



FOREST, METAL &amp; BUILDING PRODUCTS


[Help](#) | [What's New](#) | [Site Map](#) | [Feedback](#) | [About Us](#) | [Français](#)
GO TO [Main Menu](#)[Business Information by Sector](#)[Forest, Metal and Building Products Homepage](#)
  **Strategis**

Author - Forest, Metal and Building Products

Publication Date - 2000-05-09

## National Transportation Exchange: A Case Study

[Background](#) | [Strategy](#) | [E-Business Focus](#) | [Investments](#) | [Benefits](#) | [Challenges](#) | [Conclusions](#)

### Background:

The National Transportation Exchange (NTE) is a business-to-business, eCommerce solution. The portal provides a neutral marketplace for buyers and sellers of ground transportation. The Exchange is the only comprehensive, "real-time" trading exchange in the transportation industry. Buyers and sellers interactively trade ground transportation capacity, at a market-driven price. In a neutral exchange. Much like a stock market, the market-driven price is based on the dynamic elements of time, distance and shipment type. The Exchange provides a set of processes, technology interfaces, and membership requirements that permit complete execution processing. This includes shipment tracking, guaranteed payment and quality of transportation service. The result is that members trade with confidence and reliability.

The National Transportation Exchange is a business-to-business (B2B), e-commerce member-based trading exchange for shippers and carriers. NTE operates a dynamic, rule-based optimization exchange used by shippers, third party logistics providers, freight forwarders and other intermediaries. Using the Internet, NTE's Exchange is designed to seamlessly link all trading partners in a supply chain to optimize and automate the execution of trades between shippers and carriers. At this time, there are over 500 industry users-members represented by shippers, consignees, contract and dedicated logistics companies, forwarders, brokers and truckload carriers.

NTE executes collaborative information sharing between transportation supply chain members, and creates a transportation trading market place by considering the dynamic elements of shipment time, size, distance, routing, service levels, transport availability and market pricing.

### Strategy:

NTE is committed to the long-term growth of the exchange. In the months ahead NTE anticipates the use of the exchange for new types of freight and different transportation modes beyond the current use of truck transport. The exchange also looks to expand into other markets beyond the US, with the next focus being on Canada and the global marketplace. NTE will continue to operate and focus across all industry segments.

NTE considers its major assets to be their use of advanced technology, a "first mover" advantage and a very strong management team:

- NTE considers themselves at least two years ahead of their competitors with regard to technology. They are now utilizing the fourth generation of their application which puts them at a considerable advantage over newer participants in the marketplace.
- NTE was also the first player in the transportation portal marketplace, which gives them a great competitive advantage.
- NTE has recently re-focused the company with an entirely new executive team. This new team provides a wide variety of work experiences including concentrations on transaction processing, financial management and customer management.

NTE also uses partnerships and alliances as part of their overall business strategy. They currently have partnerships with Manugistics and mySAP.com to provide integration and access to their clients with automatic access to the NTE Internet trading community that extends optimization beyond the enterprise. Shippers and their trading partners can gain visibility and improved service for all shipments by leveraging the dynamics of the transportation industry.

With the integration of NTE, Manugistics and mySAP.com clients can optimize freight movement with existing trade partners with the added feature of using the trading exchange for real-time pooling of less-than-truck-load orders. The Exchange can find the best-priced alternative that meets service parameters by the shipper - optimizing customer service and cost. This virtual transportation optimization can facilitate dynamic supply chain communities - the coming together of trading partners for in-the-moment decision making and optimization across the extended e-chain.

NTE is also negotiating partnerships and alliances with other companies which have not been publicly released to date.

### E-Business Focus

NTE provides a marketplace, through a web portal, where buyers and sellers can exchange empty carrier space, specifically in 'less-than-truckload' (LTL) to full truckload size shipments. Although the current focus is on dry palletized freight, other types of freight are in pilot and will be added as full services soon. The seller benefits by utilization of capacity, driver retention, and additional profits. The buyer benefits by purchasing transportation services at a higher quality service, compliance management, visibility, and direct level of service at a lower cost.

The true results of NTE's services can be found in their operating statistics. The average shipment placed on The Exchange which matches with an available Carrier's capacity is committed for shipment (trades) within 3 hours of being posted on The Exchange. Shippers see immediate cost and productivity improvements and Carriers realize improved utilization and increase their earnings.

### Investments :

NTE has recently completed their fourth round of private equity financing of \$53 million. Interestingly, NTE turned down other substantial offers. There is a lot of backing available for this type of business. Also a major courier company has a minority interest in the company.

### Benefits:

NTE has a customer base, which includes both shippers and carriers. Both customer bases have seen substantial benefits from their use of the NTE exchange. Benefits cited by shippers include:

- compliance control
- detailed reporting on delivery loss, damages, etc.
- guaranteed capacity
- substantial savings on soft administrative cost (time spent loading trucks to capacity, etc )
- "one cheque to cover all transport costs"

Benefits for carriers are primarily profit; drivers always carry full loads on trucks. Other significant benefits to carriers are

- driver retention -- because full loads for drivers are more profitable, the drivers get paid more and therefore stay with a trucking company longer.
- product is guaranteed to be ready to ship when the carrier arrives
- some profit sharing has been arranged with dispatchers
- carrier visibility

The value provided to NTE customers is the capability to efficiently visualize the whole supply chain while inventory is in motion, allowing real-time decision making and decision execution, and ensuring compliance of terms between trading partners

### Challenges:

NTE experienced many challenges during the start up of their company. A major challenge which is faced by anyone initiating an exchange such as theirs is the "noise" that is currently in the marketplace. There is currently a lot of activity in e-business and the biggest challenge is to get your product noticed and differentiated from other offerings. Branding is a major issue in the set up of any e-business. There are some very major players in the business, such as E-Trade which spent US\$250 million on advertising in the past year. It is very difficult for a new company with no brand to create a brand quickly given the marketplace today without substantial financial backing in order to position itself.

As in any business start up, NTE experienced some roadblocks and headaches which other companies can learn from :

- NTE was too sophisticated for the market when it began. The vision was created in 1994 and the exchange was operational by December 1998. At this time most people were not familiar with the internet for much more than e-mail let alone e-commerce. Make sure you fully understand your markets and their willingness to change before you start.
- NTE suggests that new e-business companies build relationships within their industry to help differentiate themselves from their competitors. NTE also suggests that e-business companies fully utilize their web sites as an information channel.

### Conclusions:

One final word of advice from NTE: be prepared for how fast this marketplace moves. Setting up an e-business is a big commitment and anyone who is venturing into this field must be aware that you can't just "play" in this business, you must be prepared to "jump right in and do this".

---

[Help](#) [What's New](#) [Sitemap](#) [Feedback](#) [About Us](#) [Français](#) [Top of Page](#)

**Canada**  
<http://strategis.ic.gc.ca>