



The Uberisation of European Road Transport

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Introduction

5pm. You walk out of the meeting room, open the Uber app, enter the airport as your destination and almost instantly receive a confirmation of your pick-up. This includes the car and driver details, expected drop-off time as well as the cost of the ride. Users of ridesharing apps know the drill and probably appreciate the user-friendliness of this concept. Not only is it easy to use, it also addresses most operational inefficiencies related to traditional taxi services, such as empty miles and driver/car idle time.

Let's transpose this situation from passenger transport to freight transport. A pallet has been picked and scanned at the outbound staging area of a distribution centre. Wouldn't it be great if at the same time all relevant information was processed on a platform that instantly feeds back information on when the pallet will be picked up, by which license plate, when it will be delivered to the destination and the cost?

Empty miles are still one of the major inefficiencies in road freight. Not only do they generate direct costs related to "unpaid" miles, but they also create a significant indirect cost for society in terms of their carbon footprint. Not to mention the associated road congestion and traffic accidents. In addition, empty trucks also require drivers, which are increasingly a scarce resource. This will only worsen considering the age of the current driver population and the low job attraction. Imagine if we could apply an Uber-like concept to freight transport – would it overcome these challenges?

This sharing of assets is commonly known as "uberisation" and fits within a larger trend in today's society called the sharing economy. It is the playground of collaborative platforms, marketplaces and mobile applications, powered by cloud technology and the use of advanced algorithms which enable people and businesses to make money from under-used assets.

Together with the University of Antwerp we deep-dived into this topic. This whitepaper will focus on the uberisation of B2B road freight, which can be defined as a platform that enables better asset utilisation by matching shippers' loads with truck drivers. This is done via applications that search for the most efficient carrier/shipper combinations taking into account conditioning and service requirements, in a more agile and cost-effective manner.

Experience has taught us that user acceptance for these concepts is still a challenge. The importance of security, high service levels and the preference for personal relationships remain major obstacles to overcome. In this whitepaper we investigate how valuable the uberisation model can be for road freight, what the main barriers that need to be overcome are, and where opportunities arise.

Current challenges and opportunities in road freight

The challenges faced by road freight have been described many times, so we will limit ourselves to the main ones that may have an impact on the uberisation of road freight.



- **Utilisation:** empty miles and backhauling reducing margins



- **Driver scarcity:** aging driver population and low job attraction



- **Customer behaviour:** increased service requirements for freight and not always willing to pay for it

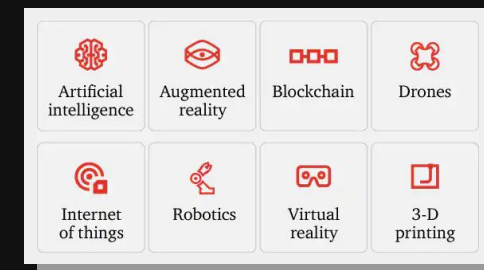


- **Volatility:** market disruption leading to imbalances in demand and supply and price fluctuations



- **Sustainability:** the external costs of road freight have long been a discussion topic but only in recent years have we seen any initiatives, such as congestion charges that directly impact transportation costs

Technological breakthroughs such as the Physical Internet and Artificial Intelligence – which are discussed in more detail in PwC's **The Essential Eight** guide – are used as enablers and are being increasingly translated into operational tools used by the sector. The range of start-ups and solution providers that are emerging from the ground is considerable. Those companies make digitisation, collaboration and visibility more tangible and accessible to all logistics market players.



◀ **The Essential Eight**

Obviously transport providers have been taking measures to counter these challenges:

- Backhauling or triangulating to reduce empty miles
- Tapping into other labour markets such as Eastern Europe
- Partnerships between transport companies to exchange loads in order to achieve better truck fill rate by geographical area

Current trends are also shaping new business models and creating opportunities in a traditional industry such as logistics.



The uberisation of B2B road freight

Currently the providers of Uber-like services in road freight are still very fragmented in terms of platforms and capabilities.



“The coming years will be very important for providers to gain market share in such a way that they can evolve into a comprehensive platform with a balanced supply-demand dynamic, thus also ensuring competitive pricing.”

While the common characteristic of all platforms remains their attempt to render any middlemen for carriers and shippers unnecessary through the use of a well-developed interface that matches loads with nearby carriers, divergences can be found in the way in which shippers and carriers are matched.

