MARKET FOCUS, PROBLEM DEFINITION & SOLUTION STRATEGY

Differentiation Points between TL, LTL and Package Services

Characteristic	Courier/ Package	Less than Truckload LTL Transport	Truckload TL Transport
# of vendors	few	several dozen	130k to 400k
Physical Infrastructure	extensive	extensive	none
Typical Vendor Size	large	large	96% SME*
Structured Rates & Schedules	yes	yes	none
Logistical Planning / Capacity Predictability	structured	structured	ad hoc 72-hours max
IT ordering/processing	high	high	limited to none
Cloud-based aggregating systems	yes	yes	none to limited
Focus of The DOT Directory	**no**	**situational only**	**yes**

*SME = Small and Medium Sized Enterprises

Courier/Package Services

Package delivery services are characterized by relatively few vendors with complex physical infrastructures (examples: Canada Post, FedEx, UPS, etc.)

Established vendors readily provide system solutions to customers that integrate with their operations. They can also be aggregated online through third party systems (i.e., 2ship.com).

The DOT Directory does not serve this market.

LTL Trucking Services

LTL trucking services are characterized by several dozen vendors (national and/or regional) with significant physical infrastructures comprising of cross-docking facilities with major central 'spokes'. (Examples: Day & Ross, Manitoulin, Apex, etc.)

They provide scheduled services and rate tables, allowing for comparisons and selections based on price and delivery times.

Physically they involve three actual trucks to provide their services: (1) A local truck that picks up the freight and delivers it to a local/regional cross-docking facility; (2) a line-haul truck that moves it to the destination local/regional cross-dock facility; and (3) a local truck that delivers the freight to the final delivery point.

LTL services usually provide sophisticated technology systems that accommodate their services. Several other IT solutions exist that aggregate LTL carriers into one 'portal' allowing for better rate and service comparisons to be done for each shipment (i.e., Most Transportation Management Systems; online services such as freightcom.com).

The DOT Directory does not address this market.

However, it does provide opportunities in many situations to avoid the LTL infrastructure costs and find trucks with extra space that can move LTL shipments directly from point-to-point avoiding the 'cross-dock/line-haul/cross-dock' costs.

Trucking companies welcome these opportunities because it allows them to earn critical extra revenue for empty space. This translates into savings opportunities for the shipper.

 TL Trucking Services

Truckload trucking services are characterized by using a single truck to move a load. It involves no physical distribution infrastructure as it operates directly from pick-up point to delivery point.

The vendor base is extremely fragmented employing literally thousands upon thousands of vendors providing this service. The North American trucking industry has been estimated at anywhere from 130,000 to 400,000 vendors. This vast range of measurement clearly demonstrates how fragmented this segment is – nobody really knows!

96% of these vendors are Small and Medium Enterprises; with 90% being small businesses. Even the largest carriers do not cover 1% of the market share based on trucks on the road; and have to supplement their service offerings with broker services to cover their internal fleet capacity gaps.

It becomes further complicated in that service predictability does not exist. A truck cannot be committed for weeks in advance as one unforeseen event (of which there are numerous

possible events which range from environmental to mechanical to actual operational challenges) can create a domino-effect to any pre-planned schedule for any truck.

Where some Truckload services can be routine and predictable; vendor selection can be contracted and committed. An example would be an auto parts manufacturer that regularly schedules deliveries to the auto manufacturer. Trucking services are usually contracted and the trucking vendor is held to high-standards of service (under severe penalty conditions for failures) requiring back-up and contingency planning.

However, most truckload needs are not routine and predictable. They operate primarily on a "spot market" basis. Industry examples include produce (fruits and vegetables), lumber, and building materials.

To source trucking services in the spot market, "matching" a truck to a service need has been a decades-old struggle. Trucks move around making scheduling predictability difficult. The results are industry-wide problems that require big-thinking solutions.

