

CONVOY

15 WAYS TO SAVE ON FREIGHT

How a digital freight network opens new opportunities to save time and money in your supply chain.



Transportation teams have a mandate to keep costs low without sacrificing performance.

This isn't an easy job, and the work is never over. Lowering transportation costs is no longer as simple as selecting the cheapest provider on a cost per mile basis.

Every step in the lifecycle of a shipment takes time and costs money. Supply chain leaders must look at the total cost of shipping, factoring in direct and indirect expenses, to realize their full savings potential.

Companies can employ data and analytics to uncover inefficiencies in their logistics operations. Technology-based freight solutions can streamline processes to cut waste from the system. Every minute that a transportation team saves with automation pays dividends to their company's bottom line.

This white paper highlights fifteen practices that can help you save time and money on freight. Each of these tactics flows from a strategy that looks at the total cost of shipping. Convoy makes each of them available to companies through our digital freight network.

1 Consider a new approach to primary freight and avoid costly RFPs

The RFP is a cornerstone of primary freight procurement. However, the RFP process takes months to complete and costs millions in operational expenses each year. Traditional freight contracts include a lot of hidden and sunk costs. These result in true rates per mile that are anywhere from 3% to 21% higher than the paper rates we all see on contracts. Even after RFPs are finalized, many contracts often fail within 6 months based on truck price volatility.

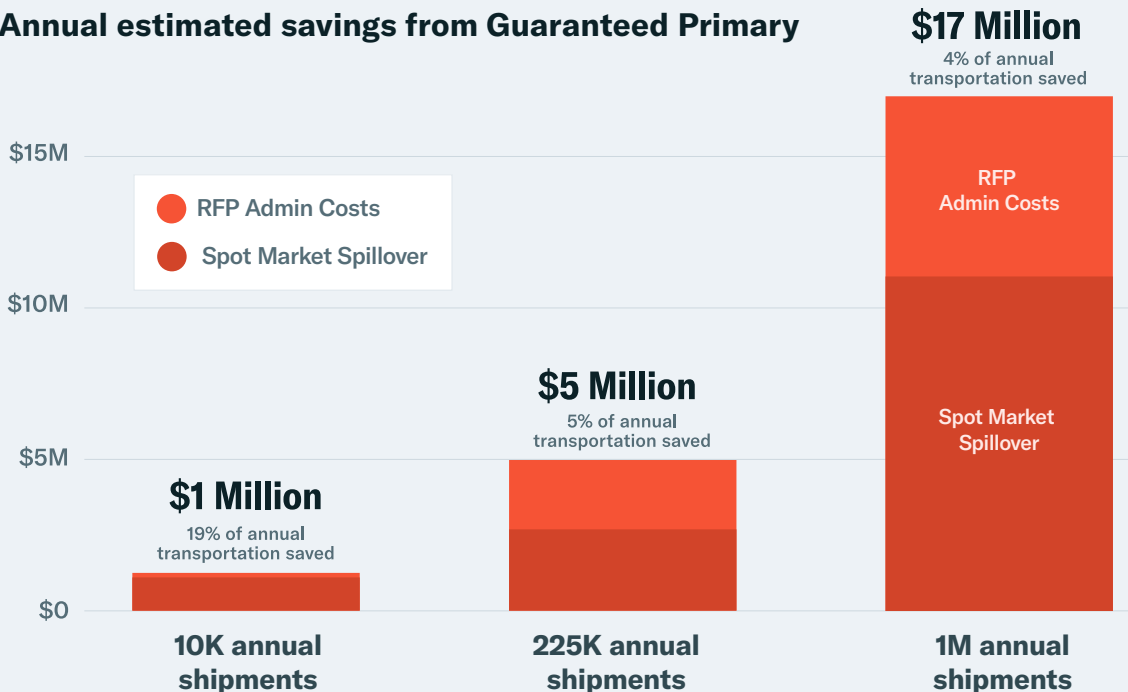
In September 2020, Convoy introduced a new approach to primary freight: Guaranteed Primary. Guaranteed Primary is an alternative to traditional contract freight. Convoy can provide consistent, “primary” service on a shipper’s lane at a low fixed margin with total transparency into costs and savings. This eliminates the effort of an RFP and guarantees 100% tender acceptance while also reducing transportation costs

With Guaranteed Primary, shippers can:

- Lower transportation costs by up to 19%
- Increase service quality by never having to rely on spot
- Eliminate thousands of hours wasted each year sourcing capacity when tenders are rejected
- Receive unparalleled transparency into truck costs and total savings realized through the program

Guaranteed Primary is an innovative new way for logistics leaders to save time and money, and is available to companies of all sizes. You can try it across any number of lanes, nationwide, and can cancel anytime, risk-free.

Annual estimated savings from Guaranteed Primary



Source: Convoy analysis of FTR, DAT, and FreightWaves data, 2014-2020.

2 | Select contract partners who have a high historical tender acceptance rate

If you're evaluating providers for contract freight, take a close look at their historical tender acceptance rate. During an RFP, carriers and brokers are incentivized to bid low because it helps them win more business. But when the market tightens and trucking prices go up, carriers and brokers often decline the freight they earlier agreed to take. We saw this in 2018 and 2020, when the market tightened and the outbound tender rejection index exceeded 25%. Every rejected tender translates to time spent sourcing capacity on the backup and spot markets and a higher premium paid for truckload coverage.

Look for freight providers with high tender acceptance rates and measures in place to ensure they can service your lanes in any scenario. They'll be more likely to haul your freight when markets tighten.

