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BEST PRACTICES

AWARDS

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2020 BEST PRACTICES AWARD

CONVOY

**2020 UNITED STATES AUTOMATED
ON-DEMAND FREIGHT BROKERAGE
COMPANY OF THE YEAR AWARD**

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Background and Company Performance

Industry Challenges

As one of the leading truck industry technologies, the digitalization of truck brokerage has garnered tremendous investor interest, and funding for start-ups in this space has consistently surpassed the \$2 billion mark worldwide in the past three years. Digitalization of the brokerage process—traditionally a manpower- and relationship-intensive process—is set to reduce dramatically the inherent inefficiencies related to matching supply (trucks) with demand (shipments). Capacity utilization remains one of the foremost challenges for the North American trucking industry, with its 8.6 million medium-heavy vehicles registering only 79% full-truckload (FTL) operations and 68% capacity in less-than-truckload (LTL), meaning that 21% of the capacity in a truck contracted to carry an FTL remains empty. The situation is even more dismal in the case of LTL operations, with 32% of capacity left empty per trip, on average. Lower capacity utilization results in inflated costs for carriers that, in turn, are passed on to shippers and end consumers.

The US road freight brokerage industry is highly fragmented in terms of shippers, carriers, and brokerage companies. No single brokerage provider has more than a 6% market share. Currently, the three types of brokerage providers include traditional brokers, loadboards, and automated on-demand digital brokerage solution providers. While traditional brokers continue to account for nearly 96% of the market, loadboards and automated on-demand solution providers each account for about 2% of the market. The highest automation of brokerage processes is in automated on-demand solutions. In theory, these solutions are designed to allow shippers to book loads and allow carriers to accept loads instantly with a single click. Automating the brokerage process helps the trucking industry minimize dead miles and save time and money.

In particular, these solutions can improve the efficiency and flow of freight operations, from pick-up to drop-off, through better matching, smart batching, resource management, transportation management, real-time localization, inventory management, and yard management. In addition, reducing empty miles—trips during which trucks carry no load—and improving route planning efficiency can mitigate the challenges of driver shortages and seasonal fluctuations in freight rates. Moreover, empty miles have an avoidable environmental impact, wherein more emissions per ton of freight transported enter the air than necessary; therefore, strengthening greenhouse gas (GHG) regulations requires adding incremental technology to vehicles, which will result in more expensive trucks for fleet customers.

In reality, however, most automated on-demand brokerage solutions have, so far, struggled to provide improvements to real-time brokerage between shipments and trucks with partially or fully empty space. In most cases, pricing is still conducted off the platform through the traditional phone-and-email-negotiation route. Automated on-demand freight brokerage solutions will need to move away from having to deploy a large customer support team to facilitate the brokerage process. To do this, these solutions will need to deliver instant prices for shippers to book loads and for carriers to accept. Only then will such solutions be able to streamline the truck brokerage process, which is bleeding money because of the time spent negotiating price per loads.

Visionary Innovation and Performance/Customer Impact

Differentiation in a Cluttered Market

Convoy is currently among the top two automated on-demand solution providers in the United States. Founded in 2015 by a pair of 'Amazon-ians,' the company has attracted the best of Silicon Valley investors that see tremendous potential for the company to become the next billion-dollar enterprise. Convoy's carriers and shippers enjoy an array of benefits associated with the industry's first digital freight network, including the following:

Reduced shipping costs enabled by automation: Brokerage fees in the trucking industry vary significantly (typically between 15 and 30%) and are predicated on being able to obtain the highest possible margin on each booked load. Invariably, a deal is considered successful when brokers can maximize what shippers pay and minimize what drivers receive. This approach means that brokers must first be able to negotiate only one deal at a time among their set of carriers, and then the entire brokerage process becomes highly time and labor intensive. Traditional brokerage, therefore, is riddled with considerable time, resource, and cost inefficiencies. Effective load matching lies at the core of the trucking industry. Convoy is currently the only company that has achieved 100% automation of loads to trucks. Automation has helped eliminate the multiple inefficiencies resulting from traditional, human-driven brokerage processes. With this, Convoy has streamlined its ability to locate the right truck across its network and has developed a strong platform for further innovation, enhanced cost savings, and improved resource use.

