LOGTECH REPORT
Q4 2019 THE FREIGHTOS QUARTERLY

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

Freightos Group Update
Freightos.com
WebCargo by Freightos
Freightos Baltic Index (FBX)

Q4 2019 LogTech Report
Amazon
Alibaba
International Logistics Investments
Trucking
Last-Mile
Drone Delivery
Blockchain

About Freightos Group
Industry Update

In a year skewed by the China-US trade war, the last quarter of 2019 was no exception. The pre-loading of freight ahead of early-year tariffs as well as the possible depression of new demand continued to impact freight volumes through the end of the year. These factors resulted in the first drop in trans-pacific volumes in ten years.

Rates climbed for November’s peak season and then again in December, driven by tight capacity management by carriers and surcharges for the new, more costly IMO2020 low sulfur fuel regulations. The new fuel costs had a stronger effect on prices from China to Europe and the Mediterranean than on China-US West Coast and China-East Coast lanes.

The recent coronavirus outbreak is likely to spike prices once China reopens to accommodate the shutdown backlog. The trade war, and now the virus disruption, is also increasingly spurring US importers to look at East Asian countries other than China as alternative sourcing options.

Air cargo volumes rose on some routes in November, especially for Europe, but were still down overall for the year, making 2019 the worst year for air cargo demand in a decade. Air volumes contracted for China-US routes for the quarter.
Freightos Group Update

Freightos.com

The world’s largest digital marketplace for freight booking and management.

Freightos.com finished the year with another record quarter for both revenue and new user registrations, reaching over 65,000 new users. The team focused on growing its service to small and midsize importers by enabling more agility (the average 5 shipment importer used 3 different forwarders) as well as expanding its partnerships with enterprise importers focusing on the air spot market, leveraging Freightos’ new Digital Air Cargo technology (see below).

Freightos.com also finalized exciting new partnerships with top tier players in global logistics that will be officially announced in the coming quarters.

WebCargo by Freightos

WebCargo Sky is the air cargo industry’s platform for instant air rate search and eBookings, alongside WebCargo Air, AcceleRate and Vista, a suite of software-as-a-service for digitalization of logistics providers in air and ocean.

WebCargo introduced its vision for Digital Air Cargo, a cultural and technological roadmap for creating a comprehensive digital air cargo ecosystem with this video.

WebCargo highlights also included adding more partners including SAS Cargo, Etihad and other major carriers that will be announced in Q1 2020. WebCargo had a record quarter for both revenue and volume of eBookings - which rose 400% - executed through its platform.
Freightos Baltic Index (FBX)

In Q1 2020, the Freightos Group, together with the Baltic Exchange, announced the launch of the Freightos Baltic Index (FBX) publishing daily rates for containerized freight.

Based on Freightos’ access to billions of global container pricing points, and publishing weekly rates since 2018, the FBX is now the world’s first daily container index and is fully audited and in compliance with the International Organization of Securities Commission’s benchmark standards.

FBX is now positioned to become the foundation for index-linked contracts and future derivatives to allow carriers, forwarders and importers/exporters to hedge their risk, as is already customary in other industries.

Q4 2019 LogTech Report

Amazon

Amazon had another busy quarter, including registering a one-day record for items ordered during Cyber Monday. Amazon was busy in terms of logistics as well: their expansion into one-day free Prime delivery over the holidays saw them delivering an estimated half of their own packages in the US, but may have cut into profits as well. As part of that trend, Amazon briefly barred their third-party sellers from using FedEx Ground in December, only to reconnect in January.

While also expanding its in-store pick up Counter service in the US, contracting with Sun Country Air to expand its US air fleet in 2020, and investing $40M in robotics innovation, Amazon was also making moves globally: they acquired digital customs broker INLT, aggressively pushed their Amazon Global Logistics freight forwarder services to Chinese sellers on their US marketplace, and battled with other international investors like Walmart for new delivery channels in India.

Meanwhile, companies like Shopify, Shipbob, ShipHawk and even Walmart are offering competing services to help e-commerce SMBs have alternatives to selling on Amazon.
Alibaba

Alibaba, after releasing a second-quarter report that dispelled some trade-war fears, finished the year strong. Their stock was up 54% annually, with much of that gain coming in Q4 aided by their record $36.5B in sales during their Singles Day event in November. Their IPO on the Hong Kong exchange also added $15 billion of capital.

In terms of logistics, Alibaba invested another $3.3B in Cainiao, a logistics platform that matches riders, deliveries and warehouses for its Alibaba's B2C e-commerce sites in China. Aliexpress also made inroads in attracting vendors to its European platform and in e-commerce logistics India.

International Logistics

The big international logistics players were also very busy in Q4, especially in terms of launches and investments related to the industry's digital transformation.

Among third party logistics providers, DB Schenker partnered with Qwyk to provide real time sailing schedule management for their 4.0 platform, while C. H. Robinson launched Freightquote, a platform enabling shippers to search and eBook across multiple US trucking carriers. Agility expanded its diversification by investing in an e-commerce site builder with a focus on the Middle East.