There are several ways Convoy maintains high tender acceptance rates, even in tight markets:

1. The hundreds of thousands of trucks in our network make us more likely to have one (and often more) available for any given load.
2. Our technology enables us to instantly find a replacement truck if the unexpected happens, so we experience less falloff.
3. Our machine learning technology also enables us to combine multiple shipments together into "batches" that create round-trips for carriers. These batches reduce carrier falloff by up to 11%.
4. These machine learning models also enable us to identify optimal lanes and bid on freight that our carrier network will be able to cover.



“ Convoy’s fast response times and guaranteed coverage have helped us time and time again, when we’ve had short lead times and needed immediate coverage.”

3 | Get dynamic backup rates inside your TMS

In tight markets, backup carriers often reject tenders for the same reason primary carriers do so: truckload rates rise higher than their original bid price. Additionally, backup providers can take hours to respond to loads. The combination of lost time and rejected coverage adds up to a frustrating experience for transportation planners.

Convoy offers a unique backup solution called dynamic backup that addresses these pain points. When you activate your routing guide, we provide an instant rate based on current market data, and we guarantee coverage on every load we bid on.

We launched dynamic backup in 2018, and have already priced nearly half a million backup loads using the capability. Recently, we implemented dynamic backup with one of our food and beverage customers and measured the initial results. In just four months, our customer achieved an approximate \$168k in savings.

We have partnerships and turnkey integrations with leading TMS providers listed below. If you have an API integration from another freight service provider, it's easy to add Convoy's as well so you have more competitive backup rates on your shipments.

Our growing list of TMS partners



“By working with Convoy and leveraging their digital freight network, we have been able to reduce our overall transportation costs. We’ve been able to accomplish this by reducing the time it takes to secure, track and complete shipments while benefiting from competitive real-time rates.”

4 | Get instant responses on your spot loads

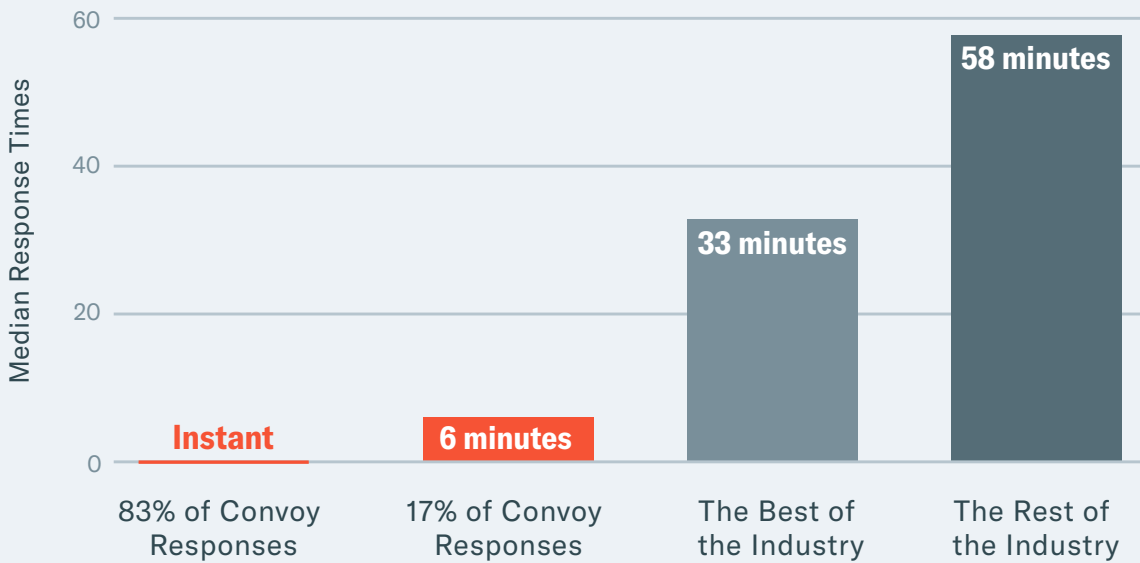
When a tender gets rejected by both primary carriers and backups, the load moves on to the spot market. At this point, every minute matters. Unfortunately, tender response times on the spot market can sometimes take hours.

Sourcing a truck on spot is often run through a freight broker. Brokers make hundreds of phone calls a day, asking carriers if they have trucks available. They coordinate using emails and track pricing and availability using spreadsheets. When things work well, an individual broker may match a truck to a load once every hour.

This manual operation is more time consuming and more prone to error and miscommunication. For transportation planners, this translates to more time spent waiting to confirm whether their loads will be covered.

Convoy takes a different approach to deliver instant pricing. We eliminate the need for phone calls, rough estimates, or back-and-forth negotiation. Instead, we generate instant prices based on real-time market data and machine learning models, saving you time and providing peace of mind that your spot loads will get covered. And we provide 100% tender acceptance for every load we price.

Convoy Tender Response Speed vs. Industry



“Convoy is currently the only company that has achieved 100% automation of loads to trucks.”

