



LogTech Review

Q2 2017

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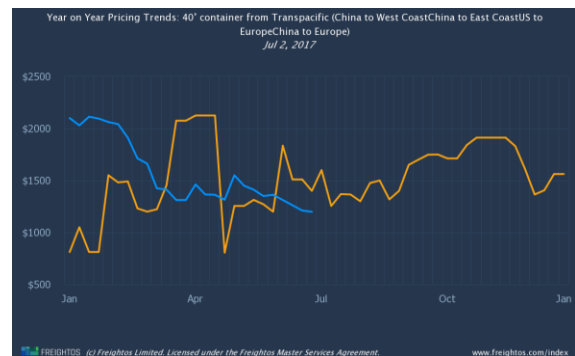
Drone

This quarterly review of disruptive technologies in logistics and shipping is brought to you by Freightos, the internet marketplace of the trillion-dollar international freight industry.

Trends

Industry Trends

The underlying theme of ocean freight pricing in this quarter was stability, as opposed to the volatility that characterized ocean freight in 2016. According to the **Freightos International Freight Index**, the standard deviation for China – US (West Coast) prices between March and May 2017 was \$69 (5% of the average price), compared to \$450, or 30% of the average price, in Q2 2016. Insufficient demand continues to constrain upward rate mobility, as demonstrated by the negligible pricing impact of the combined effect of Memorial Day, Dragon Boat day and congestion in Shanghai.



Following **weak 2016 pricing** and lower shipping volumes, logistics spend as a percentage of the US GDP dropped from 7.84% in 2015 to **7.5%** in 2016. Meanwhile, US import changes from the expanded Panama Canal will gradually shift some **10% of West Coast imports to the East Coast**.

Logistics Technology Trends

During the second half of June, Amazon and Alibaba both held conferences in the United States, appealing to small and midsize businesses selling on their platform. While Alibaba was advocating sales to China as Amazon advocated cross-border importing, both are clearly pursuing an SMB focus, as Big Box retailers continue to struggle.

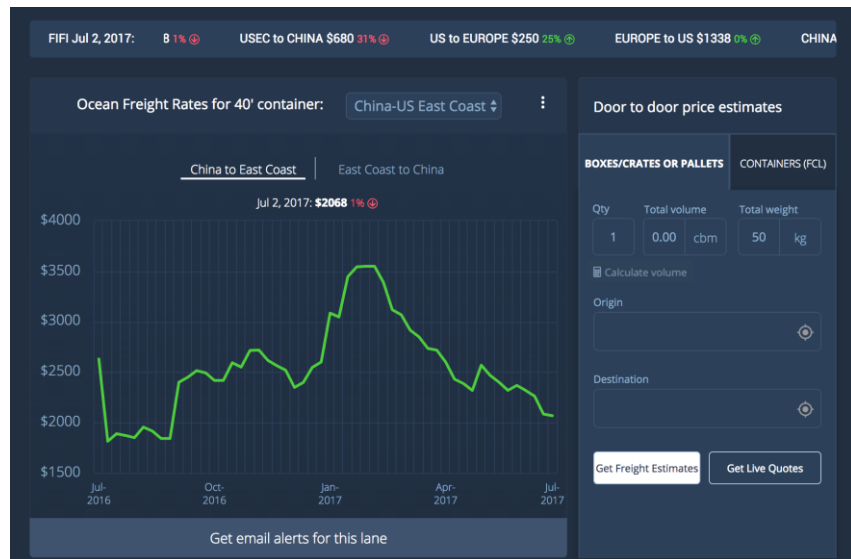
For enterprise forwarders and carriers, the marching orders for Q2 appeared to be freight visibility, as a number of companies unveiled solutions to enhance cross-supply chain visibility of shipments. The last-mile drone delivery space stayed hot, both in the air and on the ground. Meanwhile, Uber Freight formally launched its product, while continuing to face strong competition from other on-demand trucking startups.

The quarter ended on a somber note for digitization, as a global cyber attack called Petya **infiltrated** Maersk Line's systems, leading to a freeze on new bookings of containers on Maersk ships and halting operations at APM terminals for a couple of days.

Freightos

Freightos closed Q1 2017 by announcing a **\$25 million Series B** round in Freightos, led by General Electric Ventures. The funding will be used to continue the strong Freightos Marketplace growth, accelerate product development for freight shipment management, and fuel international expansion.

Development on the free **Freightos International Freight Index** continued, with additional routes added to the world's most accurate freight index. The index is regularly leveraged by logistics media and financial professionals for tracking global freight trends.



