

# Lack of consolidation driving freight visibility differentiation, competition



*One provider estimates fewer than 20% of shippers and 3PLs are currently using supply chain visibility technology. Photo credit: APChanel / Shutterstock.com.*

**Eric Johnson, Senior Technology Editor | Nov 21, 2024, 9:00 AM EST**

It's been more than three years since the last major consolidation within the real-time transportation visibility market, a period in which urgency from shippers around granular insights into global shipments has dampened but not disappeared.

Not since project44 acquired ClearMetal, Ocean Insights and Convey and FourKites acquired Haven in 2021 has there been an appreciable shrinking of the vendor list in the visibility market. Instead, standalone vendors such as Shippeo, Overhaul, Vizion, Terminal49, OpenTrack, Wakeo and Portcast all coexist alongside project44 and FourKites.

For shippers, this means there is still a catalog of vendors from which to choose depending on their needs, which split along modal, geographic and predictive capabilities. That's especially significant given that one provider estimates fewer than 20% of shippers and third-party logistics providers (3PLs) are currently using supply chain visibility technology.

But it also means the visibility market as a whole is on somewhat unsteady ground; it's unclear whether acquisitions can or will occur, or whether some providers will go under, leaving customers to find alternative data sources.

Nearly every vendor in the sector has undertaken layoffs, executive reshuffles or both in the last two years, but they're all still standing. That begs the question: is the current market structure sustainable, or will the category be reshaped by mergers, acquisitions or closures.

"The world does not need 100-plus visibility platforms, but it instead needs a few large, networked platforms per region and mode," said Bart de Muynck, a strategic advisor to logistics technology companies, including project44, and a former analyst with Gartner who focused on the visibility market. "Just as we don't need hundreds of telecommunications providers, but a handful of large vendors with global coverage."

## **A difficult M&A market**

De Muynck, who spent 18 months as an executive with project44 until 2023, said he expects the market will consolidate, not due to acquisitions, "but smaller vendors running out of funds and leaving the market or changing their focus."

There are a few challenges facing the market in terms of consolidation. One major hurdle is the massive funding rounds that some of the largest providers took before and during the COVID-19 pandemic, investments that resulted in sky-high company valuations.

As the pandemic-induced surge in freight demand — and resulting supply chain disruption — receded in the second half of 2022 and the first half of 2023, so did the market for real-time visibility. And although the market has recovered, some of those large valuations are proving difficult to justify, a dynamic made more difficult by the continued presence of multiple vendors in the market.

The multitude of options for shippers also fosters competition among vendors, forcing them to invest in product engineering and marketing to differentiate themselves and putting downward pressure on pricing and contract lengths.

Companies with once-large valuations that are currently lower are naturally more difficult to sell because investors want a return based on the valuation in which they invested. But potential buyers are aware that other options exist in the market. Further, a potential buyer might decide that using a given visibility product makes more sense than purchasing the company that owns it, or that it could build a similar product in-house for less.

All these factors are leading to market stasis. project44 is the largest provider and has the largest geographic footprint, with FourKites a close second. Paris-based Shippeo is attempting to expand into North America, building on its solid customer base in Europe. The others tend to be focused more narrowly on international transportation visibility.

## **Best-in-breed vs. one-stop shop**

The market is further clouded by the existence of other types of visibility vendors. There are hardware-focused providers that deploy devices on containers, pallets or individual products, such as Tive, Roambee, Traxens, and Nexxiot, as well as logistics software providers including Infor Nexus, E2open, Transporeon and Gnosis Freight that offer visibility as part of a broader suite of technology products. Gnosis, for example, provides visibility data to a number of other software vendors, including some real-time visibility providers.

One theory for the lack of consolidation is that there actually is enough demand for all the standalone visibility providers to prosper because the pandemic recalibrated shippers' needs for such data.

