

**FREIGHTQUOTE.COM:
VALUE-ADDED INTERMEDIATION IN
TRANSPORTATION**

Louis A. Le Blanc, Berry College
Laura A. Valentine, Berry College

Shipping products can be a difficult, time consuming and information-intensive process with several governmental/legal requirements, unfamiliar terminology, and all done under a sense of urgency. Though most large companies employ an entire staff to handle transportation or outsource to a third party logistics firm; many small to mid-sized firms can be overwhelmed with shipping products. Smaller firms generally do not have the in-house expertise or focus to navigate their way through the maze of freight service providers or expend the time and effort needed to cultivate carrier relationships. Even large companies can sometimes struggle with transportation needs outside of their normal operations. Since the mid-1990s the gap between the shippers and the carriers has widened due to the rise of intermediaries in the industry ranging from supply chain management consultants, to third party logistics firms and to brokers who find carriers to fill specific transportation needs on a transactional basis. Another factor contributing to the gap is the increasing power of consignees (receivers) in the retail sector and their specific requirements on “how to” and “who can” transport goods into their facilities.

Enter Freightquote.com

In May 1999, Freightquote.com was launched as a way to close the gap between infrequent/inexperienced shippers and large, well-known less than truckload (LTL) carriers. Freightquote.com’s product is essentially a web-based transportation management system (TMS)

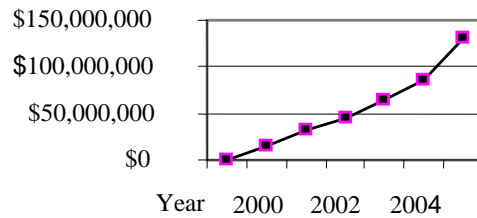
allowing users to choose between several carriers and modes on a given shipment. Freightquote.com refers to themselves as the Travelocity or Expedia of the freight industry. Immediately below, see Freightquote.com's mission and vision statements, respectively (www.freightquote.com).

The mission of Freightquote.com is to provide our customers with tools that make freight transportation management faster, easier, and more cost efficient. We envision an environment where carriers and shipping customers come together in the most mutually beneficial ways, an environment where a customer's service and price requirements are optimally matched with a carrier's operational strengths. Our mission is to be the solution that facilitates these benefits for our carriers and our customers.

To realize our vision, our organization focuses on innovative technology and outstanding people - people with energy, insight, and a fervent customer service mentality. This model has provided Freightquote.com with incredible growth throughout its history, and we remain committed to our philosophy as we look to the future.

Freightquote.com fulfills this mission and vision by providing comprehensive, technological, web-based platforms that link users and carriers. The company intentionally overbuilt their system capabilities and has garnered double-digit growth over the seven years since inception (refer to Figure 1). Another important consideration in their mission has been Freightquote.com's focus not only on providing exceptional service to their customers, but also to their suppliers - the carriers. Providing technological advancements to both sides of a shipping transaction gives Freightquote.com an advantage over many competitors in the industry by providing value to customers as well as suppliers, which has created a collaborative environment to the ultimate benefit of all parties.

Figure 1 Gross Revenue for Freightquote.com, 1998-2005



Five to 500 in Seven Years

"We've grown from 5 to 500 employees over the years, but our focus remains the same - leveraging technology to create better ways for carriers and shippers to work with each other."

Tim Barton, CEO and Chairman, Freightquote.com.

The above quote from Freightquote.com's CEO is consistent with the company's mission and vision, but it also illustrates how the company's mindset contributes to their continued growth. Freightquote.com is very aware of their core competency - technology. Their patented technology has been at the foundation of all new product and service offerings and they have continued to develop their technology by adding new features and capabilities. Freightquote.com maintains in their mission, vision and actions that they serve both their customers as well as their carriers. Not all innovations at Freightquote.com have been to the benefit customers. The mutual benefit culture embraced by the organization is central to successfully profiting from their role as an intermediary.

Freightquote.com's corporate culture and commitment to embracing change are also stressed. As stated by Barton¹, "You have to accept that everything you do is a temporary action while you come up with something bigger and better." To fit this mantra, Freightquote.com aggressively hired energetic, insightful, and competitive people.

Tim Barton is no stranger to entrepreneurial ventures. Prior to founding Freightquote.com, Mr. Barton was at the helm of another successful venture in the telecommunications industry, Eclipse Telecommunications. Using \$2 million gained in the telecommunications sale, Barton funded the Freightquote.com startup. The experience gained in his initial entrepreneurial venture as well as not needing venture capital provided an often overlooked advantage. Barton was able to set realistic timelines and did not have to justify his decisions to anxious investors looking to quick profits. Barton was able to strategically grow Freightquote.com while turning its first profit at the end of 2002 (Anderson, 2004).

