LOGTECH REPORT
Q1 2020 THE FREIGHTOS QUARTERLY
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Industry Update: COVID-19 and Global Freight

COVID-19’s supply chain impact became clear as early as the end of January, as the outbreak took hold in China, and then beyond, leading to waves of disruptions across the globe.

Ocean rates dipped but did not crash, as carriers cancelled record numbers of sailings during the Chinese shutdown. As Chinese manufacturing gradually recovered in March, ocean rates rebounded with US shippers rushing to replace depleted inventories.

Towards the end of March though, the economic shutdown in the US meant demand for imports dropped: many major retailers, for example, cancelled orders, carriers blanked a new record number of sailings, and ocean rates leveled off.

Air cargo rates, meanwhile, have been spiking. More than half of the world’s air cargo normally travels by passenger jet. With widespread cancellations of flights from China and Europe, and as demand peaked for time-sensitive goods to cope with the virus, prices to ship by air climbed to record highs on some lanes. Some
airlines are repurposing passenger jets as freighters to add some capacity to the market.

While the US and Europe introduced restrictions to contain COVID-19, logistics, defined as an essential industry, has been exempt from regulations. Despite the difficulties, restrictions, and reduced capacity in air and ocean, the supply chain within these regions has continued to move.

Many in the industry have turned to logistics technologies to bridge the gap, ensure operations continue with many teams working remotely, and offer customers new tools to help them manage during the crisis. WebCargo by Freightos, for example, saw a surge in searches and record air cargo eBookings during Q1.

But, of course, the industry is also feeling the pain of the outbreak in myriad ways. Crashing ocean volumes and record blanked sailings have ocean carriers bracing for major losses and concerned about possible bankruptcy, with some already on the brink.

Air cargo carriers are also feeling the impact and seeking governmental relief, with trucking, third party logistics providers, and even logistics technology start-ups unspared.

What follows is a special COVID-19 version of our quarterly logistics technology report, combining the usual updates and developments in the industry with highlights of how different players and segments of logistics have adapted and addressed the havoc caused by the pandemic so far, often by leveraging or adapting digital tools.
Freightos Group Update

In the early stages of the coronavirus crisis, the Freightos Group took preemptive action to improve financial stability in the years ahead, shifting from a radical growth orientation to one focused on profitability. This included unfortunate layoffs of about 20% of the team, primarily on the Freightos.com marketplace business unit.

Just prior to the outbreak, the Freightos Group was able to host its second FreighTech conference in Barcelona in early February.

The event brought together more than 75 leaders from across the logistics and logistics technology landscape to share ideas, discuss challenges, and make connections to keep freight digitization moving forward. The meeting was among the last face-to-face industry conferences of the first half of 2020.

Freightos.com

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

In a quarter dominated by the disruptions wrought by the coronavirus, Freightos.com was nonetheless able to grow in significant ways. Quarterly revenue grew by more than 25% year-over-year. New small and medium size importer sign ups also saw more than 30% growth, and retention of repeat shippers improved as well.

The record number of new sign-ups indicates that, especially during this crisis, shippers are looking for low-touch, digital solutions to simplify the process of shipping freight.

This quarter, Freightos.com was also proud to announce an exciting partnership with *FedEx Logistics* who incorporated its digital *customs brokerage service* into the *Freightos.com marketplace*. This addition now enables our 150,000+ registered importers and exporters who search and instantly book multimodal freight on the Freightos.com platform to benefit from FedEx's world-class US imports customs brokerage expertise as well.
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 by Freightos was also able to experience growth despite the major disruptions to air cargo capacity during the crisis, and the significant financial impact that the pandemic is having on the major air carriers.

Quarterly user activity increased by more than 10% year-over-year, with a new quarterly record set for eBookings, indicating that logistics providers are looking for real-time air cargo options in this volatile environment perhaps especially while working remotely.