5 | Make sure you get competitive rates on every shipment

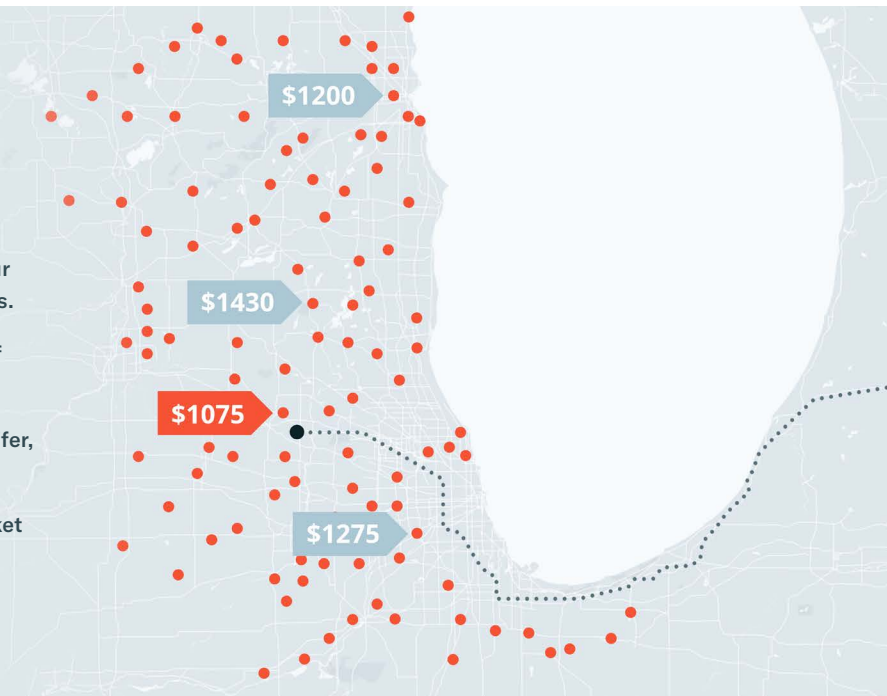
When you work with a freight broker, their incentive is to maximize the margin between the price you pay and the price they pay the carrier. The average brokerage margin ranges from 15% to 20%, though the spread can go much higher than that, especially in tight markets. Without transparency, it's hard to know whether the price you're quoted is fair and competitive.

The best way to get a competitive rate is to have carriers compete to win your business. This is a key advantage to working with digital freight networks like Convoy. We employ a marketplace pricing model informed by accurate market data, machine learning, and bids made by carriers in real time through an intelligent auction.

When Convoy accepts a shipment, we post that load to our network with a suggested price. Hundreds of carriers in the area bid on the load. A machine learning model monitors bids, and then determines when to close the auction and which bid to accept. The bidding quantity and rates improve the machine learning model, informing future auctions. Bids are intelligently selected based not only on price, but on past carrier performance and likelihood to pick up this specific shipment on time (e.g. based on proximity). All of this information feeds back to our original suggested price for future shipments, so our prices become even more competitive and accurate over time.

How Convoy ensures your rate is competitive:

1. We generate an instant, guaranteed price to respond to your tender, using machine learning to analyze massive data sets.
2. When you accept our rate, we post the load to thousands of qualified carriers via our smartphone app.
3. Carriers can either accept the load instantly at our initial offer, or they can place their own bid.
4. The carriers' bidding behavior feeds into our real-time market data, informing how we price the next loads we bid on.



“Convoy’s timely response to our quote requests and their competitive rates have saved us a lot of money.”

6 | Price compare with online quote tools (just make sure they're telling the truth)

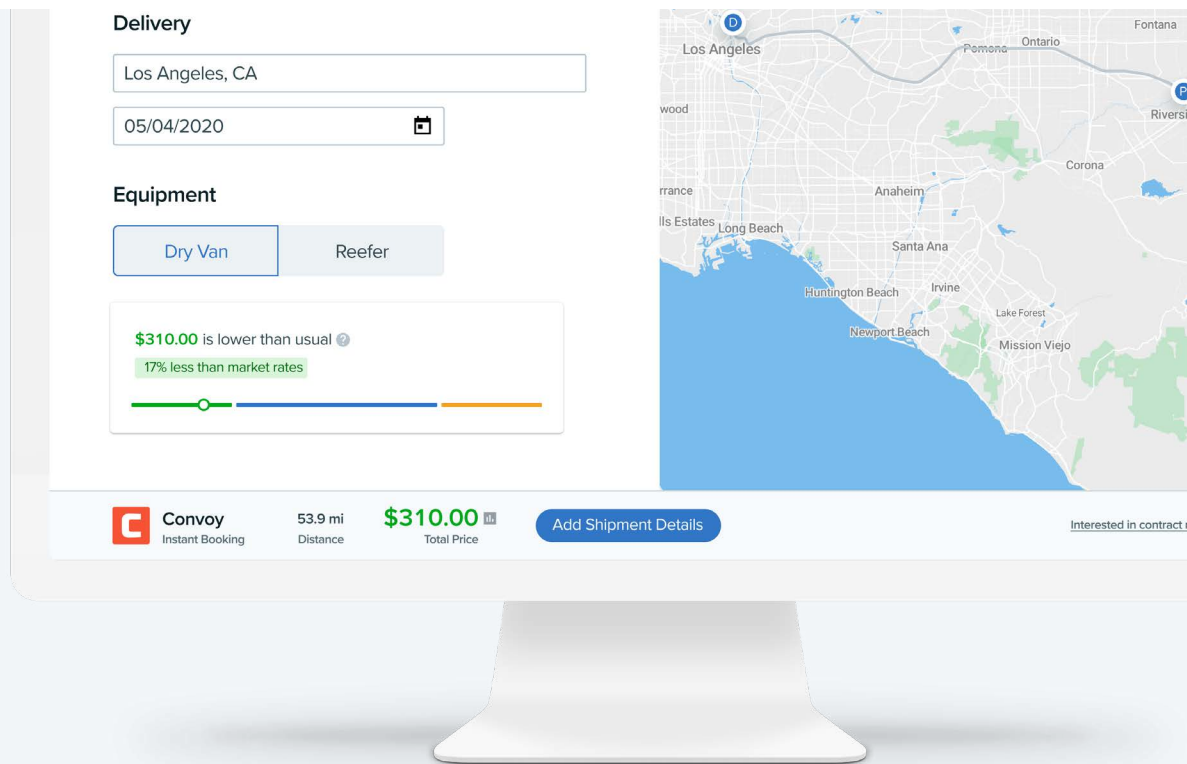
Shopping around can save you money. Several freight brokers and aggregators provide online quote tools that make it easy for you to get an estimate on your freight shipment. However, be aware that some providers have hidden fees in the first price you see. These tools post a lower price up front to get you interested, but hit you with higher prices when it's time to process your payment.

