

# Brokers' new BFF: Market Dashboard provides new level of visibility into buy rates

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WHITE PAPER

## Brokers' new BFF: Market Dashboard provides new level of visibility into buy rates

FreightWaves released the [Trusted Rate Assessment Consortium \(TRAC\) spot rates](#) last week. The newly published spot rates represent an assessment of the prior day's average buy rate (rate that brokers are paying to carriers for capacity). The data is derived from sourcing spot rates from more than a dozen 3PLs and freight brokerages. To enhance accuracy, an algorithm developed by FreightWaves data scientists places greater weight on the most recent loads and loads with origins and destinations in closer proximity to a user's requested origin-destination pairs. The resulting data tool is the new Market Dashboard application, which provides average all-in spot rates for more than 650,000 unique dry van lanes and over 300,000 unique reefer lanes that are updated every morning. No single data contributor accounts for more than 25% of the contributing loads in each lane.

FreightWaves TRAC differs from other data providers in that it is targeted for use by brokers and shippers by focusing on buy rates (what brokers and shippers pay to carriers for capacity) rather than sell rates (rate that shippers pay brokers). The algorithm developed by FreightWaves enhances the spot rate accuracy by placing greater weight on more recent loads. Focusing on the most directly comparable loads is also a differentiating feature. Other spot rate tools place too much weight on stale rates or rates taken from irrelevant lanes. In addition, FreightWaves TRAC provides greater transparency than other spot rate tools by detailing the metadata behind the spot rates,

such as volume and the radius of the loads that serve as input.

The clearest use case for FreightWaves TRAC is simply that it gives freight brokers and shippers the ability to look at what peers are paying to move spot loads with similar characteristics. Brokers can use Market Dashboard in a well-known and dense lane to refine their bidding process and can use Market Dashboard in a remote lane to get an idea for where to start in a negotiating process. Market Dashboard should also help brokers prioritize covering loads that promise to be higher-margin and/or difficult loads to cover.

For brokers, the decision of how high to bid for capacity is a balancing act – bid too low and brokers run the risk of the load not getting covered (hurting its relationship with the shipper in the process) and bid too high and brokers will earn substandard margins. Market Dashboard supports brokers' bid process by providing real-time spot rates that include not only a point estimate, but also a range, showing spot rates in the 67th and 33rd percentiles, respectively. So, brokers can decide where they want to position their bids within a range of options.

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## What is TRAC/Market Dashboard?

FreightWaves released the [Trusted Rate Assessment Consortium \(TRAC\) spot rates](#) last week during F3: Virtual Experience. The spot rates are the average buy rate derived from 3PLs' and freight brokerages' reported booked and covered dates.

FreightWaves TRAC provides average all-in spot rates for more than 650,000 unique van lanes and over 300,000 unique reefer lanes. For a lane to have data within FreightWaves TRAC, there is a minimum of five contributing loads and no single contributor can have more than 25% of the volume on the lane.

FreightWaves TRAC takes an average spot rate along a given lane and weights the rate by both time and distance. From each origin and destination, there is a "centroid," the geometric mean of a zip3, and the radius expands out 300 miles from the centroid. So one half of the equation is weighting the rates by geography. The closer the combined origin and destination pair are from the centroids, the higher weighting that specific rate has in the overall calculation. Conversely, origin and destinations that have to expand out closer to the 300-mile radius mark are weighted less heavily.

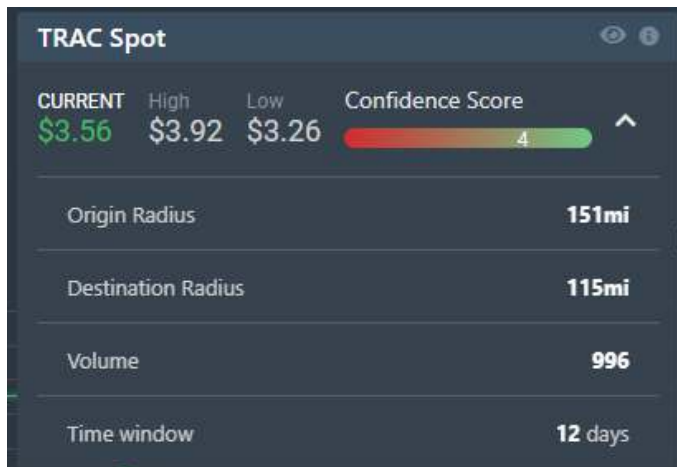
The other half of the equation is the time element. FreightWaves TRAC pulls in data from the previous 21 days. The closer to the current date, the more the overall rate will be weighted, while rates that are further back in time, say 17 days, will carry less weight in the overall rate.