Optimized route/load matching and increased driver wages: Inefficient routing represents a major challenge for the trucking industry. On average, nearly 35% of all miles covered by trucks are empty, with trucks idling for extended periods of time waiting to be matched with loads. Most of this road freight capacity underutilization is from traditional load matching practices that tend to be negotiated consecutively, one shipment at a time. This process of manual negotiation, in turn, pressures carriers to approach multiple brokers or scan multiple loadboards to fill their schedules, often resulting in inefficient routes. Convoy's digital freight network directly and effectively addresses this challenge by automatically assessing billions of load combinations to identify the optimal way to combine shipments. Among the many benefits of this digital freight solution are improved route efficiency and higher carrier/driver earnings.

Enhanced efficiency through improved access to freight: the United States currently has nearly one million carriers and almost three million trucks. To improve freight efficiency, operate full trucks, and gain visibility into more loads, carriers must engage with multiple brokers; however, only a limited volume of available freight is accessible to carriers at any given time. Inefficiency in freight matching is exacerbated by the fact that over half of all freight shipments are drop-and-hook that traditionally were only carried out by large asset-based carriers.

Convoy's digital freight network opens up access to freight, where all loads are available at all times to all carriers, thus ensuring that any truck can be matched to any shipment and ensuring enhanced asset efficiency and optimized capacity utilization.

Dynamic, real-time planning capabilities: Real-time planning is critical to promoting efficiency gains; however, load scheduling and planning tend to be static and often fixed in

advance. This lack of flexibility is out of sync with real-world operating conditions characterized by fluid and unpredictable weather, traffic, vehicle conditions, and work hours. Moreover, variable loading times can have a negative ripple effect, with delays in loading at one facility likely resulting in carriers being unable to keep to their pre-fixed schedules. Convoy's highly dynamic digital freight network automatically adjusts to accommodate varying conditions and unanticipated events, thus avoiding waste and optimizing efficiency.

Convoy's first-to-market programs and products include the following:

Convoy shipper platform: Convoy has created a free online platform that gives shippers direct self-serve access to instantly quote, book, and GPS track Convoy shipments. The platform automatically uploads BOL and other proof of delivery documents for each shipment, and allows shippers to select flexible appointment windows to reduce carbon emissions. This allows small and mid-size shippers complete transparency and control over their freight while benefiting from the efficiency, quality, and cost-savings benefits of Convoy's digital freight network.

Convoy Connect: Convoy Connect is a free, easy-to-use TMS that helps shippers track the status of all their shipments and bids through a centralized dashboard. Convoy Connect streamlines coverage requests by automating carrier communications, and offers real-time rates from Convoy for instant coverage. Shippers can onboard easily without needing IT support, and manage all of their existing carriers through the product.

Convoy Go: As a nationwide drop-and-hook marketplace, Convoy Go gives high-volume shippers access to the company's Universal Trailer Pool for drop shipments, coupled with power-only carriers that set the bar for high-quality and compliance standards. Additionally, with Convoy Go, carriers of all sizes can access power-only freight that enables them to haul preloaded, Convoy-maintained trailers, thus reducing their wait time at loading and lowers their overhead.

Unique pricing programs and API integration: Convoy's automated network enables it to create unique options that provide shippers with more flexible and accurate pricing that reflects market conditions. For example, Convoy Now is a set of APIs that provides a real-time, guaranteed rate inserted directly into the routing guide and helps shippers that adopt the program increase their coverage by 20%.

Convoy Now: This program gives shippers, TMS providers, managed transportation providers (MTPs), and other logistics companies access to Convoy's automated real-time pricing and guaranteed capacity for both live and drop-and-hook loads. The program includes a suite of application programming interfaces (APIs), developer tools, and pricing programs that allows anyone who manages freight to access Convoy's network of high-quality carriers for shipments at a competitive price.

Automated reloads: Convoy's machine learning algorithms create batches of loads to reduce empty miles, thereby avoiding unnecessary carbon emissions.

Carrier mobile app and Carrier Web: The carrier mobile app (available on Android and iOS) and Carrier Web help drivers earn more with less hassle. Carriers can easily find, bid on, and haul loads that keep their trucks full, and carriers can be paid quickly with the free Convoy QuickPay™.

Convoy QuickPay: Convoy was the first company in the industry to offer carriers a free QuickPay solution with no additional fees, with carriers paid within two business days. To qualify, carriers have to use the Convoy app throughout the job to ensure tracking and must upload their bills of lading (BOLs) within 24 hours of job completion.

Direct-from-shipper loads: Convoy is the only broker to provide carriers with access to all spot freight from North America's largest shippers, alongside traditional loads in the Convoy app.

