

Q2 2018

THE FREIGHTOS QUARTERLY

LOGTECH

REPORT

Amazon | Alibaba | Logistics | Trucking | Last-Mile
Drone Delivery | Blockchain



ACROSS THE BOARD

Industry Updates

Q2 was defined by a looming trade war, strong e-commerce shipping and, of course, lackluster ocean freight rates. **Ocean rates** on the key lanes eased after Chinese New Year and firmed again coming into summer. The [Freightos Baltic Index](#) worldwide index peaked on February 18 at \$1,323, bottomed out on April 8 at \$1,027, and recovered to \$1,306 by July 1.

Low prices are not a result of low volume; maritime trade will [surpass 12 billion tonnes](#) this year, up 70% since 1998. Maersk's CEO blamed [government backing](#) for overcapacity plaguing the industry. Meanwhile, MOL, K-Line and NYK Line kicked off the ONE merger, jumping up to the rank of 6th largest ocean fleet (with some [birthing pangs](#)).

After a volatile peak season, when demand outstripped capacity, the needle for **air freight rates** flatlined, with China-US rates at \$2.90-5.00/kg and Europe-US rates at \$1.80-2.70/kg. Air cargo is in for an outstanding quarter, driving Boeing to [contemplate converting](#) 777 passenger planes into freighters. E-commerce is a core driver; Armstrong & Associates calculated that e-commerce logistics accounts for [6.9% of US logistics costs](#) and that its share will increase at nearly 20% annually until 2020.

LogTech Updates

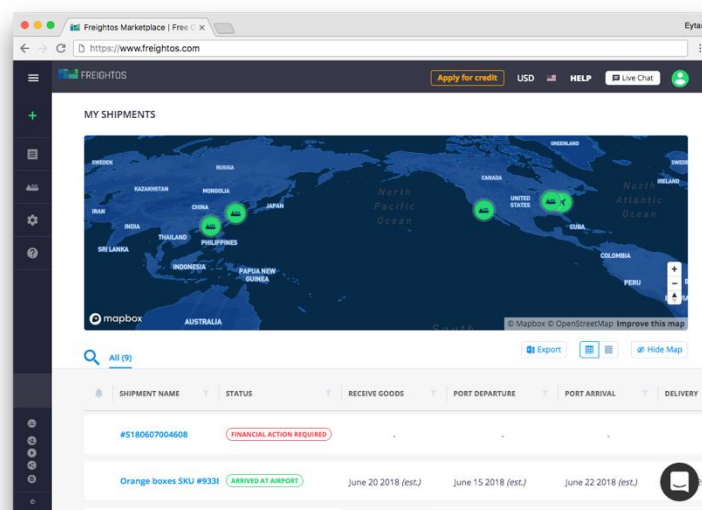
The change most evident in Q2 2018 was the speed at which large carriers and forwarders are implementing new initiatives. Maersk made major strides in visibility and digital sales, while large forwarders are also arming up on digital sales, with companies like K+N, DB Schenker, and Geodis shifting to more digital operations. Data is also playing an increasingly larger role, for enterprise players using indexes like the Freightos Baltic Index (FBX). Investments in the sector also continued strong, such as Google's \$550 million investment in JD.com, Maersk's investment in a sensor technology startup, and investments in drone delivery technology.



FREIGHTOS UPDATES

Freightos.com

Freightos.com continued its strong climb up-market, driven by shipment management features, like track-and-trace and back-end integration with providers. Reliability also played an important role, with automated reporting across 75+ vendors, in-line reliability metrics for shippers, and even better communication features. In total, this propelled a 30%+ growth in quarter-on-quarter bookings, and an [NPS](#) of 80 compared to an [industry benchmark of 56](#).



Freightos Market Intelligence

In conjunction with the Baltic Exchange, Freightos launched the [Freightos-Baltic Index \(FBX\)](#), a benchmark international maritime index powered by the world's largest freight rate database, providing reporting on 12 core lanes. The FBX is available on both Bloomberg and Thomson Reuter terminals.

Freightos AcceleRate and WebCargo SaaS

Freightos AcceleRate continued enterprise forwarder rollouts, expanding to top Japanese forwarders, and kicking off rollouts across two top ten forwarders. Freightos WebCargo completed a successful pilot with a leading global air carrier of **live air freight eBookings** and capacity queries. Strong global growth across midsize and enterprise accounts drove over 2.5 million quarterly air rate searches and a strong 16% growth in usage from Q1 to Q2.



