Striking Freight Deals Online

Web-Based Services Offer Users Point-and-Click Access to Loads

By Stephen Bennett
Contributing Writer

Developers of Web-based, transactional freight exchanges believe their services can shepherd in an era of one-stop shopping for moving cargo, where deals are made without so much as a phone call.

Industry experts, load-board operators and some fleets caution that knowing who's carrying your cargo is more important than point-and-click convenience, but increasing industry participation indicates that the transactional model may soon claim a larger share of the freight market.

"I like the concept. I see it as an improvement on the methodologies that are already in play," said Herb Schmidt, president of Con-way Truckload, Joplin, Mo. "It's a bit more customized in that they try to match a carrier with capabilities that meet the needs of the individual shipper."

Schmidt said he served as an "independent sounding board" to the founders of Post.Bid.Ship, a freight exchange based in Tucson, Ariz., that launched in 2010 and that has since registered 900 carriers operating 140,000 trucks. "I helped critique their product because I think it has merit," he said. Con-way Truckload, which ranks No. 3 on the TRANSPORT TOPICS Top 100 list of the largest for-hire carriers in the United States and Canada, will likely make use of Post.Bid.Ship to balance lanes, "once it grows to size," he added.

Schmidt said sites such as Post.Bid.Ship offer an alternative to load boards, websites where shippers and freight brokers post available loads and negotiate with carriers interested in making a pickup until a deal is reached.

"Load boards, generally speaking, offer carriers as a commodity," he said. "Often, the lowest bidder gets the business, and that's not necessarily meeting the shippers' needs."

Often, those negotiations take place over the phone, which gives freight exchanges an edge, said Matt Chasen, CEO of uShip, Austin, Texas, a freight exchange that launched in 2004.

"The negotiation is done online and the transaction is done online, so it eliminates what is a really costly aspect of most shipper-broker and carrier operations — making hundreds of phone calls a day trying to find and arrange carriers."

The uShip marketplace is working well for Jamie Stewart, co-owner of Dry Creek Express, Selfridge, N.D. For a small carrier like hers, the customer data that uShip.com maintains provide her with a level of comfort that she won't be swindled.

"I feel comfortable with them because I know I'm going to get paid," she said. "That's never been a problem" because the exchange has shippers' credit card information on hand.

Stewart started using uShip in March 2011 to find flatbed and stepdeck loads for her 10 drivers, of whom nine are owner-operators. Today, she finds approximately 75% of loads for her drivers through uShip, she said. Her company makes more money per movement using the exchange because she deals directly with shippers, Stewart said.

On load boards, Stewart said, the posted loads are often being brokered by other carriers, who take their cut. "They want something

Truck driver and Dry Creek Express co-owner Brian Jochim secures a grader to a flatbed trailer. The North Dakota-based company finds loads through uShip.com, an online freight exchange that allows shippers and carriers to negotiate deals through the company's online portal.

Dwayne Walker

Online Freight Exchanges Aim to Bring Carriers, Shippers Together

for their time," she said.

DAK Shipping & Transport, Sarasota, Fla., runs 25 flatbed and stepdeck trucks. The carrier is finding approximately half of its loads through uShip, office manager Erica Post said.

"Jim Smith just bought a Terex wheel loader that he needs to get from [auctioneer] Ritchie Bros. to his farm," Post said, describing a typical load. The farmer could start calling trucking companies, "or he can put it up on uShip and get people like us who specialize in heavy haulage," she said.

A drawback is that a load is "out there for everybody to bid on," Post said, with the result that DAK sometimes has to go up against others who aren't full-time professionals — such as "the guy that needs to get to a wedding in Nebraska and is willing to do it for well under market price because he just needs to get out there."

It is on this point that load boards contend their services have an edge; knowing who you're dealing with through personal contact.

Chris Caplice, executive director for the Center for Transportation & Logistics at the Massachusetts Institute of Technology, Cambridge, Mass., said acquiring in-depth information about a carrier from an online exchange can be a challenge.

For instance, he said, shippers want to know a carrier's on-time delivery rate in a region, not just its overall on-time delivery rate. In the case of a refrigerated load, a shipper might want to know whether a carrier keeps its temperature-controlled trailers cool when they are empty, Caplice said.

"You want to know who is carrying your freight. You want to vet the carrier," he said.

Despite those concerns, the increased use of freight exchanges appears to be driven by technology.

The wide deployment of information technology — transportation management systems on the shippers' side and dispatch software on the carriers' side — had yet to occur when the National Transportation Exchange tried to create a nationwide exchange in 1995, NTE President Robert Rocque said. After about six years, it was made over into a private exchange for subscribers, he said, adding that with continued deployment of IT, a national electronic exchange for freight could be achieved in five to seven years.

"It'll happen," Rocque said.

Norm Ellis, vice president of sales, services and marketing for Qualcomm Enterprise Services, San Diego, agreed that a national electronic exchange is in the offing. He said having sufficient bandwidth is a key to collecting enough data to make electronic exchange work.

