The Future of APIs in Freight

Shippers Remain Pro-Tech Despite Underutilization
For high-volume shippers, the need for flexible, responsive, and streamlined operations has never been higher. With increasing consumer demand and expectations, comes the expectation that shippers will double down on technological adoption throughout 2021 in an effort to transform their operations. The logistics industry’s already-strong tendency toward innovation in recent years has been underscored by the urgency brought on by the Covid-19 pandemic alongside the increasing emphasis on collaboration within the supply chain.

FreightWaves teamed up with Redwood Logistics to survey shippers across high-volume industries, including CPG, retail, food, and beverage, about their perceptions of the current market, tech spend, and use of application programming interfaces (APIs). Respondents made it clear that they expect to see tight capacity and growing tech spend ramp up over the next several months.

While companies are expected to increase tech spending, it is possible that not every solution that has been introduced is being utilized to its fullest potential. For example, most shippers reported using APIs, but over 40% said the tool made no material impact on their business. This sentiment indicates that companies may not be taking advantage of everything the solution offers, mitigating some of the benefits of tech adoption.

Survey respondents represented a wide range of shippers in terms of annual transportation spend, with almost 30% of companies reporting spend between $1 million and $20 million and about 25% reporting spend over $500 million. The wide range of budgets represented creates a more representative picture of the segment as a whole.
Capacity is already extremely tight. While the coronavirus pandemic sent the market on a roller coaster of expansion and contraction this time last year, it has become clear in recent months that the pandemic recovery phase will be characterized by more consistent tightness. Demand remains high among sectors that have grown through and even benefitted from the COVID-19 pandemic such as consumer durable goods and pharmaceuticals, even as heavily impacted sectors like services and travel continue to rebound.

Capacity constraints go hand in hand with economic recovery, and shippers do not expect the market to loosen up anytime soon. Almost 60% of survey respondents said they expect truckload capacity to be either “slightly tighter” or “significantly tighter” over the next six months.

While the majority of respondents predict further market tightening in the short term, about 37% expect truckload capacity to remain at about the same level. Given the current state of the market, these shippers also seem to be anticipating a tight season.

A small number of shippers — a little over 10% — said they expect to see capacity loosen either slightly or significantly over the next six months.

Despite a tightening market, over 60% of surveyed shippers still rely on manual procurement methods like phone calls and emails to source capacity for spot freight at least some of the time. Roughly half of the respondents reported that they also rely on digital freight matching to source capacity at least some of the time.
Shippers overwhelmingly agree that there will be more technology adoption in 2021. This is not particularly surprising given industry trends over the past several years. Still, shipper sentiment toward increasing technological adoption proved stronger than expected during times of looser capacity or decreased economic volatility.

About half of all respondents said they anticipate implementing significantly more technology for spot freight pricing and solutions in 2021. About 40% of respondents said they plan to adopt slightly more technology, and about 10% of respondents said they expect to take on about the same amount of technology in the coming year.

No respondents expected to adopt slightly or significantly less technology for spot freight pricing and solutions over the next several months.

These unanimous results support the prediction that reliance on higher-tech capabilities like digital freight matching solutions will soon outpace manual procurement solutions like phone calls and emails.

A smaller percentage of respondents reported sourcing capacity from open load boards (~40%) or relying on a dedicated fleet to cover their network (~25%).

These results suggest that most shippers currently utilize a combination of traditional and technological solutions. As technological adoption continues to increase, the balance between manual procurement and digital freight matching is expected to shift in favor of the higher-tech solution.

Technology Spend Expected to Grow

Shippers overwhelmingly agree that there will be more technology adoption in 2021. This is not particularly surprising given industry trends over the past several years. Still, shipper sentiment toward increasing technological adoption proved stronger than expected during times of looser capacity or decreased economic volatility.

About half of all respondents said they anticipate implementing significantly more technology for spot freight pricing and solutions in 2021. About 40% of respondents said they plan to adopt slightly more technology, and about 10% of respondents said they expect to take on about the same amount of technology in the coming year.

No respondents expected to adopt slightly or significantly less technology for spot freight pricing and solutions over the next several months.

These unanimous results support the prediction that reliance on higher-tech capabilities like digital freight matching solutions will soon outpace manual procurement solutions like phone calls and emails.
API rating suites are a relatively popular solution in the transportation industry as these tools can be used to automate routing guides and streamline the freight matching process. As more shippers begin to increase their reliance on technology throughout the procurement process, these solutions will likely take center stage.

This strong emphasis on technology is due, in part, to disruptions stemming from the coronavirus pandemic. Tracking and visibility, for example, have become more critical than ever to successfully navigate forecasted and unpredictable market shifts.

