UBER IS OLD HAT TO TRUCKING

ALTHOUGH THE LOCAL taxi cab business is regulated, people have taken rides in strangers' cars for decades. While those in younger generations may not be aware, baby boomers know that hitchhiking was a shared resource model achieved by thumbing down cars from the roadside.

I have hitchhiked within Philadelphia and long distance to Berkeley, California, (yes, 3,000 miles across the country) using the shared economy. Some drivers took cash payment to cover their expenses, but most did it to help the poor Indian. With changing times, hitchhiking became risky, and the shared resources exited the economy.

As the Internet and smartphone technology enabled people with cars to connect with those without them, companies turned that shared resource into a shared economy. The new technology also helped screen drivers' and riders' backgrounds to enhance the safety of both parties. The omnipresence of smartphones and mapping systems has facilitated rapid deployment in a user-friendly manner.

Uber and Lyft, the first to roll out the model, have generated billions of dollars. Rapidly gaining traction with drivers and riders in the U.S. and overseas, the model has resulted in huge valuations for Uber and Lyft in the U.S., Didi Kuaidi in China, Grab in Southeast Asia and Ola in India.

Such success with ride-sharing has fueled speculation on how Uber could do the same for the freight market. This should give pause to the well-informed for many reasons.

First, Uber's business approach to connecting drivers with passengers for ride-sharing has been part of the freight industry since the 1980s with the presence of brokers such as C.H. Robinson, Landstar, Echo, XPO Logistics, TQL, Coyote and more than 1,000 smaller companies. In simple terms, Uber and Lyft are nothing but fancy and technologically advanced brokers for transportation of passengers.

Second, while the operating models are similar, there are some major differences deploying the shared economy model to ride-sharing versus freight transportation. Ride-sharing is a consumer-to-consumer model and, although regulated by state public utility commissions, it has few restrictions on hours of operation and handling of different types of passengers (men, women, able, disabled, tall or short, overweight or skinny).

In contrast, although the freight industry was deregulated in the 1990s, there are many regulations imposed on the industry, including maximum weight per truck, paperwork requirements for different types of freight, hours of operation, driver logs and waiting time. These differences result in more complexity in connecting a freight driver with a freight customer.

In addition, although the freight drivers get full details on the shipment (destination, expected pickup and delivery time, weight and product type, etc.) prior to bidding and accepting the transaction, Uber drivers don't get such details prior to accepting the ride. It results in a passenger being driven to a destination in the opposite direction of driver's preference.

Although both business models take a fee for matchmaking, freight brokers have a better pricing model for all stakeholders. The drivers get to quote prices for the loads and only accept the moves that fit their preference in terms of freight type, direction and final destination. The customers can accept the quoted price or counter with a particular price and let drivers accept or reject that. And the brokers generate their margin by adding a fee, which varies depending on the shipment profile and market conditions, for each transaction.

This freight pricing model provides a level of independence to freight drivers and shields brokers from class-action lawsuits by plaintiff lawyers seeking to represent drivers who would prefer to be classified as employees.


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The trucking industry handles more than 350 million loads a year, with brokers controlling more than 30 percent. Proprietary and public load boards such as DAT Solutions and Truckstop.com also display millions of loads available for drivers to transport and available drivers looking for freight moving in a certain direction. So, while Uber has made 1 billion connections globally since 2008, the freight brokers have made more than 10 billion connections worldwide in the last 30 years.

Just as yellow cabs are looking to deploy "curb" mobile apps to facilitate direct online interaction and payment between cab driver and passenger to compete with Uber, trucking brokers just need to transition from using phones and email to smartphone apps to facilitate communication between the shipper and the drivers. This will be a better model of shared economy than the one Uber has for passenger ride-sharing.

Furthermore, for those who think a new startup for ride-sharing can't unseat Uber's dominance on the ride sharing business, they need to look at what a C.H. Robinson model for freight brokerage deployed to a ride-sharing business can do.

Instead of people talking about Uberizing freight, they will be talking about brokering ride-sharing. Venture capitalists who have rushed to bid up Uber's valuation to more than $60 billion in eight years should capitalize on their investment before they find themselves catching a falling knife. **JOC**

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