Convoy's online freight calculator is fully transparent, with no hidden fees. Using our online shipper platform,

you can see whether our rate for any load is below, in line with, or above current market rates. This helps you instantly compare Convoy's price to alternative freight providers.

When we quote an instant price for backup or spot freight, we stand by it - the price you see is the price you get. This means no more back-and-forth negotiations if the market shifts or a provider decides they want a higher rate.

Automated quote benchmarking displays contextual pricing insights alongside Convoy's instant freight quote



“ Convoy’s platform is the future of 3PL booking. The website is easy to maneuver, the truckload rates are competitive and their success rate is second to none.

7 Find freight providers who can accept short lead times without sacrificing quality

Spikes happen. Transportation teams do the best they can to plan and schedule loads in advance, but unexpected surges in demand can happen at any time without notice.

Last-minute shipments tend to be higher priced than shipments that are planned weeks in advance. When capacity is tight, it may be difficult to source a driver who can cover a last-minute load. Worse still, the short lead time could lead to a late pickup and/or late

delivery, causing potential harm to your customer relationship.

This highlights why it's important to work with freight providers who have flexible capacity and can cover short-notice shipments while maintaining high performance standards.

In an internal audit of intrastate tenders in 2020, Convoy consistently maintained 90% OTD for shipments with only 0-4 hours of lead time.



“ Even in last-minute scenarios, Convoy’s platform has made us much more efficient.”

8

Check if your freight provider is batching shipments

Traditional freight brokerages think in terms of individual shipments when it comes to connecting trucks with loads. A typical freight broker looks to find a carrier who can cover your individual shipment from point A to point B, but typically doesn't need to worry about how carriers will return home to point A. This single-shipment mindset has an unintended consequence: higher falloff risk.

With no guaranteed backhaul, a carrier is more likely to fall off a single shipment. Falloff may occur if the carrier finds another shipment with a higher rate, is more convenient, or has a backhaul.

Convoy's digital freight network has a solution called "batching." Because we manage tens of thousands of loads every week, our machine learning technology can match headhauls with backhauls and creates multi-

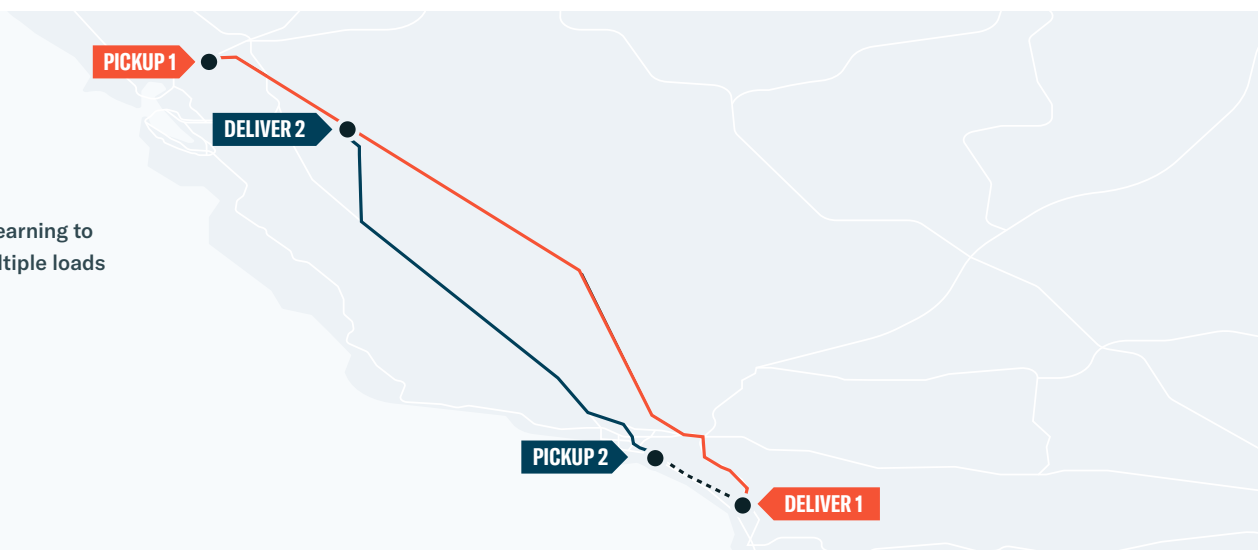
stop shipments. This maximizes carrier earnings and reduces falloffs by up to 11%.

Carrier falloffs can lead to downstream issues: missed appointments, increased time spent rescheduling pickups and dropoffs, and more operational burden on a shipper's transportation team.

Batched shipments also improve performance. Both OTP and OTD are improved by 4% compared to non-batched shipments. With less carrier falloff, shippers are less likely to have last-minute changes and are more likely to get better service on their shipments.

As an added bonus: batching shipments reduces the number of miles driven empty from the industry average of 35% down to 19%, lowering carbon emissions and helping shippers with corporate sustainability goals.

Convoy's uses machine learning to automatically bundle multiple loads at a time,



“ By partnering with Convoy, we have used the benefits of their digital freight network to strategically batch our loads with the most relevant carriers to reduce the empty miles within our routes.”

9 | Look for savings in appointment scheduling

With a growing number of loads, Convoy uses automation to streamline the appointment setting process, coordinating appointments in a matter of minutes. Our technology automates scheduling on thousands of shipments each week and we're rapidly scaling this time-saving capability across our network.

Traditional freight brokerages perform appointment setting manually. The back and forth involved in coordination increases the operational burden on the broker. The broker covers these costs with the margin they earn on each load, and will therefore pass those costs on to the shipper in the form of higher bids. By automating appointment setting with machine learning, we reduce our operating costs and pass those savings along to shippers by offering more competitive rates.