"Each mode of transportation has deep specificities, so today there is no 'one size fits all,'" said Julien Cote, CEO of Wakeo. "And global organizations have different buying teams — one for intercontinental, one for local road transport in North America and one for European road transport — so the one-stop-shop approach has limitations both from a buyer and product perspective."

Cote said the reality that most shippers take a patchwork approach to visibility based on mode and geography is part of what's keeping many vendors in the game.

"Vendors tend to coexist," he said. "Typically, many of our customers, like Michelin, use Wakeo for all their intercontinental flows, and then locally they can be using p44 for road in North America. In the end, several companies can prosper."

Cote compared the current landscape to that of a transportation management system (TMS) market, where "many people thought a large player like SAP would consolidate

the end-to-end supply chain. In reality, we're far from this, and the best-of-breed approach took over the one-stop-shop play."

Melding data from more than one visibility provider means shippers, or their 3PL partners, need to be adept at integrating and normalizing tracking data across modes, or use a platform that specializes in logistics data integrations.

That's not as difficult a task as it was in previous generations of logistics software. Most visibility providers already integrate with widely used TMSs, and some even plug directly into enterprise resource planning (ERP) systems so shippers can use visibility data in functional areas outside of logistics.

"It's really not a big issue for clients," Cote said. "Via APIs, they can still connect everything back to the ERP, but this means you need good IT architects and integration teams."

## **A problem of profitability**

Beyond the technical lift of combining data from multiple visibility providers, there is a sense that more vendors are good for the market. Logistics has a natural predilection for fragmentation, evidenced by the tens of thousands of 3PLs, trucking companies and software providers that serve shippers.

"Lack of consolidation means there's more competition," said Akshay Dodeja, CEO of Terminal49. "There's more appetite to continue to innovate, to improve the quality of the data and the user experience."

"It's an old industry that we're trying to evolve and change, and it's going to take some time," he added. "There's a linear increase in technology improvement instead of an exponential increase."

But competition — at least in theory — creates winners and losers, leaving the question of whether all these vendors can survive in their current forms very much unanswered.

FourKites told the *Journal of Commerce* it is currently profitable, but none of the other vendors have yet to reach that milestone. With all but project44 likely too small to consider a public offering, the only viable options are to trim costs and win more business until they become profitable or find an acquirer.

De Muynck said the latter would be difficult. "A lot of the functionality is not differentiated, and so there is no upside for a larger vendor to acquire a smaller vendor," he said.

Brian Glick, CEO of logistics systems integrations specialist Chain.io, which is tasked with connecting many of the visibility providers to shippers' and 3PLs' execution systems, agreed.

"I don't know why a visibility company would buy another one at this point," he said. "The original set of acquisitions were about getting coverage for different modes and geographies. Now, it would be more about buying customer lists. I don't think the smaller ones have a big enough reach to make their customer lists interesting enough for the big ones. I think the big ones are too highly valued to sell to each other."

Glick said he also doesn't think other software companies or 3PLs would be willing to meet current valuations to "buy a shortcut to what they'd see as a feature in their suite. If I'm [TMS provider] Blue Yonder, I'd argue that I could build any visibility provider's functionality for a lot less than what I'd pay to buy them."

Another technical challenge to market consolidation is that previous platform combinations haven't really helped the market concentrate. They've either extended the modal or geographical reach of a vendor, or added to their customer list, but the market fragmentation persisted.

"The multiples on our revenue or some of our competitors' would be high enough that a project44 or FourKites, which already has these capabilities, does not have the cash to acquire other companies," Dodeja said. "And the founders would not settle for lower multiples in a sale as long as they have money in the bank and they continue to go win in the market."

Dodeja said visibility providers are in "capital preservation mode" and that companies on the top end of the market no longer have the growth rate to raise huge amounts of capital needed to fund acquisitions.

"Raising growth equity rounds right now is effectively impossible, unless you are growing extremely fast," he said. "And the struggle that logistics tech companies had in 2022–23, where if you look at their metrics, they might not look as appealing to a potential buyer."

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