Hassle-free Detention: Drivers are automatically compensated if their trucks are detained for more than two hours at pickup or delivery. With Hassle-free Detention, Convoy uses GPS tracking to calculate automatically the time a truck has been at a facility and then pays out carriers accordingly, instead of compelling them to request and then verify detention claims through paper BOL timestamps.

Hassle-free Lumper Payments: Drivers can request and receive lumper payment codes immediately, with just a few taps on their mobile device – eliminating the time-consuming phone calls and out-of-pocket expenses that can take weeks to be reimbursed.

Customer Use Experience

With the goal of building a future that is more resource efficient and less carbon intensive, Convoy is transforming the freight industry with its digital freight network. Over the past four years, the company has used leading-edge technologies and innovative approaches to improve vehicle utilization rates and drive value chain efficiencies. Convoy's clients include some of the largest shippers in the United States, including Anheuser-Busch Companies LLC, Procter & Gamble, Wayfair, CHEP, Land O'Lakes, Niagara, Ardagh, and Unilever.

Recognizing the need for the freight industry to look beyond traditional operational patterns that tend to be rigid and static, Convoy has developed flexible and agile approaches that maximize efficiencies in even the most challenging conditions. For instance, during the initial peak of COVID-19 pandemic in March 2020, Convoy saw a 400% increase in usage of their Convoy Now instant backup, providing the capacity required to support the surge in consumer demand.

Robust Business Model

Current road freight capacity utilization levels are highly inefficient, and trucking companies are struggling to remain profitable. Trucks, on average, rack up nearly 35% of empty miles, and when they are not empty, they operate at under capacity. Driver shortages are becoming increasingly critical; however, initiatives at making no-hassle compensation payments for truck detention have fallen short of the mark. Drivers spend nearly 2.5 hours, on average, loading and unloading at each stop. Results of these factors have been higher prices, sub-par services for shippers, lowered productivity, resource wastage, and less-than-stellar overall freight efficiency.

Freight industry inefficiencies are compounded by the perception that trucking is a zero sum game, where one party can only succeed at the expense of the other. The brokerage model, in its current form, has added to the problems faced by the industry. As brokerage companies expand, they often become less efficient; more people and greater complexity

means they are unable to streamline operations, which holds true for the digital broker model as well.

Convoy recognized early on that the industry should be a win-win for all stakeholders, and that the economic model for trucking should create value for both shippers and carriers. Since 2015, Convoy's business strategy has been shaped by a flywheel principle, wherein its digital freight network has created efficiencies for both carriers and shippers.

Innovations such as Automated Reloads, Matching Automation, and Convoy Go have powered Convoy's flywheel philosophy, which has gained momentum as stakeholders realize the advantages that they can accrue. Convoy Go, for instance, offers drop shipments to millions of drivers across the United States, supported by a large and expanding Convoy trailer pool, thus providing carriers with access to billions of dollars in new shipments and enabling them to boost their productivity up to 50%.

As more shippers join Convoy's digital freight network, drivers benefit from better options, while the number of empty miles and wasted hours is reduced, allowing drivers to earn more per day. As more carriers join the network, capacity is increased, while shippers gain from lower prices per mile and higher quality. Moreover, as the network expands, generated data insights can support shippers and carriers to improve their businesses.

On November 13, 2019, Convoy announced \$400 million in additional funding, co-led by Generation Investment Management and T. Rowe Price Associates. This funding is expected to help Convoy step up its pace of innovation and accelerate the implementation of its goals.

Conclusion

Inefficient practices have resulted in the freight and logistics industry struggling to maintain profitability. Convoy's exceptional digital freight network is changing these dynamics, bringing in industry-wide transformation. Convoy's automated on-demand brokerage solution is enabling the industry to overcome old inefficiencies and power ahead with new technologies and innovative business models. Convoy's digital freight network offers multiple advantages that permeate across the value chain, yielding cost, asset, and revenue optimization. The network helps all trucking industry stakeholders—carriers, shippers, and drivers—gain improved visibility, transparency, and flexibility that support faster and more effective decisions, processes, and performance.

The future of the freight mobility industry will hinge on achieving greater efficiencies and on reducing its carbon footprint. Convoy's unique solutions are catalyzing this future by enabling resource-efficient practices, such as helping the industry reduce its environmental impact while driving economic and environmental sustainability.