LOGTECH REPORT

Amazon

While most shippers [don't know where their cargo](#) is at all times, Amazon's new app provides [instant tracking of express package location and delivery time](#). Amazon's also trialing new last-mile approaches, like [delivery to car trunks](#) or [Hubs by Amazon](#), a delivery locker geared towards apartment buildings.

In the logistics space, the e-commerce juggernaut made the most noise when announcing a franchise model enabling entrepreneurs to [create delivery fleets](#) of 20-40 Amazon-leased vans, helping scale delivery of the 1.2 billion packages it ships in the US every year. This will complement the existing "Flex" service, where independent employees can deliver on behalf of Amazon.

On the fulfillment side, Amazon is now restricting storage space on stagnant stock. Pharmaceutical supply chains may see more Amazon usage soon, following a [recent billion dollar acquisition of PillPack](#).

Alibaba

Continuing a spending spree, Alibaba and Cainiao are buying up [10% of Chinese courier ZTO](#), on the heels of its \$1.4 billion IPO in the US. Alibaba aims to scale up to handle the [processing of one billion packages](#) each day, aiming at 24 hour delivery within China and 72 hour delivery worldwide with hubs across [Asia, Europe, and the Middle East](#). Alibaba also [quietly launched](#) an in-house online service for LCL shipments to the United States.

On the last-mile side, Alibaba is expanding its e-commerce presence in its hometown, [investing \\$720 million](#) in a local e-commerce platform Huitongda that spans 15,000 towns in China. It also unveiled some new delivery tech, including a 9 mph robot and a storage locker for last-mile pickup.

Increasing its Chinese push, Google picked up [\\$550 million of JD.com shares](#), with the goal of combining JD.com's supply/logistics expertise and Google's customer reach and data capabilities.



International Logistics

Citi and Canaan Partners [invested](#) in Contguard, a startup providing Big Data and IoT-driven shipment monitoring and product trade information to Fortune 500 customers. FlowSpace, a California-based startup, [raised \\$2.2 million](#) for its on-demand warehousing solution. Flexport [raised a \\$100 million round](#) from Chinese SF Express, bringing total funding to over \$300 million. [Adnavem](#), a Swedish tech forwarder, launched as competition to German-based FreightHub. WiseTech, the Australian supply chain company on a year-long acquisition spree, [acquired Pierbridge](#).

As for **enterprise forwarders**, DSV said it will lean heavily on technology to compete with Amazon, particularly digital tracking solutions. According to the company, over [80% of its bookings take place electronically, up from 10% a few years back](#). Panalpina is also moving strong on technology, launching the [Panalpina Digital Hub](#) to focus IoT, cloud computing, predictive analytics, AI, and blockchain efforts. Following the Twill/Damco model, Agility Logistics began to sell online as a [digital freight forwarder under the ShipA Freight brand](#). Meanwhile, Damco is [expanding Twill's operations](#) to India, and [DB Schenker hinted](#) of a digital forwarder launch later this year.

In **maritime tech**, two European ship management companies teamed up to build the [Yarra Birkeland](#), the world's first electric, autonomous container ship. On the **carrier side**, [Maersk and Sea Machines](#) are trialing AI technology to improve maritime situational awareness. As part of its startup accelerator program, Maersk invested in [Sensor Transport](#), a software-based startup enabling monitoring of goods with IoT sensors and more.

CMA CGM [is closely tracking Maersk's integrated model](#), [buying a 25% stake](#) in CEVA Logistics. It's also getting into the AI space, [working with Shone](#), a San Francisco-based startup. CMA CGM also expanded [Traxens sensor and tracking visibility](#) to all customers.

Hyperloop continues grab the spotlight. Virgin Hyperloop One and DP World launched a [joint venture](#) for palletized shipments and competitor Hyperloop Transportation Technologies launched an [innovation hub in Brazil](#).

West Coast technology is helping redesign ports too. The Port of Long Beach announced an initiative to reach [zero-emissions](#) with a \$9.7 million grant, while the Port of Oakland launched an [information gateway for shippers and truckers](#).



Trucking

A [confusing muddle of trucking marketplaces](#) have emerged with enterprise brokers now getting involved. Following a 50 shipper pilot, XPO launched [XPO Connect](#). Developing markets are seeing similar plays, with [Nigerian Kobo260 raising \\$1.2 pre-seed funding](#) and [South African Innovate Logistics](#) looking to connect spare capacity with consumer shipments.