On the one hand we find platforms with their own network of drivers. These tend to automate the matching process with quotations and pricing generated by algorithms taking into account variations in distance and travel-time. However more flexible negotiations for recurring shipments are usually possible. On the other hand we find platforms without their own pool of drivers. These act as a digital marketplace or broker where shippers can request quotes from carriers that sign onto the platform.

Finally, geographical coverage tends to differ significantly between platforms. Smaller niche players usually limit their scope to smaller and more densely populated urban regions which are better suited for the creation of the network effects necessary to realise the benefits of this way of working. More established players are active in Europe and beyond, capturing more long-haul shipments.

All of these different approaches to uberisation have led to a very fragmented European supply market. However, as with most industries characterised by network effects, consolidation is starting to ramp up in the European market. This was most clearly demonstrated in Sennder's recent acquisition of its direct rivals Inroute, Everoad and UberFreight Europe. Nevertheless on average, European platforms such as Sennder, Ontruck, Instafreight, Quicargo and Saloodo still lag behind in size compared to their US counterparts such as Convoy and UberFreight.

The Quicargo logo features a stylized truck icon above the word "Quicargo" in a dark blue, sans-serif font.

The onTRUCK logo consists of the word "on" in a smaller blue font followed by "TRUCK" in a larger, bold blue font.

The saloodo! logo features the word "saloodo!" in a lowercase, sans-serif font, with the "oo" in yellow and the "do!" in red. Below it, the words "realtime logistics" are written in a smaller, grey font.

The INSTAFREIGHT logo features a stylized orange truck icon followed by the word "INSTAFREIGHT" in a bold, orange, sans-serif font.

The sennder logo features an orange circle containing a white stylized "S" icon, followed by the word "sennder" in a lowercase, orange, sans-serif font.

Landscape evolution

There is clearly still no consensus on the exact integration of the uberisation concept within current supply chains and its impact on the broader supplier market. Considering the different characteristics of the existing platforms, the question remains as to how existing players will react.

1 Technology companies are expected to keep leading the way, especially in the early days as they are able to move faster than traditional industry players. However knowledge of the inner workings of the industry, its contacts and best practices remain valuable, and eventually a lack of the latter might hamper their growth over time.

2 Forwarders on the other hand have the edge here. If additionally they are able to attract the right profiles and build up the required technological know-how, they could become a major competitor to tech companies. Only the largest players or consortia of medium players will have sufficient scale, buying power and technological skills to embark on such a venture.

3 Traditional transport providers will be pressured to focus more on improving their efficiency, which will no longer be competitive enough. However as the traditional freight market will not disappear and transportation volumes are only expected to grow, it is unlikely they would be pushed out of the market. They might even leverage these competing platforms by providing part of their business through them.

4 What about the **trucking companies** themselves? We do not foresee them taking a huge part in the uberisation market. Their focus remains on developing technologies for the rolling assets such as green fuel, e-vehicles and automated guided trucks. Assuming autonomous trucks are not viable in the short term, the industry will see an evolution towards independent drivers competing with those traditional providers. The uberisation of the taxi industry has already disrupted the configuration of large fleet owners with drivers on their payroll. Transposing this model however requires an established network of independent drivers with trucks.

While a good amount of independent drivers already exist, the entry barrier for trucks remains higher than for taxis. Not only financially, but also in view of the legal requirements associated with driving trucks and operating a transport company.

We believe that it is not necessarily the shippers that will use this service, but we expect, at least in a first phase, that transport providers will use this service to attract or subcontract loads in order to optimise their own fill-rates. Next to that, let's not forget the concept of crowd logistics for smaller shipments, which means any travelling individual can offer to take along a parcel.

It is not realistic to assume that shippers will go along in a big bang. Some caution should be expected, and is even recommended. We believe that critical lanes will still be contracted in the traditional way to ensure sufficient capacity. On the other hand the business case for Uber style sourcing is much stronger on less critical and ad-hoc lanes.

Critical success factors

It is important for a potential platform to understand how different parties consider the concept of uberisation. Shippers' needs are different from carriers and therefore it is crucial that sharing platforms offer tailor-made features for all parties. To get a better understanding of how the different stakeholders perceive the concept, we conducted in-depth interviews with different parties in the sector during our research: shippers, transporters, academics and platform providers. From these interviews, it appears that there are still quite a few barriers at the moment.