With its strong overall performance, Convoy has earned Frost & Sullivan's 2020 Company of the Year Award in the US automated on-demand freight brokerage industry.

Significance of Company of the Year

To receive the Company of the Year Award (i.e., to be recognized as a leader not only in your industry, but among non-industry peers) requires a company to demonstrate excellence in growth, innovation, and leadership. This excellence typically translates into superior performance in three key areas—demand generation, brand development, and competitive positioning—that serve as the foundation of a company’s future success and prepare it to deliver on the 2 factors that define the Company of the Year Award: Visionary Innovation and Performance, and Customer Impact).



Understanding Company of the Year

Driving demand, brand strength, and competitive differentiation all play critical roles in delivering unique value to customers. This three-fold focus, however, must ideally be complemented by an equally rigorous focus on Visionary Innovation and Performance to enhance Customer Impact.

Key Benchmarking Criteria

For the Company of the Year Award, Frost & Sullivan analysts independently evaluated each factor according to the criteria identified below.

Visionary Innovation and Performance

- Criterion 1: Addressing Unmet Needs
- Criterion 2: Visionary Scenarios through Mega Trends
- Criterion 3: Implementation of Best Practices
- Criterion 4: Blue Ocean Strategy
- Criterion 5: Financial Performance

Customer Impact

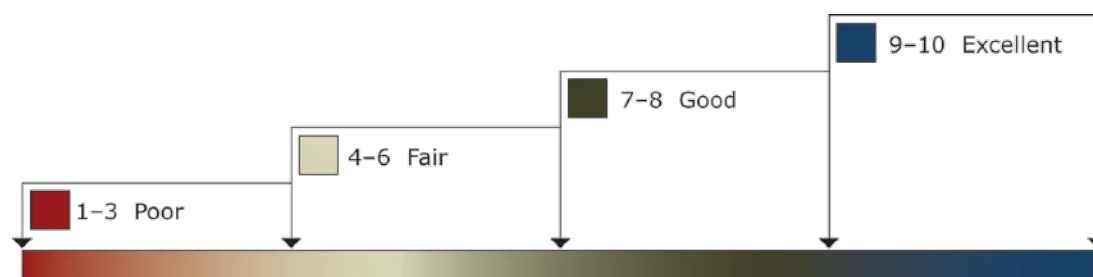
- Criterion 1: Price/Performance Value
- Criterion 2: Customer Purchase Experience
- Criterion 3: Customer Ownership Experience
- Criterion 4: Customer Service Experience
- Criterion 5: Brand Equity

Best Practices Award Analysis for Convoy

Decision Support Scorecard

To support its evaluation of best practices across multiple business performance categories, Frost & Sullivan employs a customized Decision Support Scorecard. This tool allows research and consulting teams to objectively analyze performance according to the key benchmarking criteria listed in the previous section, and to assign ratings on that basis. The tool follows a 10-point scale that allows for nuances in performance evaluation. Ratings guidelines are illustrated below.

RATINGS GUIDELINES



The Decision Support Scorecard considers Visionary Innovation and Performance and Customer Impact (i.e., the overarching categories for all 10 benchmarking criteria; the definitions for each criterion are provided beneath the scorecard). The research team confirms the veracity of this weighted scorecard through sensitivity analysis, which confirms that small changes to the ratings for a specific criterion do not lead to a significant change in the overall relative rankings of the companies.

The results of this analysis are shown below. To remain unbiased and to protect the interests of all organizations reviewed, Frost & Sullivan has chosen to refer to the other key participants as Competitor 1 and Competitor 2.

<i>Measurement of 1-10 (1 = poor; 10 = excellent)</i>			
Company of the Year	Visionary Innovation & Performance	Customer Impact	Average Rating
Convoy	9	9	9
Competitor 2	8	8.5	8.25
Competitor 3	8	8	8

Visionary Innovation & Performance

Criterion 1: Addressing Unmet Needs

Requirement: Implementing a robust process to continuously unearth customers’ unmet or underserved needs, and creating the products or solutions to address them effectively.

Criterion 2: Visionary Scenarios through Mega Trends

Requirement: Incorporating long-range, macro-level scenarios into the innovation strategy, thereby enabling first-to-market growth opportunity solutions.

Criterion 3: Implementation of Best Practices

Requirement: Best-in-class strategy implementation characterized by processes, tools, or activities that generate a consistent and repeatable level of success.

Criterion 4: Blue Ocean Strategy

Requirement: Strategic focus on creating a leadership position in a potentially uncontested market space, manifested by stiff barriers to entry for competitors.