Freightos Marketplace

Shipments on the Freightos Marketplace grew by nearly 200% between Q1 and Q2, bolstered by strong repeat usage. In the first launch outside of the United States, Freightos **launched in the United Kingdom**, driving strong initial shipment volumes. Finally, seller-side interest in the Freightos Marketplace continued, with the number of logistics service providers offering services online doubled over the quarter.

Freightos AcceleRate™ and Freightos WebCargo™

Strong enterprise rollouts contributed to over 50 new accounts from logistics providers on Freightos logistics technology software, including two new top-tier global forwarders, as well as a 66% increase in quoting on Freightos AcceleRate. Freightos WebCargo rolled dozens of features, including online quoting capabilities across both carriers and agents, while Freightos AcceleRate released a suite of enterprise reports of platform usage, complementing the powerful on-demand integrated business analytics tool.

LogTech Industry Activity

Amazon

Amazon will dominate over half the US e-commerce market by 2021, scaling up from its **34% current market share**. It's next challenge will be to export that success, expanding its **6.6% share of import sales** in China by investing in US export infrastructure to service the expanding Chinese middle-class. Amazon is also expanding its private labels offerings, while signs of Amazon-controlled manufacturing draws near, like a recent patent for **on-demand clothing manufacturing** .

Within the last mile delivery space, Amazon is looking to **onboard an army of 10,000 independent couriers** for same-day delivery in Japan, side-stepping local courier companies. According to the **WSJ**, while Amazon has formed a task force in its supply chain division to identify how driverless vehicles can be used to improve the business, it has no plans for internal development of capabilities.

According to industry experts, despite the acquisition of Whole Foods, Amazon still **lacks the refrigerated equivalent** of the nationwide domestic warehouse space it needs to dominate the grocery space. Within the US, DHL announced it will begin to **offer its services** to Amazon at its CVG air hub.

Alibaba

Jack Ma is getting more vocal about plans to **encourage global businesses to sell to the Chinese market**, and, by extension, the global market.

Best Logistics, an Alibaba-backed logistics company, is currently planning a \$1 billion dollar IPO in New York in hopes of riding the wave of interest in the Chinese logistics industry, which currently accounts for 25% of the \$9 trillion annual global logistics industry.

Not to be beat out in last mile, over the next decade, Cainiao Network plans to deploy **one million smart vehicles**, augmented by artificial intelligence, to reduce time and distance travelled for their courier delivery network in China.

Logistics

Evergreen Line joined other carriers offering services through the **Alibaba platform**. Meanwhile, CMA CGM announced investments in **five startups** while **offering online Asia-Europe bookings through AgreeFreight**.

Q2 was a strong quarter for visibility technology. DHL Global Forwarding launched both **Ocean View**, which offers real-time updates on maritime shipments, **DHL SupplyWatch**, an AI program for identifying supply chain disruptions, and **Saloodo**, an online trucking marketplace. DP World also released a **container visibility solution** in the UK, as French startup Traxens unveiled a **smart freight train tracking solution**. In Germany, Panalpina **launched a pilot ocean shipment management system**. Finally, CHAMP took tracking further with voice-based air cargo tracking via **Alexa**.

Undaunted by a **hack** that snarled global operations, Maersk continues multiple digital initiatives, including a partnership with Chinese ecommerce platform Yun Qu Na, an Alibaba partnership, collaboration with IBM on block-chain, rollout of Microsoft's Azure platform and **more**. Maersk also accepted the delivery of the **world's largest box ship** this quarter, clocking in at 20,179 TEUs. Perhaps most telling of the digital sales ecosystem, Damco, Maersk's freight forwarder, launched **Twill Logistics**, a digital forwarder that offers online quoting, shipment management, exception management and document handling.

In the startup space, **Freightos** extended service for its online Freight Marketplace to the UK, as Haven, until recently a marketplace for bulk shipping, pivoted to focus on providing a **TMS for shipment management**. Shipamax, a freight shipping communication startup, **raised \$2.5 million dollars**.

Samsung SDS is spearheading a Korean **blockchain consortium** to streamline collaboration with across the supply chain ecosystem.

New **Silk Road** services continue to emerge, ranging from a **weekly China-Italy freight service** to ongoing service from **Ziamen port to Moscow**. Alibaba is also **acquiring warehouses** along the Silk Road, while WACO System expanded its network to **three members** along the route.