WebCargo was proud to have Etihad Cargo go live on its platform, develop API connectivity with Maersk and Vanguard Logistics and be part of the FedEx partnership with Freightos.com. FedEx Logistics rolled out AcceleRate, WebCargo’s multi-modal rate management and sales digitization platform, and WebCargo Air, the premier air cargo pricing, quoting, and eBooking platform, which spans over 330 airlines.

Finally, in an effort to help logistics providers stay up to date on air cargo rates during the crisis, WebCargo is offering forwarders a package of products at no cost.

Freightos Baltic Index (FBX)

In early February, Freightos Data, together with the Baltic Exchange, announced the formal 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.

In order to uphold our mission to help make global trade frictionless, and as a way to help logistics providers and businesses stay on top of the rapidly shifting logistics reality during the crisis, FBX has also unlocked access to the daily index for the remainder of 2020.

**Q1 ‘20 LogTech Report**

**Amazon**

Amazon had to implement broad changes to adjust to consumer demand shifts to household and essential goods, and to contend with the surge in eCommerce activity due to shelter-in-place restrictions.

The company started an estimated 100,000 distribution worker hiring spree to accommodate the increase in orders, but even so struggled to meet two-day delivery commitments and grocery deliveries.

In addition to battling price gouging and counterfeits on its marketplace, it also scaled back the services – like Fulfillment by Amazon for non-essential items and last-mile delivery – offered to third party sellers to focus on their own customers and on high demand goods. In addition, it delayed its annual Prime Day until August.

But before and even during the crisis, Amazon continued its push further into the logistics and logistics technology space, making moves in auto tech, and in robotics-based fulfillment centers.

The eCommerce giant also extended its logistics reach by expanding its current air cargo operations services to Europe. In addition, it may be planning a start-up cargo airline of its own.
The company's success is also drawing new forms of competition. Walmart announced the launch of a paid membership program as well as fulfillment services for third-party sellers on Walmart.com to rival Amazon Prime and FBA respectively.

Alibaba

Alibaba’s logistics services were key to meeting the surge in demand for online orders early on in China's shutdown.

It was also a key player in applying logistics technology solutions to help in the fight against the virus – making deliveries in Wuhan early on during the lockdown and launching a dedicated platform to expedite the ordering and fulfillment of PPE and medical supplies in China.

Alibaba also took steps to support its customers during the pandemic, including a recent webinar featuring Freightos Group experts providing market insights and best practices for managing freight during COVID-19.

The virus and shutdown did not slow Alibaba's steps in logistics and eCommerce, as it expanded its Alibaba.com marketplace to include US SMB sellers, continued the roll out of Aliexpress in Europe, and further invested in express and last-mile delivery in both China and India.

International Logistics

The logistics community has unfortunately been hard-hit by the crisis. In terms of freight technology, though, the volatility of the market seems to have served as an accelerant for digitization.

Multiple examples of logistics providers rolling out or seeing the increased use of digital tools popped up since the outbreak. Examples include Kuehne+Nagel releasing a feature for updates on blank sailings and disruptions in its Sea Explorer platform, Zim launching electronic bills of lading to expedite freight during the crisis, and WebCargo logging a record number of air cargo eBookings – even from hard-hit locations like Spain and Italy – during the shutdown.

But more pronounced than these examples of freight tech during the pandemic has been the conversations and awareness of the need for digitization that the crisis has spurred. A recent study saw two-thirds of freight forwarders reporting that they
intend to invest more in technology as a result of the crisis, and numerous industry leaders and analysts see the pandemic as pushing tech from being considered unnecessary or nice to have, to essential for moving forward or weathering the next storm.

Important steps in freight digitization not related to COVID-19 also managed to take place this quarter, such as the Ocean Network Express announcing it has joined the ranks of carriers offering electronic bill of lading. Evergreen took a big step forward in launching GreenX, a digital platform offering instant quotes and eBookings. The DCSA consortium also published guidelines for how to comply with the new IMO cyber security requirements.