Autonomous trucking keeps rolling forward. Chinese TuSimple is in talks with 10 Chinese ports to roll out [self-driving container trucks](#) by the end of the year, and Suning, an autonomous truck company, trialed [Level 4 autonomy trucks](#). Container trucking is experiencing a boom, with platforms like Haulio, a Singapore-based startup [providing Uber-like booking of container trucks](#). DB Schenker also kicked off [real-world trials of two networked trucking convoys](#).

Last Mile

project44 raised a [\\$35 million round](#) for logistics connectivity, bringing total funding to \$48 million. LoadShare, a logistics network and visibility platform based in India, [raised \\$5 million](#).

Fighting back against Amazon, Home Depot launched a [\\$1.2 billion, four-year program](#) to improve last-mile delivery, aiming at providing next-day delivery across America by 2022. Oversized e-commerce appears to be growing strong, with [Uship](#) offering last-mile delivery to e-commerce retailers and [DHL partnering with Magento](#), the online e-commerce platform, to enable MENA retailers to ship both parcels and freight globally. Walmart also bet heavily on the last-mile sector, [acquiring India's Flipkart for \\$16 billion dollars](#) and indicating intent of an IPO in the next four years.

Drone Delivery

Car manufacturer partnerships are in vogue, with Waymo [finalizing a partnership](#) with Honda for a self-driving delivery vehicle and [Postmates partnering with Ford](#) to test customer reactions to autonomous delivery.

E-commerce giants globally are focusing on last-mile autonomous delivery. JD.com disclosed that their [autonomous delivery truck](#) has now completed 17,000 hours of testing and [Alibaba announced new delivery robots](#). Meanwhile, Exotec Solutions [raised \\$17.7 million](#) for warehouse drones that can move on the floor as well as up and down on racks.



It's not just happening on the ground. Companies like Elroy Air and Sabrewing are [developing unmanned cargo drones](#) to compete with short-haul trucks and small freight aircraft, while Israeli Flytrex is [working with partners worldwide](#) on developing consumer drone delivery across the US, Ukraine, Africa, and Iceland. Funding is getting pushed to new companies, like Matternet, a drone delivery network, [which raised a \\$16 million](#) round, having already raised \$9.5 million in 2016. The money will be used for expansion in more urban environments.

Blockchain

Samsung SDS, the electronic giant's logistics and tech arm, is [contemplating using Blockchain to manage global shipments](#), with the goal of reducing shipping costs by 20%. Carriers are also focusing on new blockchain efforts on air and sea. [Swissport is teaming up with Olam](#) to explore blockchain can help cargo handling, and its passenger services has teamed up with Winding Tree, a blockchain travel distribution platform. Brussels Airport has also launched a blockchain initiative to handle [freight documentation management](#) with a digital release process. On the ocean, HMM and Oracle are cooperating on blockchain and IoT projects as well, while Maersk is exploring blockchain in other verticals, like a [marine insurance blockchain pilot](#) together with Microsoft, EY, and others.

Beyond documentation management, blockchain is being used for a variety of purposes tangential to freight. For example, Tradeshift, a digital invoicing and supply company that recently raised \$250 million, is [launching a blockchain finance system](#) for international payments. Also, DB Schenker and Singapore's VeChain have developed a [blockchain-based supplier evaluation system](#) to score Schenker's 3PL partners in China on packing, quality of goods, and more.



Freightos® makes global trade frictionless with the world's online marketplace for the trillion dollar international shipping industry. The Freightos Marketplace helps importers and exporters reduce logistics spend and save time with instant comparison, booking and management of air, ocean and land shipments from top logistics providers. The result is international shipping that's as smooth as booking a flight online.

Freightos has accumulated the world's largest global database of multimodal freight rates, providing industry transparency with the Freightos International Freight Index. Founded by serial entrepreneur Zvi Schreiber, Freightos is a logistics technology pioneer with a worldwide presence, and has raised \$50 million from leading venture funds, including GE Ventures.

Freightos In the News

- [Freightos in the Economist on digital freight transformation](#)
- [The 2018 annual mystery shopping study in Journal of Commerce](#)
- [Reuters coverage of the Freightos-Baltic Index launch](#)
- [OpEd by Zvi Schreiber in The Loadstar on air freight open standards](#)
- [Data-driven exploration of whether freight tech is overhyped in the Freightos blog](#)