Carriers also improved their digital offerings this quarter as Maersk launched real-time spot rate connectivity via an API, and invested in an IoT connectivity startup. Evergreen partnered with BlueX to provide ocean freight eBooking to forwarders and SMB shippers. Lufthansa also released an API enabling eBooking on their website.

Developments in digital track and trace technology included the Digital Container Shipping Association publishing data standards to enable tracking across carriers. In addition, IoT company Traxens developed standards for a smart container data sharing API, FourKites and Ocean Insights partnered to develop a plug-and-play ocean shipment tracking solution, and Flexport acquired Crux Technologies to enable real-time tracking. They also announced expansion of their services to the UK and EU, while going through a small 3% downsizing in early February.

ONE container shipping line announced that they are joining NYSHEX, whose members now make 60% of ocean capacity available through digital contracting.
On the environmental front, major carriers are stepping away from arctic shipping, and a coalition of global shipping associations submitted a proposal to the IMO for a 10-year $5B R&D project to reduce the industry’s GHG emissions.

Investments

In addition to the investment activities just mentioned, Alphabet held a secret meeting - with FedEx and JD among the attendees - to explore potential business models and investment opportunities in the e-commerce logistics and fulfillment space. POBA, the Korean pension fund giant, committed $111M to the AXA logistics fund, and DHL announced a planned a 10B EUR investment in the company’s IT, analytics, and digitization efforts.

Trucking

In Q4 trucking digitization developments, Uber Freight expanded its platform to Canada, while Convoy closed a $400M funding round and announced a milestone in its automation efforts with 100% of the loads it brokered to carriers now done automatically.

JB Hunt announced that JB Hunt 360, its digital brokerage portal, is now integrated with the JDA TMS. Logistics software developer project44 is partnering with SAP to give surface tracking capabilities to SAP logistics users in North America and Europe. The Trucker Tools trucking visibility app has added eBooking capabilities for truckload shipments.

Outside of North America, DHL launched Africa’s first eBooking platform for trucking, and Manbang, China’s Uber-like trucking group, invested in Brazil’s TruckPad.

Autonomous trucking made progress this quarter as PlusAI completed the first autonomous US coast-to-coast ride. Autoban AI also made gains in autonomous testing, while Starsky Robotics struggled and is looking to be acquired.

Einride, the Swedish autonomous truck start-up, raised $25M in Series A funding and is looking toward the US market. Israeli start-up Ottopia is working on a teleoperation solution for trucking.

Digital marketplace NEXT eliminated 19% of its workforce and several of its business lines early in the year. It is taking steps toward greener trucking and
announced that it will be moving to zero emissions from its own fleet in the next five years.

Last-Mile

**Walmart** made gains in grocery delivery innovation this quarter. It piloted its **in-home grocery** delivery in several US cities and also announced the launch of a self-driving grocery delivery pilot in the US in partnership with **Nuro**.

In global last-mile developments, **FedEx** is testing a delivery robot in Dubai, while multiple last-mile startups - including one funded by **Alibaba** - are **vying** for space in Asia.

Drone Delivery

Straight to consumer drone delivery is inching closer to reality as **Alphabet’s Wing** received a special FAA Air Carrier Certificate to fly beyond line of sight, and partnered with **FedEx** and **Walgreens** to execute the US’s first store-to-customer drone delivery.

**UPS and CVS** followed closely behind with their own store-to-customer drone delivery in November. Their drone was awarded an FAA Part 135 certificate, which they claim will allow them to scale their solution much more easily than Wing. Meanwhile, **DSV Canada** is planning to provide drone delivery in 2020.

In **India**, drone delivery operator hopefuls will soon participate in a pilot for the state’s own beyond line of sight certification.

Blockchain

Several players announced advancements in blockchain solutions for logistics this quarter as well. **Tradelens** expanded its platform to include ports in Vietnam and Bahrain, while the **Federal Maritime Commission** published the Tradelens agreement - a major step toward the agreement becoming accepted.

**Walmart Canada** launched a blockchain-based shared ledger to track deliveries, verify transactions and automate payments and reconciliation between Walmart Canada and its carriers.

Finally, shipment management software provider **CargoSmart** announced gains in its freight finance blockchain solution.
About Freightos Group

Freightos.com® 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 also provides patent-pending technology that empowers carriers and logistics providers around the world to automate freight sales. WebCargo™ powers rate management, automated pricing, and online freight sales for over 1,900 logistics service providers and carriers, including multi-billion dollar companies like DSV Panalpina and Nippon Express.

Freightos has accumulated the world’s largest global database of multimodal freight rates, providing industry transparency with the daily Freightos Baltic Index. Founded by serial entrepreneur Zvi Schreiber, Freightos is a logistics technology pioneer with a worldwide presence, and has raised $94.4 million from leading venture funds, including GE Ventures.