Though rumors of an initial public offering (IPO) for a public stock offering have persisted in the industry, especially since Freightquote.com became profitable, Freightquote.com remains privately held with Tim Barton as CEO and Chairman of the Delaware Corporation. In 2004 when asked of a possible IPO, Barton cited that they did not need the additional capital nor did they need the distraction of an IPO (Anderson, 2004).

The Transportation Industry

When one considers the transportation of commodities, the variety and types of carriers can be astounding. Domestically, there are different modes (motor carrier, air, rail and water), different focuses within modes (regional, international or cartage), specialized equipment within modes, a wide array of competitors in each mode, plus specializations that vary dramatically in terms of capabilities. Some carriers are very electronically focused moving information, allowing shipment tracking in real time, and providing access to a

¹ Laura Valentine, personal interview with Tim Barton, 15 March 2006.

variety of document images. While other carriers still hand write freight bills on what appear to be tickets swiped from a truck stop waitress. Freightquote.com's carrier partners are considered on the advanced side of the technology continuum, facilitating most information transfers electronically.

International movements add more complexity to the shipping process with customs, duties, multi-leg movements, and varying regulations and requirements by country. In order to move freight internationally, a coordinated effort of several firms is often required to move freight to a ship or plane, transport on the ship or plane, transport from the ship or plane, and forwarders and brokers on each end ensuring that the shipment is cleared through customs, taxes/duties are paid, and all paperwork is moved with the matching shipment.

By all estimates, over the past decade the logistics industry has experienced significant change (Langley, 2005). Since deregulation of the industry in 1980, there has been an increase in intermediaries between the business community and the transportation community as well as an increase in the use of intermediaries to solve transportation and logistics issues (Langley, 2005). These intermediaries range from full service third party logistics firms (3PLs) that orchestrate complex supply chain management solutions to brokers that link transportation providers with those who need their services on a load-by-load basis. With the increase in velocity of products and the need for expedient transport and information, technology has played an increasingly important role in linking supply chain participants.

Why Start with LTL?

Freightquote.com was the first to move less-than -truckload (LTL) freight movements to the online environment. The LTL industry, unlike the truckload industry, has far less competition due to cost intensive capital requirements. Of the LTL freight moving in the United States (US), 85 percent of the tonnage is handled by 35 carriers (Ostria, 2003), several of which actually fall under one

ownership umbrella. YFC Worldwide owns the following US LTL carriers: Yellow Freight, Roadway Express, New Penn, and the former USF regional carrier companies. Freight brokers have typically stayed away from the LTL market for several reasons: low margins, fewer competitors and thus fewer options to bring to clients, and significantly more variability in pricing due to its complex structure as compared to truckload. Freightquote.com saw this as an opportunity where technology could help offer value to small and mid-size companies. Shipment sizes in this market segment tend to be smaller. As companies grow, gains in shipment frequency occur before gains in shipment size.

The Complexity of Transportation Rating

At best, freight rating can be tricky and, at worst, quite confusing. Each transportation mode rates differently and operates under a different set of governing rules, making comparing modes quite complicated. Even comparing rates within the same mode can be cumbersome in that each carrier tends to have their own proprietary rating system and methodology. Though large shippers can usually negotiate simplified and unified terms with carriers; small companies are left to work with the standard rating methods for the mode involved. Table 1 shows the different modes and their respective rating methods.

Table 1 Rate Formats by Mode and Information Required

Mode	Rate Format	Information Required
LTL	Rate per cwt with a minimum charge	Origin zip, destination zip, NMFC Class ² , weight, dimensions
TL	Rate per mile or rate per load	Origin zip and destination zip, mileage rate base if rating by mileage
Air	Rate per pound based on dimension. Can be door to door or airport to airport.	Origin zip, destination zip, weight, dimensions
Package	Rate per pound with minimums	Origin, destination, weight. Package rates are published as moving from zone to zone
Inter-modal	Rate per load, all legs incorporated.	Origin, destination
CL	Rate per load. Can per door to door or port to port.	Origin, destination, harmonized code
LCL	Rate per cubic foot or cubic meter based on origin and destination.	Origin, destination, harmonized code
Rail	Rate per mile or rate per load	Origin, destination

² The National Motor Freight Classification (NMFC) is a pricing tool that provides a comparison of commodities moving in interstate, intrastate and foreign commerce. It is similar in concept to the groupings or grading systems that serve many other industries. Commodities are grouped into one of 18 classes—from a low of class 50 to a high of class 500—based on an evaluation of four transportation characteristics: density, stowability, handling and liability. Together, these characteristics establish a commodity’s “transportability.”