Shippers

- Shippers recognise the advantages in terms of economical pricing, increased truck fill rates, and the flexibility in terms of small loads and low lane utilisation. But doubts remain around the often-used buzzwords of “automation and digitisation”. Many connections such as order processing, freight billing, and freight status happen through EDI. Although many platforms claim that they work completely 'autonomously', shippers still experience a lot of manual interventions.
- In addition, loss of service and quality remains a point of concern. Platforms must ensure that they have the necessary contracts in place with the underlying carriers. Trust between carriers is very important, especially when it comes to valuable cargo and professional liability, which cannot be compromised. A carrier rating functionality could bring more ease of mind. Platforms should focus on increasing the data-driven customer experience, creating trust, visibility and taking ownership of the complete document flow.



Carriers

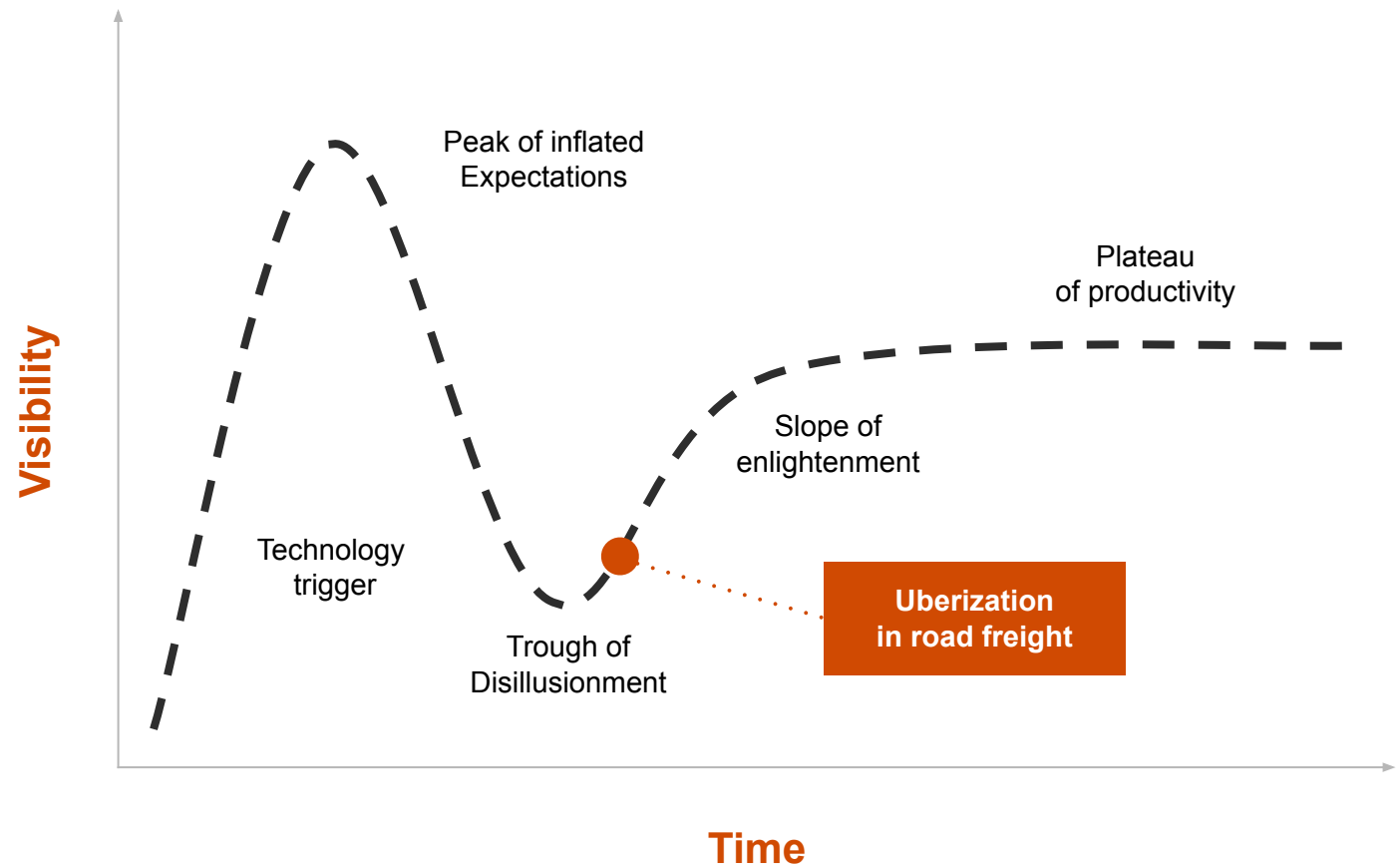
- For carriers looking for additional capacity, it is important that a protected environment is in place, where their customer data and their business intent is protected. The cost of administration must not exceed the added turnover, which is why platforms must ensure that contracts can be drawn up efficiently and easily. In addition to building up this relationship, platforms must prioritise the automation, processing and facilitation of contracts.
- Whereas shippers usually experience lower prices in spot bidding markets, there is still too much uncertainty as to how prices are set. The platform's capability to handle agile and efficient connections between different external interfaces such as TMSs, route planners and customer portals is critical. Routes and planning are often drawn up last minute, the flexibility to allocate additional loads must be high. Critical freight information about dimensions and special requirements must be available from the get go.

