do here, other than explain the reasons for a zero-tolerance policy to current and prospective employees. The Society for Human Resource Management (SHRM) has noted that in some industries, such as hotel and hospitality, they don't implement marijuana testing because it would create staffing shortages.

- At minimum, identify safety-sensitive jobs, and do not tolerate any violations.
- Train supervisors to spot workers that are high or under the influence.
- If you're going to fire someone for marijuana use, know the laws in your state, if any, about medical marijuana accommodations.
- Do not relax standards for jobs that are safety-critical.



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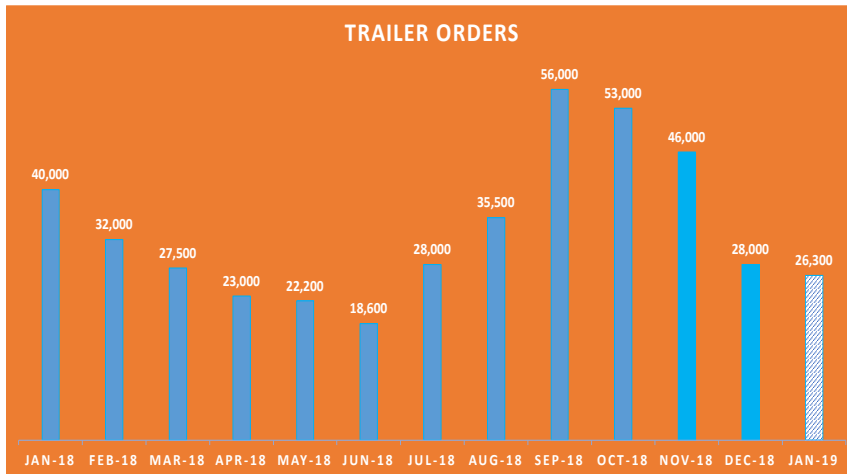
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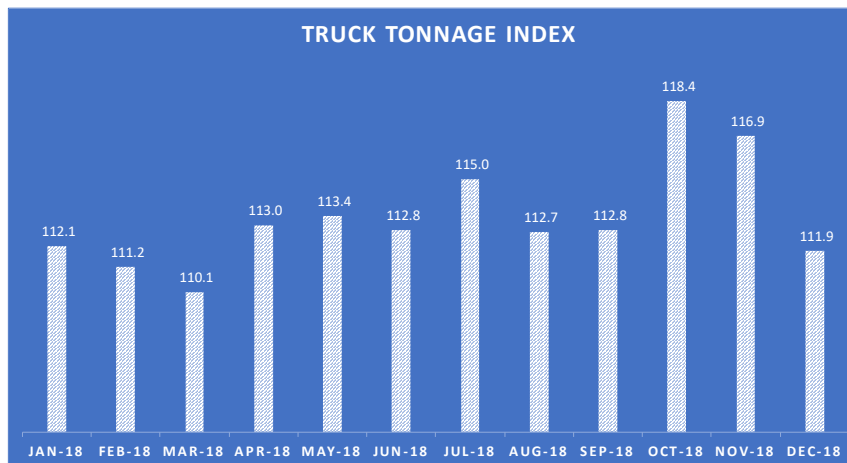


The Trailer Economy — Q1 2019



Source: FTR Transportation Intelligence

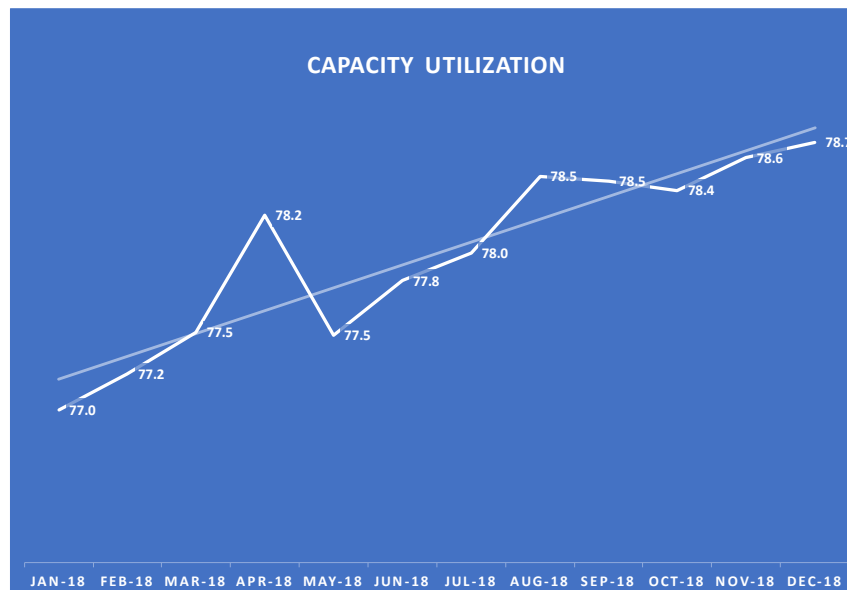
Trailer orders totalled 409,800 in 2018, a record, and are expected to come close to matching that in 2019.