Trucking

After beginning the quarter by revealing **first images** of a tunneling machine from The Boring Company, a startup Elon Musk believes can create to a network of multi-layered underground tunnels for alleviating traffic, Musk closed the quarter by tweeting that the first elevator for lowering cars into the tunnels was **ready**.

According to some **industry observers**, Uber's entrance into the freight trucking may have been off to a bumpy start, facing competition from a fairly saturated tech environment, all while engaged in a legal battle with Google's Waymo (which **revealed** its own autonomous truck). This provides valuable lead time for competitors, like Ontruck, a Spanish startup that **raised a \$10 million round** to vie for market share in the space.

The US trucking market continues to evolve into being more customer-oriented and technology-based. Justin Hall, the Chief Customer Officer at YRC, described YRC as "**a technology company with an LTL network**", helping customers compensate for shrinking logistics departments. Riding the technology bandwagon, competitor J.B. Hunt revealed an **online trucking marketplace for carrier booking**.

KeepTruckin, a startup that assists truck logging with both software and hardware, has **raised \$18 million dollars**. Finally, Peloton Technology **raised \$60 million** from investors (including Intel, which recently closed **a massive \$15 billion purchase** of autonomous vehicle company Mobileye), to develop convoy technology that should see commercial usage before the end of the year.

Last Mile Delivery

Darkstore, a **fulfillment startup** that helps companies provide same-day delivery, raised \$1.4 million in funding.

Shipbob raised an additional **\$17.5 million** to compete with Fulfilled By Amazon (FBA) for warehousing and last-mile fulfillment.

Shippit, an Australian fulfillment company, **raised \$1.6 million dollars** to scale order fulfillment and tracking for retailers.

Indian **Loadshare** raised an undisclosed amount of funding for its remote delivery SaaS marketplace platform. The company currently handles over 10,000 shipments per day.

CarPal, a last-mile on-demand courier startup in Singapore, raised \$2.7 million to power its SaaS application that enables businesses to manage a courier fleet.

Drones

Robotics warehouse startup Locus Robotics, formed by former employees after Amazon's acquisition of KIVA, unveiled faster autonomous warehouse operations with **robot-to-robot communication**. The company's robots are used by major retailers and forwarders like **DHL Supply Chain**. Hot on the track for more automated warehouse operations, **RightHand Robotics** is developing robots that can pick and pack boxes.

JD.com, the second-largest Chinese e-commerce platform, is investing heavily in a **newly-created logistics unit** to optimize warehousing, transportation and delivery

Safety issues continue to plague aerial drones. The UK reported three narrow misses between drones and airplanes near Heathrow during a three week period last year, while **registering 70 misses** throughout 2016, up from 29 in 2015. The FAA recently **barred drones** from flying within 400 feet of 133 US military bases.

Hermes will pilot parcel collection with a **Starship Technologies ground drones** in Southwark, London, as Boston Dynamics tests a **dog-shaped delivery robot**. For longer deliveries, **Teleretail AG** revealed a ground delivery solution with a 50 mile range.

Natilus's **jet-sized drone** will carry up to 200,000 pounds in cargo on international shipments, traveling at slower and more affordable speed than air freighters. Mitsui OSK Lines (MOL) was chosen by the Japanese government to explore the technology and infrastructure changes required for **autonomous ocean shipping**. Japan is currently on track to enable drone deliveries by 2020, followed by **self-driving trucks by 2022**.

Google's Project Wing **completed** a number of drone traffic control tests set by the FAA and NASA to help manage air traffic control.



Freightos® operates the world's online marketplace for shipping. Freightos also provides Freightos AcceleRate™ software-as-a-service to automate pricing and routing for leading carriers, freight forwarders and shippers. Founded by serial entrepreneur Zvi Schreiber, Freightos is incorporated in Hong Kong, with a global presence, and has raised \$23.3 million from leading venture funds.

Freightos' SaaS technology powers instant freight quotes internally for international freight forwarders including CEVA Logistics, Nippon Express, Hellmann World Logistics, and offers freight rate management and pricing and routing optimization for supply chain companies like Sysco Foods, Panasonic USA, and Marks & Spencer.

At the heart of the Freightos Marketplace and AcceleRate SaaS are a unique patent-pending freight pricing and routing engine, and a database of millions of ocean, air and land freight price rates, updated daily.

The Freightos group now includes WebCargo, based in Barcelona, Spain, the world's leading network for distributing air cargo rates from airlines to freight forwarders and from forwarders to importers and exporters.

For more, visit Freightos.com