Another tip for saving money with appointment scheduling: setting wider windows for pickup and deliveries. It may surprise you that this practice is good for your budget and for the environment.

Last year, Convoy introduced Green Appointment Windows. The service lets shippers set flexible appointment windows to get access to get great carriers at the competitive rate, while reducing their carbon emissions. A wide window increases our ability to batch the shipment with others in our network, which can lower overall prices and reduce falloff risk. Our research uncovered that longer appointment windows maximizes carrier schedules and reduces empty miles, resulting in a carbon reduction of 36% for the shipment.

Exact Appointment Windows

Driver has no flexibility to find a backhaul. They can only look for a day-of load, after 2pm. They don't end up finding a backhaul so they drive home without a job.



PICK UP → 300 MILES → **DROP OFF**
 8:00AM, 5/19 → 2:00PM, 5/19

EMPTY MILES: ~300 MI.



48-Hour Appointment Windows

Longer shipping windows can increase the likelihood of round-trip batching, leading to empty miles saved, which in turn leads to CO2 emissions saved.

MAY						
S	M	T	W	T	F	S
26	27	28	29	30	1	2
3	4	5	6	7	8	9
10	11	12	13	14	15	16
17	18	19	20	21	22	23
24	25	26	27	28	29	30
31	1	2	3	4	5	6

PICK UP → 300 MILES → **DROP OFF**
 8:00AM, 5/19-5/21 → 2:00PM, 5/19-5/21

PICK UP → 300 MILES → **DROP OFF**
 4:00PM, 5/20-5/22 → 6:00PM, 5/20-5/22

EMPTY MILES: 0 MI.



DOLLAR SHAVE CLUB

“ Convoy’s shipper platform has been excellent in saving time and securing shipments.”

10 | Ask about network overlap with your freight service provider

A freight provider is more likely to provide you with quality service and competitive rates if they already have trucks in your region. Convoy provides nationwide coverage, though there are several regions where we have an especially high density of carriers in our network. For shippers who move freight through these regions, our rates are likely to be below market averages.

So how do we identify network overlap? When we first meet with a company, we usually offer a complementary lane network analysis. We analyze the customer's freight data to identify network overlap. We

benchmark this overlap with what we call a Shipper Network Score.

A Shipper Network Score is an objective measure that represents how your lanes align with Convoy's digital freight network. The stronger the alignment, the higher the score and the larger the savings opportunities. Shippers with an above-average network score realize between 6-17% savings when they ship with Convoy.

If you're interested in seeing your Shipper Network Score, Convoy can provide you with a free freight lane analysis in under 24 hours.



“Convoy has helped us reduce our long-haul rates from the west coast to the east coast by 15% while also helping us monitor our product in a much more efficient manner.”

11 | Ship with a modern drop-and-hook service

Speed. Flexibility. Simplicity. It's no wonder that shippers and carriers prefer drop-and-hook. In fact, the majority of US Fortune 500 shipments are sent through preloaded drop trailers.

In 2017, Convoy launched the first-ever drop-and-hook service that let carriers of all sizes, including owner-operators, haul drop-and-hook loads. This new style of drop offered shippers abundant, nationwide capacity with the reliability they'd expect from asset-based carriers.

During volatile periods in 2020, companies who used Convoy's drop program benefited from our ability to flex with spikes in demand at a moment's notice. This helped them save time and money that would have otherwise been spent sourcing live load carriers on the spot market.

Convoy's modern drop service uses cargo sensor technology to help shippers save time and money. Each of these trailers is equipped with IoT sensors.

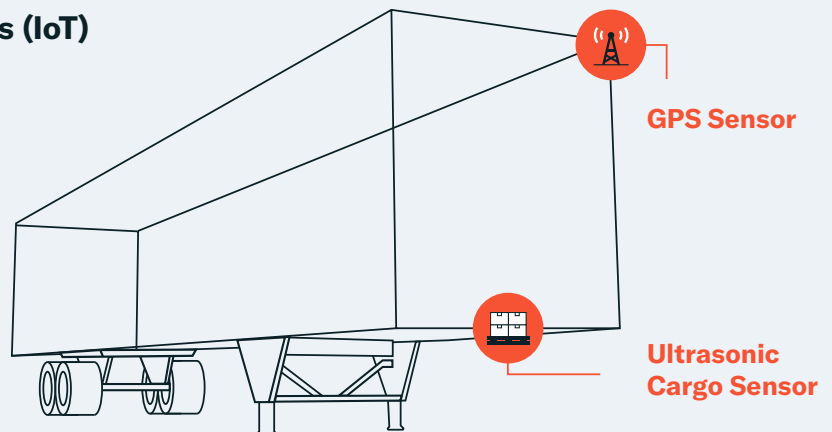
Sometimes these sensors give us better visibility into our customers' yards than they have themselves.

Recently, a large national retailer emailed to let us know they had a couple of drop trailers that were ready to be picked. We were able to provide the good news that the smart trailers had notified us of this 12 hours earlier, and we had already made arrangements to move the freight, saving them time.

We can also combine trailer GPS and sensor data with GPS data from drivers in our network to ensure that the right carrier is hauling each trailer, reducing the possibility for mistakes and theft.

Smart trailers with Internet of Things (IoT)

- Location
- Speed
- Estimated arrival
- Actual arrival
- Time in yard
- Loaded status
- Trailer condition
- Theft



“ Having access to a large power-only carrier base and additional drop capacity has increased our confidence in executing last-minute asks while minimizing financial impact.”