Source: American Trucking Associations (seasonally adjusted truck tonnage)

Truck tonnage serves as a barometer for the overall economy since over 70% of domestic freight is hauled by tractor-trailers. Above 100 is generally positive.

The ATA truck tonnage index increased 3.8% in 2017 then increased 6.6% in 2018, which was the largest annual gain since 1998.

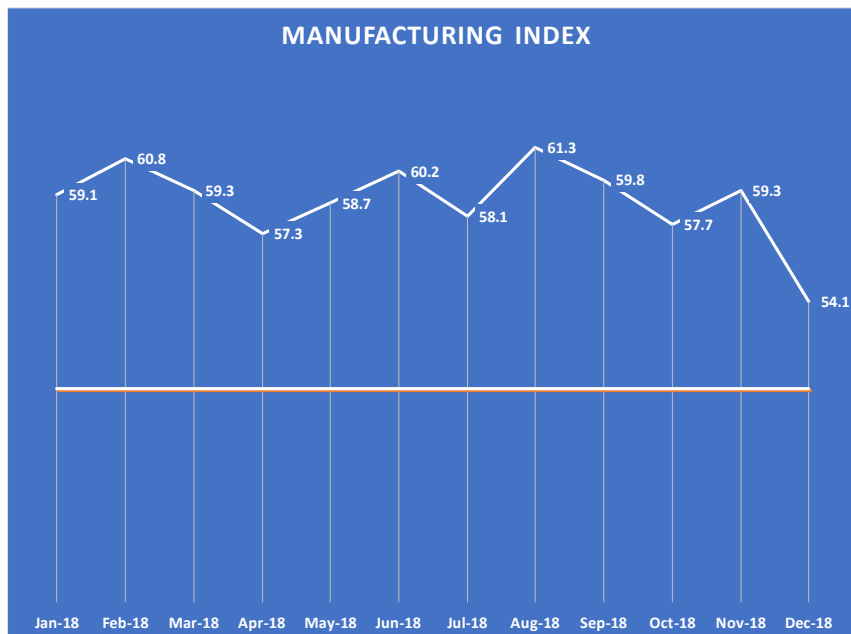


Source: Federal Reserve

Capacity utilization reveals how much total capacity in manufacturing, production and mining is being used. 100% is maxed out. The trendline reveals factories in the U.S. overall remain at robust capacity.

The Trailer Economy — Q1 2019

MANUFACTURING INDEX

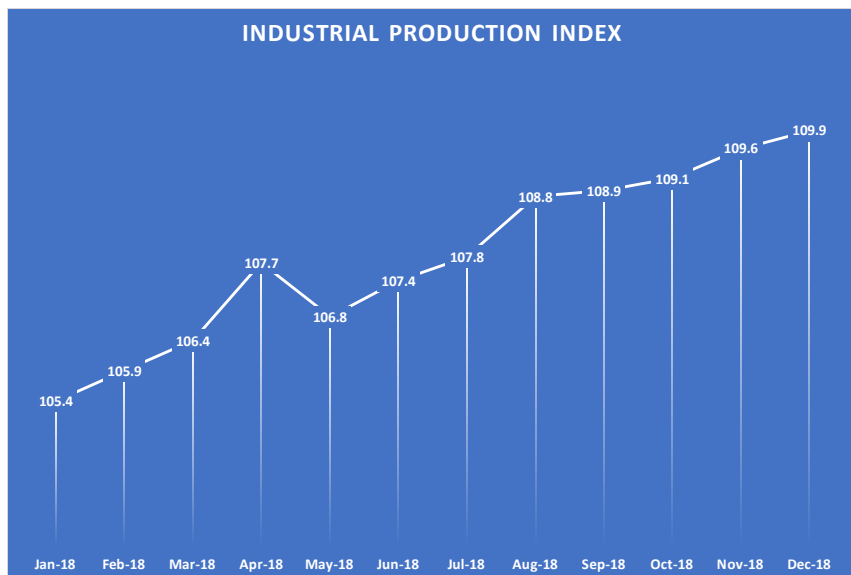


Source: Institute for Supply Chain Management

A reading above 50 means that manufacturing production is growing, while anything below 50 suggests a decline.

Despite the drop-off, the economy is still in overall expansion mode.

INDUSTRIAL PRODUCTION INDEX



Source: Federal Reserve

The Industrial Production Index measures output in the U.S. industrial sector, which the Federal Reserve defines as manufacturing, mining, and electric and gas utilities. Above 100 is generally positive.

Growth in the production index from month to month is an indicator of growth in the industry. The economy so far remains generally robust.



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