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Convoy says will shut operations, sell off technology amid market downturn

Convoy, which was valued at $3.8 billion as recently as April 2022, is now likely to sell the technology portion of its business for a tiny fraction of that price, sources told the Journal of Commerce. Photo credit: Gorodenkoff / Shutterstock.com.

Eric Johnson, Senior Technology Editor | Oct 19, 2023, 1:51 PM EDT

Truckload freight broker Convoy will cease to exist as a going concern as it shutters its freight brokerage business and looks to sell off its core technology, the company told employees Thursday in a letter obtained by the *Journal of Commerce.*

Seattle-based Convoy has laid off all staff not related to the sale of its technology.

“We hoped this day would never come,” CEO Dan Lewis said in the memo to employees. “We spent over four months exhausting all viable strategic options for the business. However, none of the options ultimately materialized into anything sufficient to keep the company going in its then current form.”

Lewis blamed a “massive freight recession” and softer capital markets for Convoy’s demise.

“This combination ultimately crushed our progress at the same time that it was crushing our logical strategic acquirer — it was the perfect storm,” he told employees.

Convoy informed customers on Wednesday that it would stop accepting new loads but would deliver in-transit loads as part of a business “transition.” That transition, it emerged Wednesday night, includes selling its core technology.

The potential buyer of that technology is not yet known, but a source close to the situation said Convoy was negotiating with several interested “strategics.” That could include a fellow broker or another entity that could benefit from Convoy’s brokerage technology. Either way, an acquisition is not expected to be completed this week, said the source, who did not want to be identified.

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A hit to digital brokerage model

The closure of Convoy’s brokerage business is a significant blow to the so-called digital brokerage model, as Convoy was among the first — and the largest — to take large sums of venture capital money to try to create a more efficient version of a traditional broker at scale.

The model worked in a couple ways. Convoy built a large network of small carriers and owner-operators that were previously offline and converted to using the company’s app to find and transact available loads. From a volume perspective, Convoy grew to be the 20th-largest US truckload freight broker in 2022, with revenue of $1.1 billion in 2022, according to Armstrong & Associates.

But the growth-in-exchange-for-profits playbook only took Convoy so far in a fragmented market with increasing price transparency, something that Convoy itself helped to foster.

That fragmentation means the damage to the industry post-Convoy is likely to be muted, given Convoy’s customers will have quickly pivoted toward other options in a market with low rates and plentiful capacity. The impact, one source told the *Journal of Commerce*, will not be close to as acute as the shuttering of less-than-truckload carrier Yellow, for example.

Outside of where Convoy's technology eventually ends up, the bigger unresolved question is whether the market forces that ensnared Convoy — low truckload rates, compressed margins, venture capital firms being more selective in their investments and strategic buyers being unwilling acquirers at the moment — bleed into the larger brokerage industry.

"We moved all business levers possible," Lewis said in the memo to employees. "But we were running up the down escalator ... and it kept speeding up."

Contact Eric Johnson at eric.johnson@spglobal.com.