12 | Ensure that your freight providers are safe and compliant

Risk is an inherent part of shipping. Commercial crashes are one of the major contributors to cargo loss, which is estimated to exceed \$50 billion globally every year. Working with safer freight partners can help you lower your claims-incidents ratio and reduce costs associated with settlement awards, remanufacturing, increased insurance, and potential legal fees.

Convoy aims to help you mitigate risk through our high standards, and we also present real upsides benefiting your peace of mind and bottom line. We experience a cargo claim less than once per 2,000 loads, whereas the industry experiences a cargo claim about once per

100 loads. This means fewer service delays, missed deliveries, and customer chargebacks, as well as lower remanufacturing and redelivery costs.

To achieve a claims rate just 1/20th the industry average, we collect massive data sets on carrier safety and performance, and use machine learning to analyze millions of records to identify the carriers who are the least likely to crash. We verify their safety status, maintaining 100% carrier compliance across our network. Our stringent quality standards have helped lower our crash rate to just 16% below the industry average.



100% Carrier Compliance



16% Lower Crash Rate
vs. the industry average



20x Lower Claims-Incident Ratio
vs. the industry average

QUALIFICATION	INDUSTRY	CONVOY
Collect W9, operating authority, insurance certificate	✓	✓
Disqualify “unsatisfactory” carriers	✓	✓
Disqualify “conditional” carriers and assess with CSA safety scores		✓
Differentiate inter/intra state; require DOT in all states		✓
Automated real-time compliance standards monitoring		✓
Fraud prevention via data matching and dual-factor authentication		✓
Collect valid insurance certificates directly from insurers		✓
Disqualify carriers who fall below Convoy’s performance standards		✓



“ Ever since switching to Convoy, my headaches have gone away. My packaged goods always arrive on time, my shipping costs are significantly lower, and their customer service is top notch.”

13 | Get real-time transit information

Shipments can often be affected by factors beyond anyone's control. Weather events, mechanical breakdowns, and unanticipated traffic can all lead to unexpected delays. You should expect freight providers to let you know of any situations as they arise.

However, logistics teams often lose visibility of their freight as soon as a load leaves the docks. Transportation teams don't know the location or ETA of trucks. Many 3PLs lack the technology and means to communicate proactively with customers as issues arise. This can translate to improper facility staffing when a shipment arrives off schedule, longer dwell times, and

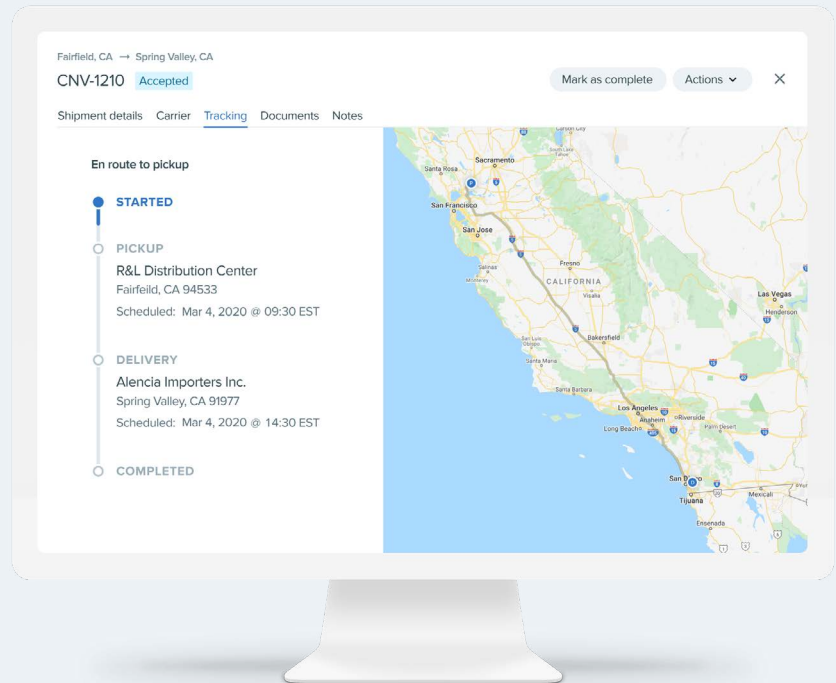
higher incidental payouts for detention and lumpers.

Convoy provides real-time tracking information on your shipments. Carriers who haul with Convoy use a GPS-enabled app that provides live coordinates of your freight. Shippers can track their freight via our web dashboard that surfaces to-the-minute information on their shipments.

With better visibility, facility managers can better allocate their staff to the highest value tasks, so they spend less time waiting wondering when a truck will arrive.

Real-time GPS Tracking

- Real-time GPS tracking on each shipment
- More than 1,000 data points collected per load
- Accessible in shipper platform, Convoy Connect
- Integration with FourKites, Project44, 10-4



“ Using Convoy has allowed our team to reduce administrative costs. I love being able to track shipments in real time and update our customers accordingly. If we ever have questions or need help, their team is responsive and friendly.”