Each mode has its own specifications and no format or methodology translates well to multi-modal comparisons. There are varying equipment sizes in all modes, different space constraints depending on equipment utilized, as well as regulations such as weight limits or commodity specific restrictions. Other complications stem from the use of multiple modes in moving one shipment. For instance, to use rail rates, the freight has to be located on a rail spur or has to be moved to a railhead and loaded onto a train. Coordinating multi-leg movements and appropriately assigning a flat rate for the move is complex. There are also “accessorial” charges for ancillary services such as inside delivery.

Competition Small and Large

Transportation is generally thought of as a commodity industry with thin margins outside of specific niche markets. The industry is also highly vulnerable to governmental regulations, diesel fuel costs, and insurance costs. Though the industry is technically deregulated in regard to rates charged, other legislation such as hours of service for drivers has large financial impacts.

From an intermediary’s perspective, there are other website brokerage firms, traditional brokers, third party logistics firms, and negotiating agents. The carriers that participate in the Freightquote.com website are also potential competitors. The same customers that use Freightquote.com could negotiate and work directly with any of the carriers they would typically use through the site. The underlying need of the customer is to move an item from point A to point B; therefore, any company that can fulfill the need could be viewed as a competitor.

As with many other industries, not all competitors are equal. In addition to having the first-mover advantage in the online brokerage business, Freightquote.com has impressive technology, a compelling website, customer service support, and collaborative relationships with its suppliers. The website is user-friendly with several options not offered by their online counterparts. Many of the online transportation brokerage firms simply offer sites that have customers

submit freight information for them to return a quote at a later point in time. There have been many websites that have come and gone in the online transportation intermediary segment and many of those sites focused on providing low rates. Freightquote.com took a different approach in providing good rates, not necessarily the lowest, in conjunction with great technology.

Freightquote.com also knew they were filling a gap with their suppliers and concentrated their marketing efforts toward the small business community. Freightquote.com specifically worked closely with trade associations and small business associations, areas where many carriers do not have a presence (Krause, 2000). In this market segment, the Freightquote.com technology is also highly valued. A transportation management system from a company like Oracle's G-Log can cost a firm millions, before it is even implemented.

Freightquote.com

Customers who come to Freightquote.com have the option of registering for instant access to quotes or taking a brief tour of the site. Upon completely finishing the tour, customers can then register. A recently added feature has been to offer their service in the United Kingdom (UK) as well as in North America.

Once registered, Freightquote.com's, interactive website walks through all the required information on a shipment depending on where it is going: type of move, origin zip, destination zip, type of commodity, weight, NMFC class, dimensions, special requirements (see Appendix A). Once the information is entered, a screen of possible carrier choices is displayed with total freight charge for the move and service standard time (see Appendix B). Clicking on the rate will give you a break down of the components of the charge with options that may reduce the freight charge such as dropping the shipment at the carrier dock. There is no charge for obtaining quotes or limits on the number of quotes a registered user can create. Freightquote.com does verify all user registrations with follow up phone calls.

Once a carrier has been selected, the user enters more specific information required for the bill-of-lading (BOL) such as reference numbers and commodity descriptions, which Freightquote.com electronically generates and transmits to the carrier. The user then has the ability to track the shipment (see Appendix C), verify the actual charge, and obtain a proof of delivery (POD) on the shipment. Users can be billed on statements, can pay with credit cards, and can also file claims online.

Product Offerings

Freightquote.com has expanded significantly over the past seven years from their beginnings in offering LTL services online. Additional services include mode offerings in truckload, inter-modal, air, cartage, less than container load (LCL), custom transport, household goods carriage, and access to other logistics services. In addition to mode offerings, Freightquote.com has expanded to include service internationally to and from the US as well as operating a site in the United Kingdom. Enhancements include multi-modal comparison capabilities. If you unknowingly enter truckload dimensions under and LTL classification, the site will recommend truckload options or if you want the load to move with an LTL carrier, the site directs you to call customer service to do a specific LTL load quote. Freightquote.com generates revenue by giving their customers slightly higher rates than then carriers actually charge Freightquote.com for the move.

In addition to their standard carrier offerings from their negotiated rates, Freightquote.com will customize their service utilizing the customer's own negotiated rates. Freightquote.com will also do comparisons between the rates of their own contracted carriers and the customer's negotiated rates (for a monthly fee). In addition to the custom rating features (noted above), Freightquote.com provides all the other standard features such as database access and document creation.

In 2002, Freightquote.com partnered with eBay to provide freight services to the latter's customers who may need to move heavy items (over 150 pounds) they have purchased through the eBay site. Currently, Freightquote.com is the technology behind eBay's freight resource center with capabilities to move both new and used goods, as well as household goods.

In 2005, Freightquote.com announced its acquisition of Twin Modal, a Minneapolis, MN-based transportation brokerage provider specializing in truckload and inter-modal solutions. The purchase of Twin Modal was aimed at not only diversifying Freightquote.com's service offerings, but also at larger customers and larger shipments. Through all the expansions of service and mode offerings, Freightquote.com's primary business is LTL for small business. Though the purchase of Twin Modal is too new to evaluate, the businesses appear to be complimentary.