The Truckload Industry Problems

The existing fragmentation of the industry composition, the lack of predictability and transparency and the constant repositioning of trucks creates its unique set of problems.

- Extreme driver turnover typically approaching and even exceeding 100% annually
- Chronic driver shortages as the industry lacks appeal as a vocation
- Truck capacity shortages unable to meet demand. The American Trucking Associations estimates that trucking services need to expand capacity by a whopping 30% or more over the next decade.

These problems are not new – they have been endemic to the industry for decades. The solutions have been targeted to the symptoms; avoiding the problem itself.

Driver recruitment programs have been developed – a simple look at any major trucking company's website demonstrates their number one priority to be focused on driver recruitment. Logically it should be customer and business development focused ... but it's not – it is driver recruitment focused.

An entire freight/truck broker industry (estimated in the US numbering over 80,000) has been created to solve the "matching of demand with supply" problem. This broker industry itself creates an additional transaction layer on each transaction; adding an estimated 7% to 15% to

freight costs, reducing transparency through their "double-blind" procedures (they create a completely duplicate transaction for every shipment), while adding complexity.

Rate and service schedules are non-existent. Online solutions are limited if they exist at all – the most effective solution to-date being "load-boards" (i.e., LoadLink, DAT, InternetTruckstop, etc.). These solutions are nothing more than online "classified ads" and create their own problems in terms of efficiency and lack of transparency (by creating pointless activity as once loads are covered, they continue to be listed and reacted to).

The Solution Required

The required solution is not to address the symptoms; but to address the root problems.

- Eliminate vendor fragmentation through aggregation
- Remove barriers to transparency by centralizing services with needs for services
- Maximize predictability ranges by speeding up information flows to and by all parties
- Address asset repositioning conditions by providing an infrastructure that accommodates asset repositioning in its design
- Reduce driver turnover by resolving the reasons for the churn
- Resolve driver shortages by removing the conditions that limit the appeal of the profession
- And – above all – provide a solution that expands overall capacity through better optimization of the existing aggregate truck fleet to meet expected demand growth.

The Solution: A Focus on the Root Problem

The key elements to solving the root problems are three-fold – and if they cannot be addressed, the "solutions" will remain focused on the symptoms:

1. Aggregate trucking services supply.

   Organize the supply of trucking services by aggregating it into one central accessible spot.

2. Aggregate trucking services demand.

   Organize the users of trucking services to access the supply of trucking services.

3. Enable the supply and demand to interact.

Having the transparency into the entire industry, interaction between users and suppliers of trucking services will optimize their collaboration efforts through transactional activity.

Simply put; there is no other discernible way to solve the root problems that have existed for decades.

In 2018, the technology to solve the root problems through the above conditions exists. Cloud-computing enables the creation of the high-volume network required. Only the resolve to do it is needed.

The DOT Directory Solution

By addressing each of the three elements required to solve the root problems, The DOT Directory delivers the solution. The DOT Directory:

1. Creates a directory of trucking companies that is complete, accurate and accessible – which aggregates the trucking services supply;
2. Allows each consumer of trucking services to identify and organize their unique optimal trucking vendor lists that meet their unique needs – which aggregates the trucking services demand; and
3. Provides transactional flow capabilities through a cloud-based network – which enables the trucking services demand and supply to interact in an organized and efficient fashion without the costs and complexities of technically integrating each participant (which would be unwieldy given the volume of participants).

This is the foundation and vision of The DOT Directory.

No other known solution exists; making The DOT Directory a unique and first-in-industry solution to the problems endemic to the North American trucking industry. And – by focusing on the structural problems – eliminates the symptomatic deficiencies each step of the way.

This is not a new solution: It has been successfully accomplished in the aviation industry – Air Traffic Control Services do this for airlines, its consumers, and its flights. It has been proven to work.

 The DOT Directory has taken the first critical steps on the path to solving this industry's problems.

The DOT Directory

A focused and unified effort is needed. The technology is here. The solution is underway. Join us and let's resolve the problem.