"We will see it," Ellis said, adding that shippers and consignees will have the greatest say in establishing any kind of freight exchange.

And MIT's Caplice said the advent of software as a service (SaaS) and the resulting increased sophistication and interactivity of

Employees provide support to TransCore's DAT load board from the company's network operations center. Load board operators said their services have more volume than freight exchanges.

websites, has helped make the online exchanges possible.

Software as a service is a software distribution model. It enables applications — such as an exchange for spot freight — to be hosted by a vendor or service provider and made available to customers over the Internet.

Some of the entrepreneurs behind the current batch of online exchanges — which include, in addition to uShip and Post.Bid.Ship, GR8FR8.com, Grand Rapids, Mich. — had varying views about the potential for a "national" version.

Jarret Hamstreet, a 2010 grad of the MBA program at the University of Arizona, and one of the co-founders of Post.Bid.Ship, said he doesn't foresee a large national exchange coming into being.

"I don't expect any one company to dominate," he said. "It's such a big market that there will be more than one exchange. Hopefully, we'll be included in that."

Chasen of uShip said, "There are a lot of different business models and players in this industry, and each one has a little bit different flavor."

But he did say the exchanges can challenge load boards." Load boards are really dinosaurs," Chasen said. "They're more [about] lead generation than a true marketplace. They make the phone ring, sometimes, but that's all they do. A transactional platform or marketplace is enormously better than a load board."

Load-board operators, however, said they already provide national venues for spot freight.

"We're national," said Tim Bickmore, pres-

ident of TransCore Commercial Services, Beaverton, Ore., which runs DAT and Getloaded load boards. "We do the majority of business with our customers online."

Carriers, shippers and brokers post loads or capacity, and use the telephone as a natural, necessary part of spot freight movements, Bickmore said.

"The spot market is the exception market," he said, adding that there's got to be a meeting of minds on the value of moving a load. "It's mainly the consummation of the deal that takes place on the telephone."

Fergus Caldicott, general manager and vice president of Getloaded, said discussing a freight movement over the phone "is a core skill for the brokers and the carriers. When you're moving a potentially very important and very expensive load your reputation is on the line."

But the biggest difference between load boards and the online exchanges is one of volume, the TransCore executives said.

"We do business with, literally, tens of thousands of trucking companies, and they represent hundreds of thousands of trucks that are under their management," Bickmore said, adding, "We do tens of millions of transactions every year."

More than 20,000 brokers and shippers use DAT and Getloaded, and that volume draws the industry's players — shippers, brokers and carriers — back for more, he said.

One of them is Tim Burke, president of Sammons Trucking, Missoula, Mont.

"With an Internet Truckstop or TransCore, you have the capabilities of posting your available trucks or you can search for avail-

able loads for your trucks or you can search for available trucks for your loads," Burke said. "It's a true broker-carrier relationship."

Sammons contracts all of its drivers — approximately 325 independents — and has about 375 trailers in service, most of which are stepdecks.

The new exchanges "try to qualify as best they can who they're doing business with," Burke said, "but some third parties, some brokers, still slip in and we end up finding [that a load is] too cheap to haul — and someone wants to haul it for even less than that."

Burke called the online exchanges "3PL boards."

"From what we've seen it's a commodity shipper trying to get the cheapest carrier available for their commodity shipment," he said.

Leigh Foxall, director of national accounts for load board Internet Truckstop, said the vetting of carriers is a crucial service that it provides, and that builds shippers' confidence. This includes a carrier's safety rating, performance report, CSA score and insurance, she said. Some brokers that use Internet Truckstop provide comparable levels of service.

One of them is asset-based broker Geoff Turner, president of Choptank Transport, Preston, Md. Choptank operates about 40 tractors and some 60 trailers, a mix of temperature-controlled units, dry vans and flatbeds.

"We go to load boards with our excess," Turner said, "as a secondary mechanism." First, it tries to broker loads to other carriers, ranging from small to large fleets, that it works with on a regular basis. "We know what they'll mess with and what they won't mess with. That's where the relationships come in."

Choptank also works to protect its shippers from fraud by checking carriers for aliases, calling carrier's references and looking into their histories to find out if they ever "held a load hostage — refused to deliver a load till they got paid."

Turner said his company's transportation management system enables it to coordinate the posting of the same load at multiple sites; once the load is taken at one online exchange, the TMS removes the post from the other sites.

With the exchanges, however, posting the same load at more than one place is generally not encouraged.

"We strongly discourage any of our customers from posting in multiple places because it becomes a mess," uShip's Chasen said.

Post.Bid.Ship's Hamstreet said most posters do post the same load in more than one place "because they need to move it, and most are fairly up front about it. We don't have a way to ensure that a load hasn't been posted somewhere else. I don't think it's possible really to prevent that."

However, he said expiration dates for loads are designed to help keep information on the exchange current.

"We have not had issues or complaints from shippers," Hamstreet said. ◆