

Freight broker Convoy stops accepting loads amid pending company 'transition'



Convoy's last public valuation of \$3.8 billion in April 2022 came just weeks before the freight market started trending down, putting margin pressure on freight brokers. Photo credit: Convoy.

Eric Johnson, Senior Technology Editor | Oct 18, 2023, 3:49 PM EDT

Freight broker Convoy on Wednesday told customers it was halting freight tenders and pickups for the next 72 hours, with the Seattle-based company acknowledging it was preparing for a “transition.”

“As of this morning our team has been directed not to accept any new tenders and to cancel any tenders expected to pick up in the next 72 hours,” Convoy said in a customer advisory obtained by the *Journal of Commerce*. “Any shipments in transit will be delivered as scheduled.”

Convoy confirmed details of the advisory sent to customers but provided no further details, other than a spokesperson saying, “we are preparing the business for a transition.” The spokesperson told the *Journal of Commerce* the company would release additional details about that transition within the next 48 hours.

The news set off speculation in the market about Convoy’s future.

“You don’t tell your customers you can’t pick up their freight if it’s anything other than a complete winding down,” a freight brokerage veteran who did not want to be identified told the *Journal of Commerce*.

Convoy has long been a lightning rod in the truckload industry, one of a cohort of so-called digital brokers to emerge in the 2010s backed by venture capital investors with an ambition to make the industry more efficient through digitizing processes.

The company has raised \$1.1 billion over 10 funding rounds since its inception in 2015, the latest a \$410 million round in April 2022 that valued the company at \$3.8 billion. The cash was used to build and market its technology, including an app around which its transactions are centered, as well as develop a drop-and-hook trailer fleet.

But the venture funding was also used to subsidize rates to build market share in a highly fragmented truckload market, according to industry observers.

As a private company, Convoy never released financials, so it is not known if the company has ever turned a profit. That’s not unusual for venture-backed business in fast-growth mode, but it is unusual for a broker to last eight years without having made a profit.

That, in essence, represents the mismatch between tech-focused intermediaries with hefty financial backing and a competitive industry with customers not averse to switching between non-asset-based service providers.

In the meantime, Convoy has actively developed products intended to make the industry more efficient and pricing less volatile for shippers and carriers. Aside from its drop-and-hook program, it has offered guaranteed capacity and on-time arrival products as premium services over and above its app-based load-matching platform.

Broker margins hit hard this year

Convoy had also been at the forefront of attempts to align appointment scheduling in the truckload freight market after historically high demand during the pandemic. Fellow digital broker Transfix had to pull a planned public offering in 2022, while Surge Transportation filed for bankruptcy in mid-2023.

Overcapacity and weaker demand compared with 2022 in the truckload market have hit broker margins hard this year. But Convoy's fate stands in some contrast to Uber Freight, another member of the "digital broker" cohort. In July 2021, Uber Freight acquired Transplace, an incumbent broker and managed transportation service provider.

That acquisition provided Uber Freight with a foundation of established customers and freight that Convoy struggled to build. Uber reported in its most recent financial statement Aug. 1 that its freight business had a \$14 million operating loss in the second quarter after a \$5 million profit in the same period in 2022.

More broadly, the news Wednesday is a sign that companies backed by venture capital likely took on fixed costs in the name of rapid growth that was unmanageable in the current down portion of the freight cycle.

Convoy was among the first to lay off staff in mid-2022, as the first signs of a drop in demand were appearing. It has since conducted further layoffs, but it is far from alone. Other big-name technology companies to let staff go include Flexport, which laid off 20% of its employees last week, project44, FourKites and Freightos.

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