Companies that had previously skimped on digital investments found themselves struggling to compete in a competitive market. It is not surprising that shippers are now compelled to “future-proof” their business through technological advancements.

Players across all industry segments have also begun to place more emphasis on collaboration within the supply chain. However, reaching higher levels of interconnectivity generally requires higher levels of tech implementation.

As this trend continues, the industrywide push for proactive technological adoption will likely continue to grow.
The vast majority of survey respondents were familiar with APIs, but half indicated they are only “somewhat familiar.” Only about 40% of respondents reported being “very familiar” with APIs, and the remaining respondents were either not familiar with APIs or had not heard of them at all before completing the survey.

Even though most survey respondents reported being only somewhat familiar with APIs, about 75% of respondents reported using them in their businesses.

About 30% of shipper respondents said their business currently has one to four APIs in place with outside vendors. Over 20% of respondents said their business has five to nine APIs, and approximately 23% reported having 10 or more APIs with outside vendors.

Only 25% of respondents reported having no APIs with outside vendors at the time of the survey. These results suggest that not all shippers using APIs are familiar enough with the tools to utilize them effectively.

Most companies using APIs reported seeing value for their spot freight processes.
About 30% of respondents said APIs helped them gain access to more market capacity; a valuable perk in today’s market.

With a growing concern around driver shortages and consumer demand not losing steam, shippers who have successfully integrated APIs in their procurement efforts are better positioned to realize more cost savings and reduce the headcount needed to price and procure coverage.

Even though most survey respondents are currently using APIs, almost 40% reported that API rating suites and technology offerings had no material impact on their business’ spot freight processes.

This feedback — coupled with respondents’ self-reported limited understanding of APIs — indicates organizations are not taking full advantage of the API solutions in place.

To get the highest ROI from their technology investments, organizations should partner with a provider with a proven track record of client success. More specifically, they should partner with providers that have the technology and logistics industry experience to integrate and connect APIs across a network in order to make it fool-proof for personnel.

With an ever-growing gap between freight and technology, shippers must align their business with partners who have extensive history bridging that same gap for their customers.

Maximizing Value of Tech Solutions

While about 40% of survey respondents said APIs currently had no material impact on their business’ spot freight processes, it is clear that survey respondents saw potential in APIs as a whole.
Asked where they see APIs enhancing their companies the most with outside data and business intelligence, 70% pointed to enhanced freight visibility. Almost as many called out improved transportation rates.

Nearly half of respondents think APIs can simplify their billing processes, improve freight matching outcomes, and aid in procurement. An additional 15% think APIs have the potential to help with inventory.

This overall optimism about APIs was evident when shippers were asked how they see APIs improving their RFP and contract process for carriers.

Over half of all respondents cited the ability to move to a dynamic pricing system.

Additionally, roughly half of the respondents believed APIs could help them match lanes with better-suited capacity and integrate systems with transportation partners.

Lastly, about 40% said APIs could help improve carriers’ participation rates.

A smaller number of shippers reported perks like shortening the RFP process (~30%), using artificial intelligence and machine learning (~20%), shortening the contracted rate period (~10%), and lengthening the contracted rate period (~10%).
It is clear the shippers are optimistic about the future of APIs, and expect to see significant returns on investment when implementing the tools. To ensure those expectations are actualized, shippers should strive to implement APIs from trusted partners while continuing to work to ensure their teams know how to utilize APIs to streamline processes and save money.

Redwood’s Rating API, for example, is specifically designed to streamline the freight booking process while eliminating unneeded phone calls and lowering costs. The tool is powered by real-time market indices, historical data, and market demand signals to ensure users are getting the most reliable pricing possible. The tool seamlessly integrates with the most popular transportation management systems (TMS) on the market, ensuring the barrier to entry is low and the solution is usable.
Conclusion

Motivated by a competitive market and broader industry trends, shippers are expected to continue dedicating significant resources to technological adoption as APIs are expected to be a prominent part of the evolution toward a fully integrated supply chain.

Despite shippers’ widespread current use of APIs and self-reported optimism surrounding APIs’ potential to shape the future of the supply chain, many survey respondents reported that they were only somewhat familiar with the tools. Additionally, a significant minority of respondents said APIs were not currently impacting their spot freight processes.

It is evident many shippers are unaware of how to utilize APIs to their fullest potential. To curb this, shippers should place a greater emphasis on choosing the best technology partners who have experience integrating applications, tools, and software that will maximize ROI for organizations.

To transform your logistics operations and pivot your company to gain a competitive advantage, adopting a digital-forward approach with providers who have the technology and freight expertise is a critical first step.