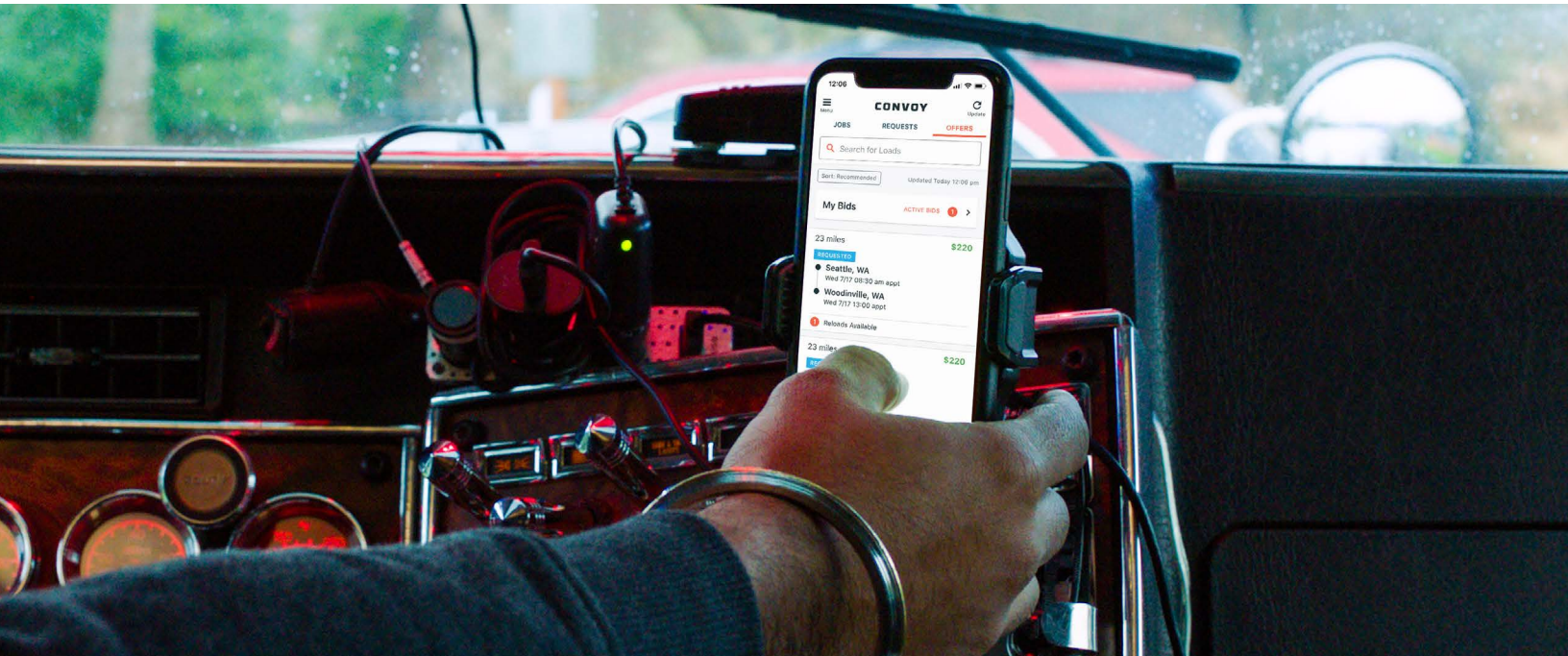
14 Find freight partners with low falloff rates and automated recovery

If you are a shipper, you probably know that moment of stress when a carrier backs out at the last minute and leaves you with a hot load to cover. Shippers spend countless hours trying to cover these fall-off loads.

With safe carriers and real-time transit information, you're less likely to encounter an issue when we arrange the transportation of your freight. Carriers who fail to meet our rigorous standards are automatically put on our "Do Not Use" list. This ensures that every carrier assigned to pick up a load has a proven track record of excellence and is far less likely to fall-off loads.

However, in the rare instances of a carrier falloff, Convoy is able to automatically address the problem and still make an on-time pick or drop without ever having to notify the shipper.

When a mechanical issue affects an inbound truck, our technology can automatically identify and confirm a replacement carrier from among the hundreds of thousands of trucks in our network, making Convoy 10x faster at replacing falloffs vs. the industry. This saves our customers time and money by keeping their logistics operations on schedule.



FROST
&
SULLIVAN

“Convoy’s 100% automation saves shippers time and money by finding the highest quality drivers faster, by reducing falloff through automatic truck reassignment.”

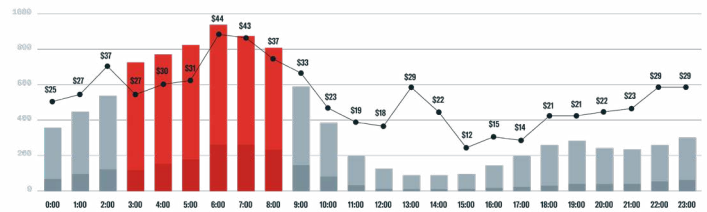
15 | Uncover hidden costs with supply chain analytics

According to McKinsey & Company, “up to half the cost of many supply chains lurks ignored and unmanaged in outbound logistics and behind the closed doors of distribution centers.” Data and insights can shine a light on this waste to provide savings opportunities.