Conclusion

“For our steady predictable volumes traditional transport contracts remain the preferred model, but we have an increasing share of less predictable volumes where we expect that Uber-like models will outperform traditional transport contract models.”

An D'haenens, Business Operations Director Automotive & Specialty Coatings, Akzo Nobel

The uberisation of transport has gone through a number of phases reminiscent of the Gartner Hype cycle. After a period of inflated expectations of a technological solution that was not yet well understood, a backlash of negative opinion pieces and articles pointed out all the pain points and concerns, from which a phase of disillusionment began. Nevertheless, market share and volumes shipped on marketplaces are growing significantly in today's landscape. This technology is clearly proving its worth and beginning to establish itself in the road transport market. Adoption has fluctuated in recent years, but like other services in the sharing economy, it will certainly find a foothold.



Conclusion

This whitepaper argues that the business case can be positive on a number of specific transport flows:

- Uberisation could be interesting for smaller carriers who in this fragmented landscape cannot efficiently schedule return loads internally, and use their fleet in an efficient way.
- The added flexibility of Uber-like platforms makes them interesting for businesses with volatile demand or surplus cargo. Increasing volatility in demand makes it more difficult for shippers to enter into long-term contracts and drives up the prices of deliveries.
- Looking to the future, we still expect a 15-20% growth in road transport in the coming years. The negative effect of driver shortages, added to the growing importance of sustainable logistics, will force companies to consolidate more and reduce empty miles if they want to meet their environmental targets

We do not expect companies to fulfil their entire transport needs through uberisation. Fixed volumes to fixed customers require stability and will probably continue to be handled via traditional contracts, because of their predictability and their need for reliability. Transport providers have probably set up back-hauls to execute these transports in an optimal way.

In the end, transport flows that are most likely to be considered are return flows where the urgency and value of the products is generally lower. Cross-border flows are often optimised for fill-rate due to the long driving time. If this is not the case, this is the first opportunity to avoid empty return trips.

We see a lot of potential for European carriers as the market is so fragmented. But they are faced with high service requirements from the shippers. When shippers and their customers become more flexible in how transport is operated, uberisation could eliminate many inefficiencies and open doors to future transport business.

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Katoennatie focuses on specific niches in transport, such as bulk transport for our chemical customers. This transport requires specific equipment and often also technical knowledge of the driver for loading and unloading. These specific characteristics, combined with the relatively stable goods flows, mean that Uberisation is likely to have less impact. Where Katoennatie does expect an impact are the more commodity transports such as for our retail & consumer customers, including e-commerce.

Dirk Lannoo, Vice-President Katoennatie

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Uberisation is not expected to disrupt road freight transport, although we anticipate that it will gain traction in some specific market segments. Ultimately autonomous vehicles may represent an important catalyst in the future.

Luc Van Ostaeyen, PwC's Global Logistics Centre of Excellence



Peter Vermeire
PwC | Partner
peter.vermeire@pwc.com
T: +32 493 51 87 28



Luc Van Ostaeyen
PwC | Senior Director
luc.van.ostaeyen@pwc.com
T: +32 475 91 57 84



Marie Landen
PwC | Senior Associate
marie.landen@pwc.com
T: +32 494 03 80 36



Thomas Lemmens
PwC | Senior Associate
thomas.lemmens@pwc.com
T: +32 479 84 15 05

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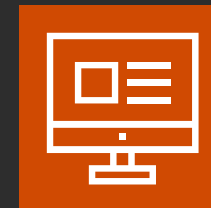


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