Air cargo eBooking gained traction this quarter, with examples including WebCargo’s new partnerships, and Lufthansa releasing an eBooking API.

Tech developments among freight forwarders included C. H. Robinson launching an innovation incubator to develop supply chain solutions, Kontainers adding air and road freight to the online sales portals it can develop for forwarders, and DCSA announcing a partnership with Chain.io to develop track and trace APIs connecting carriers, forwarders and shippers.

On the environmental front, CMA CGM joined a group committed to developing hydrogen-powered shipping.

Investments

In other logistics tech investment news, Shipamax, offering back-office automation solutions for logistics providers, raised $7m in series A funds, Slync.io raised $11m mostly from major freight forwarders for its logistics data automation solution, and SourceDay raised $12.5m for its supply chain management software.

Digital drayage marketplace Dray Alliance raised $10.2m, and Maersk Growth invested in eCommerce fulfillment provider Huboo.

Trucking

The focus on household and essential goods made for a surging but unbalanced trucking market as the shutdown took hold in the US.
With the industry focused on only certain verticals and carriers hustling to transition to those specific parts of the supply chain, some logtech providers, such as Trucker Tools, sought to ease the pressure through releasing new digital booking and tracking tools. The volatility of the market may have also raised the profile and shipper interest in predictive pricing tools for road freight.

In non-COVID-19 developments, road freight booking platforms took several steps forward as Uber Freight announced record revenues, Emerge raised another $20m, Transfix launched a guarantee for rates predicted by its platform, and Transplace acquired LaneHub. Sendy, a freight and last-mile booking platform in Africa, also raised $20m in funding from Toyota.

Developments in self-driving vehicle technology included Locomation and Waymo respectively announcing that their self-driving trucks will be tested on US highways, while Starsky Robotics has effectively closed its doors.

Last-Mile

In addition to the Amazon and Alibaba examples of reliance on logistics tech during the pandemic, last-mile tech companies such as Bringg also sought to help the supply chain through to delivery.

Bringg made its shipping management software for SMBs free during COVID-19. The company also raised an additional $30m in funding this quarter.

Shippo, a platform that helps eCommerce sites integrate with last-mile providers, raised $30m in new funding, last-mile provider Shipt added Office Depot and OfficeMax to its same-day delivery service, and Instacart announced plans to be in all 50 states by the end of the year. Skipcart, meanwhile, announced it would no longer provide delivery for Walmart’s grocery service.

In driverless and electric car developments, California regulators approved Nuro driverless delivery vehicles to run pilots in cities across the state, while Amazon, DHL and others announced the launch of a coalition to develop electric vehicles for their fleets.

Drone Delivery

Drone delivery solutions were put to the test in multiple ways during the crisis.
In Ghana, for example, Zipline delivered COVID-19 test samples by drone, UPS and partners tested their drones for COVID-19 support in Virginia, and Alphabet's Wing serviced record volumes of household goods deliveries in its pilot cities in the US and Australia.

In other drone-related developments Swiss Post and Matternet were able to resume drone deliveries in Lugano, JAL received approval to test its medical delivery drone, and Volocopter raised $94m in funding from DB Schenker and others for the development of its unmanned air taxi.

Blockchain

Even blockchain logistics solutions were tapped to help in the COVID-19 response as 3PL SF Express used blockchain to track critical goods during the shutdown in China, and blockchain solutions related to the food supply chain were categorized as critical services, exempting employees from any lockdown restrictions.

In other blockchain developments, Alibaba's Koala import platform is now using blockchain for shipment tracking, CargoX's electronic bill of lading blockchain product was approved by an international insurance body, Standard Chartered Bank became the first bank to join TradeLens, and members of CargoSmart-led Global Shipping Business Network signed a shareholders agreement.
About Freightos Group

Freightos.com® makes global trade frictionless with the world’s largest 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.