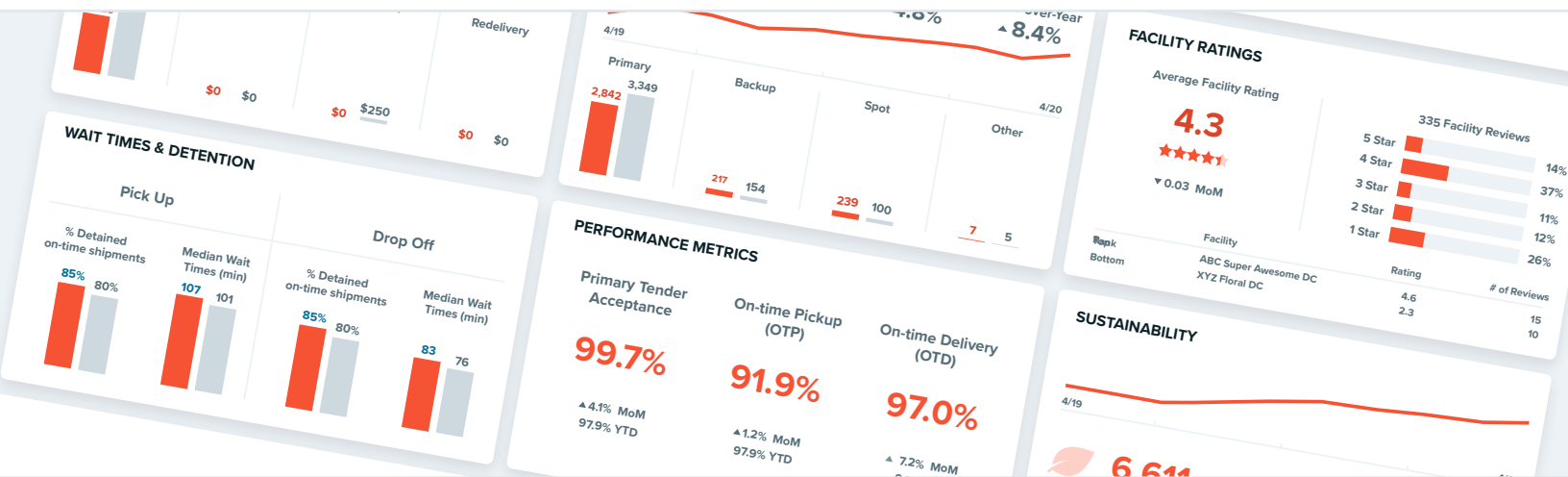
Convoy collects more than 1,000 data points per shipment, and uses this information to provide a level of supply chain visibility never before possible. Our insights include automated reports, online tools, and custom consulting with detailed statistics, charts, and benchmarks of incidentals. We’ve helped customers:

- Reduce detention costs at problematic facilities
- Uncover the root causes of spiking incidentals
- Improve carrier preference for shipper facilities

Case Study: By analyzing freight data, Convoy identified a \$150,000 annual savings opportunity at one of our customer’s facilities. The company was experiencing bottlenecks and backups at a problematic warehouse.



Our data uncovered detention spikes between 6 and 7AM. These increased wait times led to an average detention payout of more than \$40 per load at peak hours. We recommended a scheduling shift that moved morning picks and drops to the afternoon, improving facility efficiency and reducing incidental payouts.



“ Convoy gives me the types of insights I can’t get from any other partner. It’s helped me save money and protect against seasonality.”

Conclusion:

A digital freight network provides many ways to save time and money

When you look at the total cost of shipping, it's clear to see the benefits of working with a digital freight network like Convoy.

Each of the savings opportunities highlighted on this list is uniquely possible due to the technology, services, and insights offered by a digital freight network.

Convoy started the first digital freight network in 2015, establishing a new model for how a freight service provider can operate. As our network grows, both shippers and carriers benefit. As more shippers join the

network, drivers have better options, fewer empty miles and fewer wasted hours allowing them to earn more per day. As more carriers join the network, capacity increases and shippers see lower costs and higher service quality.

That's why companies large and small have joined our network and benefited from the time and cost savings we provide. As our freight network grows, the savings and efficiencies compound over time.



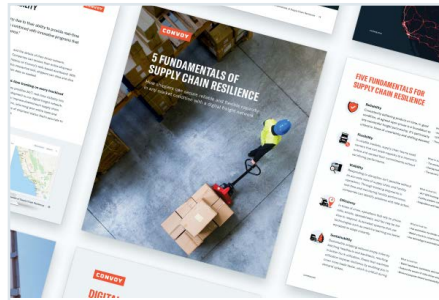
“ Our partnership with Convoy has helped P&G reduce costs and improve service.”

If you're ready to save time and money with a new kind of freight partnership, you can contact Convoy today. To get started, visit convoy.com/shippers.

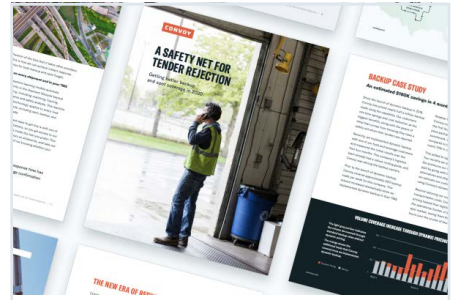
More White Papers from Convoy



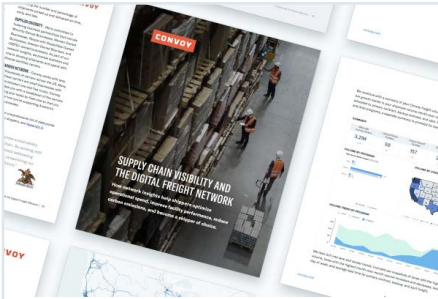
A New Approach to Primary Freight



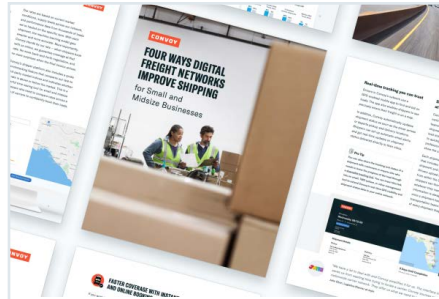
Five Fundamentals of Supply Chain Resilience



A Safety Net for Tender Rejection



Supply Chain Visibility and the Digital Freight Network



Four Ways Digital Freight Networks Improve Shipping



How Every Shipper Can Benefit From Modern Drop-And-Hook

Click above or visit convoy.com/shipper-resource-center to read more.

About Convoy

Convoy is the nation’s most efficient digital freight network. We move thousands of truckloads around the country each day through our optimized, connected network of carriers, saving money for shippers, increasing earnings for drivers, and eliminating carbon waste for our planet. We use technology and data to solve problems of waste and inefficiency in the \$800B trucking industry, which generates over 72 million metric tons of wasted CO2 emissions from empty trucks. Fortune 500 shippers like Anheuser-Busch, P&G, Niagara, and Unilever trust Convoy to lower costs, increase logistics efficiency, and achieve environmental sustainability targets.