Criterion 5: Financial Performance

Requirement: Strong overall business performance in terms of revenue, revenue growth, operating margin, and other key financial metrics.

Customer Impact

Criterion 1: Price/Performance Value

Requirement: Products or services offer the best value for the price compared to similar offerings in the market.

Criterion 2: Customer Purchase Experience

Requirement: Customers feel they are buying the optimal solution that addresses both their unique needs and their unique constraints.

Criterion 3: Customer Ownership Experience

Requirement: Customers are proud to own the company’s product or service and have a positive experience throughout the life of the product or service.

Criterion 4: Customer Service Experience

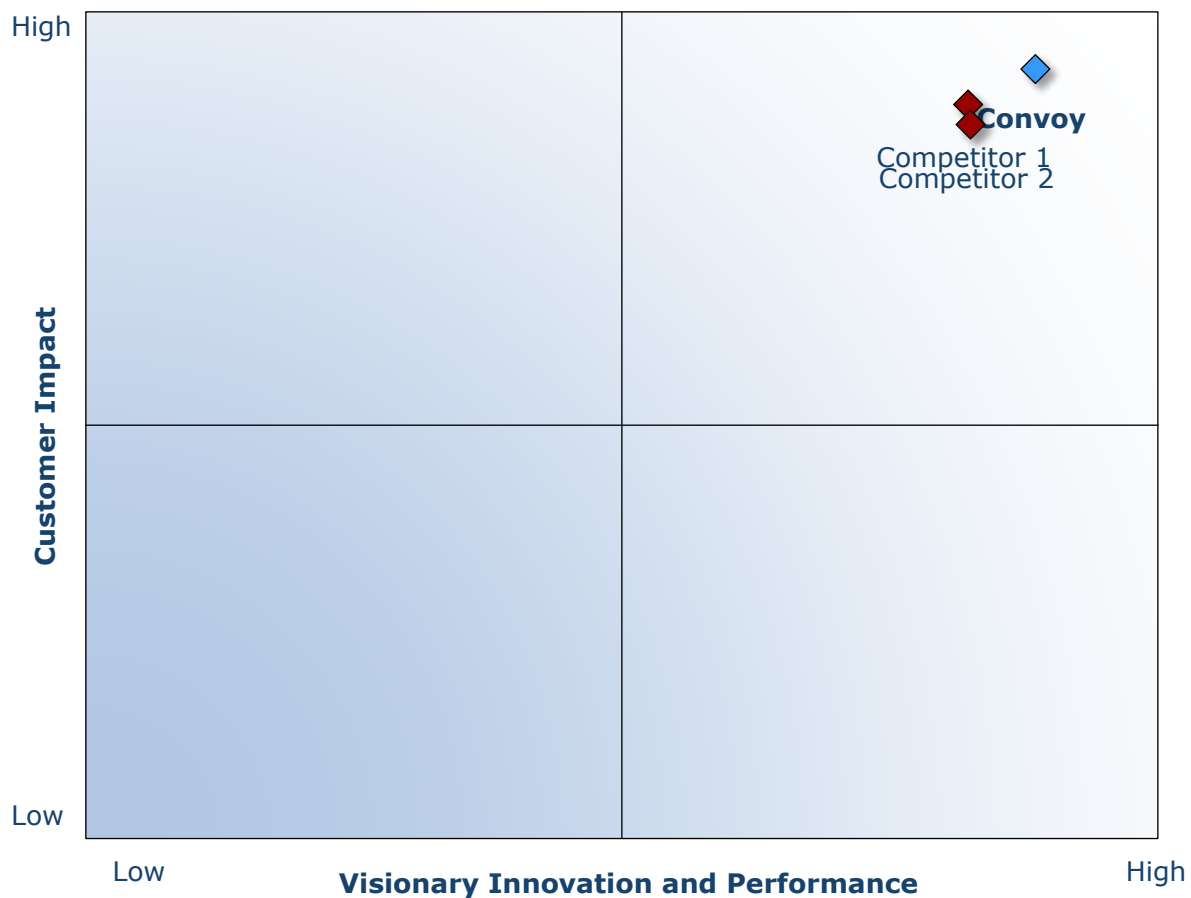
Requirement: Customer service is accessible, fast, stress-free, and of high quality.

Criterion 5: Brand Equity

Requirement: Customers have a positive view of the brand and exhibit high brand loyalty.