Customer Benefit

Freightquote.com offers several features to make shipping easy for their users. In addition to the competitive prices from a range of pre-qualified carriers, users have the ability to establish hierarchal site access to link multiple firm employees as well as supply chain partners. There are database features, which allow users to save information on their locations, customers, and products. This feature also contributes to the 'stickiness' of the site, making it difficult to switch to a competitor when all your shipping information is already saved on Freightquote.com.

Users can apply for credit terms and earn frequent shipper reward points toward a range of products offered as customer appreciation. Customer service is available 12 hours per day assisting customers with information such as NMFC selection for their commodity, assistance on claims, rate questions, specialized needs, or technical support.

The site also offers tips on packing freight, methods to contact Freightquote.com, and information on how to read an invoice. All the information compiled by Freightquote.com is geared toward helping the customer make the best decision possible when selecting a carrier or mode and following up with information to ensure that their shipments arrive as intended. As Freightquote.com offers more products and services as well as expands internationally, customers gain more choices and opportunities.

Carrier Benefit

Freightquote.com benefits carriers to reach markets as well as in automation of operational functions. Essentially, Freightquote.com has become an extension of the carrier sales force (Krause, 2000). Freightquote.com has targeted small to mid size customers who previously did not have much access to the carrier community through the carriers' traditional direct selling channels. Here was an opportunity to attract new customers.

Freightquote.com enjoys the benefits of working with many, knowledgeable customers that interact with their carrier base electronically. By feeding information directly into the carrier's systems, the need for data entry personnel as well as potential for data entry errors are eliminated. Freightquote.com addresses the service needs of their customers and also accepts the credit risk associated with their customer base, which is slightly higher as brokers have different remedies under the law than carriers. For carriers, smaller customers, though usually a more profitable market segment, tend to be a more cost intensive on a transaction basis due to lack of familiarity and fewer transactions. The concern servicing smaller customers is not an issue when transacting through Freightquote.com.

Freightquote.com also provides a website for their carriers. This site provides information on the number of quotes, the number of secured quotes, the number of quotes created where the carrier was an eligible choice but not selected, and other information in numeric and chart format over a user-specified time frame. The information sharing is an important feature for carriers and may play a larger role in future developments.

Future Outlook

Freightquote.com is well positioned for future growth in all market segments where it is currently participating. The Twin Modal acquisition appears to add to their product offering and customer base, without a significant overlap. Per John Green³, marketing vice president, Freightquote.com currently services approximately 30,000 customers annually and envisions growth through new customer acquisition as well as organic growth from the established customer base. Though several things (e.g., fuel charges and insurance rates) could drastically change the transportation and logistics industry, Freightquote.com will continue to look for new ways to leverage their technology to the benefit of both their customers and carriers.

³ Laura Valentine, phone conversation with John Green, 15 March 2006.

References

- Anderson, C. (2004) 10 minutes with ...Tim Barton. *The Business Journal* 22 (40), p. 17.
- Armbruster, W. (2003) New direction for dot-com survivor. *Journal of Commerce* 8/11/03, p. 1.
- Class rating table* (n.d.). Accessed April 5, 2006 from http://www.roadway.com/firsttimeshipper/guide_3.html
- Cookson, B. (2000) Here's the story.... *The Business Journal* 19(11), p. 13.
- Gentry, C. (2000), On-the-go transportation management. *Inbound Logistics*, 6/00
- Green, J. (2006) Company interview with John Green-VP Marketing, Freightquote.com
- Hoffman, W. (2005) TechSurvivor.com. *Traffic World*, 8/29/05, p. 1.
- Krause, K.S. (2000), The missing piece. *Traffic World*, 4/3/00, pp. 28-30
- Langley, J. (2005). *10-Year Retrospective*. Retrieved 4/5/06 from http://3plstudy.com/?p=10_year_retrospective
- Milligan, B. (2000). Brand-name recognition problem raises its head. *Purchasing*, 129(8), pp. 85-89.
- Romell, R. (2004) Trucking industry at a crossroads. Accessed April 4, 2006 from http://www.northeasttech.com/trucking_industry_at_a_crossroad.htm.
- Standard carrier alpha code listing* (n.d.). Accessed April 6, 2006 from <http://www.ecsss.com/scac.htm>
- Traffic World (2006) Freightquote.com buys Twin Modal, 1/9/06, p. 1.
- Transportation & Distribution* (2002). Shipping made easier for eBay customers, 43(8) p. 10.
- <http://www.nmfta.org/NatlMotorFreightClassification/tabid/110/Default.aspx>