Decision Support Matrix

Once all companies have been evaluated according to the Decision Support Scorecard, analysts then position the candidates on the matrix shown below, enabling them to visualize which companies are truly breakthrough and which ones are not yet operating at best-in-class levels.



Best Practices Recognition: 10 Steps to Researching, Identifying, and Recognizing Best Practices

Frost & Sullivan analysts follow a 10-step process to evaluate award candidates and assess their fit with select best practice criteria. The reputation and integrity of the awards are based on close adherence to this process.

STEP	OBJECTIVE	KEY ACTIVITIES	OUTPUT
1 Monitor, target, and screen	Identify award recipient candidates from around the world	<ul style="list-style-type: none"> • Conduct in-depth industry research • Identify emerging industries • Scan multiple regions 	Pipeline of candidates that potentially meet all best practices criteria
2 Perform 360-degree research	Perform comprehensive, 360-degree research on all candidates in the pipeline	<ul style="list-style-type: none"> • Interview thought leaders and industry practitioners • Assess candidates' fit with best practices criteria • Rank all candidates 	Matrix positioning of all candidates' performance relative to one another
3 Invite thought leadership in best practices	Perform in-depth examination of all candidates	<ul style="list-style-type: none"> • Confirm best practices criteria • Examine eligibility of all candidates • Identify any information gaps 	Detailed profiles of all ranked candidates
4 Initiate research director review	Conduct an unbiased evaluation of all candidate profiles	<ul style="list-style-type: none"> • Brainstorm ranking options • Invite multiple perspectives on candidates' performance • Update candidate profiles 	Final prioritization of all eligible candidates and companion best practices positioning paper
5 Assemble panel of industry experts	Present findings to an expert panel of industry thought leaders	<ul style="list-style-type: none"> • Share findings • Strengthen cases for candidate eligibility • Prioritize candidates 	Refined list of prioritized award candidates
6 Conduct global industry review	Build consensus on Award candidates' eligibility	<ul style="list-style-type: none"> • Hold global team meeting to review all candidates • Pressure-test fit with criteria • Confirm inclusion of all eligible candidates 	Final list of eligible award candidates, representing success stories worldwide
7 Perform quality check	Develop official award consideration materials	<ul style="list-style-type: none"> • Perform final performance benchmarking activities • Write nominations • Perform quality review 	High-quality, accurate, and creative presentation of nominees' successes
8 Reconnect with panel of industry experts	Finalize the selection of the best practices award recipient	<ul style="list-style-type: none"> • Review analysis with panel • Build consensus • Select winner 	Decision on which company performs best against all best practices criteria
9 Communicate recognition	Inform award recipient of recognition	<ul style="list-style-type: none"> • Present award to the CEO • Inspire the organization for continued success • Celebrate the recipient's performance 	Announcement of award and plan for how recipient can use the award to enhance the brand
10 Take strategic action	Upon licensing, company able to share award news with stakeholders and customers	<ul style="list-style-type: none"> • Coordinate media outreach • Design a marketing plan • Assess award's role in strategic planning 	Widespread awareness of recipient's award status among investors, media personnel, and employees

The Intersection between 360-Degree Research and Best Practices Awards

Research Methodology

Frost & Sullivan's 360-degree research methodology represents the analytical rigor of the research process. It offers a 360-degree view of industry challenges, trends, and issues by integrating all 7 of Frost & Sullivan's research methodologies. Too often companies make important growth decisions based on a narrow understanding of their environment, resulting in errors of both omission and commission. Successful growth strategies are founded on a thorough understanding of market, technical, economic, financial, customer, best practices, and demographic analyses. The integration of these research disciplines into the 360-degree research methodology provides an evaluation platform for benchmarking industry participants and for identifying those performing at best-in-class levels.

360-DEGREE RESEARCH: SEEING ORDER IN THE CHAOS



About Frost & Sullivan

Frost & Sullivan, the Growth Partnership Company, helps clients accelerate growth and achieve best-in-class positions in growth, innovation, and leadership. The company's Growth Partnership Service provides the CEO and the CEO's growth team with disciplined research and best practices models to drive the generation, evaluation, and implementation of powerful growth strategies. Frost & Sullivan leverages nearly 60 years of experience in partnering with Global 1000 companies, emerging businesses, and the investment community from 45 offices on 6 continents. To join Frost & Sullivan's Growth Partnership, visit <http://www.frost.com>.