FreightWaves TRAC combines both of these weightings to produce a single average all-in spot rate for a particular lane. With the FreightWaves TRAC rate being weighted, the more data along a particular lane drastically reduces the weight that a single load may have on a given lane.



The newly released Market Dashboard shows all the rate data in a single easy to use format. After typing in both an origin and destination, the dashboard displays the FreightWaves TRAC rate, as well as the high and low rate, the trend of the rate and the capacity trend in a map to signal markets that are tightening and loosening.

Within the FreightWaves TRAC spot rate on the dashboard, the user will see the current spot rate, a high rate, a low rate and the confidence score. The current spot rate represents the 50th percentile, while the low rate represents the 33rd percentile and the high rate represents the 67th percentile. The confidence score ranges from 1 to 5, with 5 being the most confident score. The metadata for the specific origin and destination is included in the dashboard as well, which can be accessed by selecting the drop-down to the right of the confidence score.



For the above lane, Atlanta to Philadelphia, the current FreightWaves TRAC spot rate comes in at \$3.56/mi with a confidence score of 4. Looking at the metadata within the FreightWaves TRAC spot rate, the volume-weighted average from the origin centroid is 151 miles and 115 miles from the destination centroid. The volume level is the weighted volume for the lane, at 996 loads. The time window, or look-back period, is the volume-weighted average of every load used in the calculation. Essentially, the 996 loads have been booked within the last 12 days, but loads booked closer to the 12-day mark carry

less weight overall, especially the further from the origin or destination centroid the loads are.

The further the radius is from the centroids or the longer the look-back period, the lower the confidence score is. In the later example, from Los Angeles to Dallas, the radius at both the origin and destination are tighter than in the Atlanta to Philadelphia lane, leading to a higher overall confidence score for the FreightWaves TRAC spot rate.

The rates are updated daily at 11 am ET, which provides the freshest, most accurate rate data available.

In addition to the new Market Dashboard, a new margin calculator feature has been added to allow for transportation companies to quickly calculate the sell rate based on either a percentage basis or a fixed amount. In the Atlanta to Philadelphia example, if a broker or transportation provider wants to have a 12% margin on the lane, for which the current rate is \$3.56/mi, including fuel, they can take the sell rate of \$4.05/mi back to the shipper.

Overall, FreightWaves TRAC spot rates, the new Market Dashboard and margin calculator bring fresh, accurate and transparent freight rates to the forefront of the market.

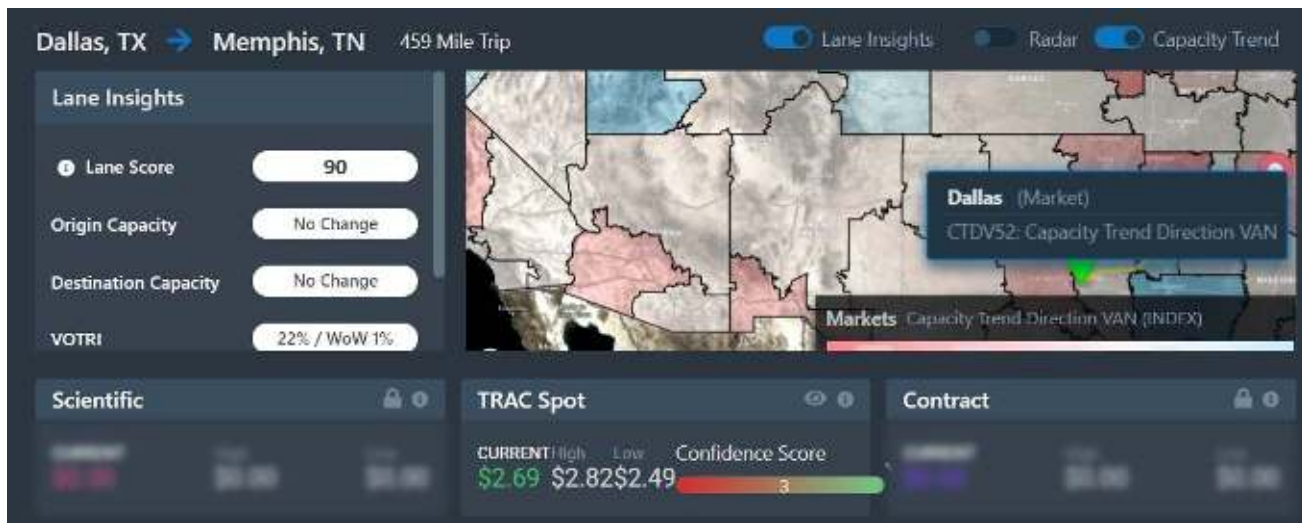
The screenshot shows a 'Margin Calculator' interface. At the top, there are two tabs: 'Add Lane' and 'Margin Calculator'. Below the tabs, there are two radio buttons: 'Margin Percentage' (selected) and 'Margin Dollars'. The 'Total Miles' input field contains the value '779'. The 'Margin Amount' input field contains the value '% 12'. At the bottom right of the calculator, there are 'Clear' and 'Calculate' buttons. Below the calculator is a table with three columns: 'Scientific', 'Contract', and 'TRAC Spot'. The table contains the following data:

	Scientific	Contract	TRAC Spot
RPM	Unavailable	Unavailable	\$3.56
All in rate	Unavailable	Unavailable	\$2,773.24
Margin	Unavailable	Unavailable	\$378.17
Sell price	Unavailable	Unavailable	\$3,151.41
Sell rate	Unavailable	Unavailable	\$4.05
% Margin	Unavailable	Unavailable	12%

**What makes FreightWaves TRAC different from other providers of this data?**

While other freight data providers exist in the space, FreightWaves TRAC provides users with more advanced analytics to facilitate proper decision-making across the spot market. FreightWaves TRAC is not the first predictive analytics tool on the market; however it is the first to offer comprehensive spot rate analysis based upon buy rates to the carrier. Sell rates that are captured by other providers do offer helpful insights on rate levels required to secure capacity, but do not illustrate the going rate to secure attainable margins or sustain sufficient transportation budgets.

Not only is data collected at the time the load is covered or accepted by the carrier, it is also filtered across uniform protocols, with no single contributor accounting for more than 25% of the contributing loads across each lane. Going one step further, FreightWaves TRAC weights each respective rate based upon distance and time, contrasting from the traditional norm of a uniform average that accounts for each load in the same way. This weighting algorithm contained within FreightWaves TRAC provides added value to more recent loads that ship closer to the precise origin and destination pairing that the user specifies.



In addition to other pertinent metrics, FreightWaves TRAC uses a confidence score to depict how accurate the representative rate is to the exact lane input. The confidence score provides the user with an indication of the relative volume across a lane, with aggregate variance away from the average. If a lane has low volume, and/or a vast dispersion from the average rate, the confidence score will be low. A heavy volume lane with a tightly packed lane averages will contain a higher confidence score. Dallas to Memphis (pictured above) displays a confidence score of 3 on its current spot rate average. This indicates to the user that the average rate per mile inclusive of fuel will likely be fairly representative of what a broker would currently experience in the market on this lane. Confidence scoring is added peace of mind for users, allowing them to deduce the validity and aggregate position of a lane-level rate, a feature that is absent from other platforms.

FreightWaves TRAC brings in existing SONAR metrics that assist the user in quickly identifying and trending market conditions, such as the lane score. The example lane above features a lane score of 90, which indicates that this lane is currently featuring incredibly tight market conditions. Lane score is generated by calculating carrier capacity at the origin and destination points, and accounting for outbound tender rejection rates from the origin. A higher score indicates tighter market conditions across the lane. The advanced lane insights contained within FreightWaves TRAC put the user in total control of the highly volatile market conditions that we've experienced this year. While other providers give you spot rate data, they offer little to no insight on the direction of spot rate pressure based upon key market indicators.

When most shippers or brokers access their rate platform, they are tasked with imputing origin and destination location information each time they wish to view the lane. Not only can this be time-consuming and tedious, but it can also cause human error. Failure of a user to switch the relevant mode or even a simple typo in a zip can initiate a vastly different rate profile, leading to the wrong rates being submitted and a load losing money. FreightWaves TRAC allows users to save their searched lanes into a lane list, allowing them easy returning access to spot rate data. Not only can this be helpful for lanes that are frequently watched, it can also save your team time when reviewing submitted rates on subsequent rounds of a bid process.



The most pronounced difference between FreightWaves TRAC and other available providers is the freshness of its data. Existing platforms offer data that can be days or even weeks old, making it incredibly difficult to compete in today's extremely competitive and volatile spot market. The current, most frequently used predictive freight analytics tool across the market allows users to see its spot rate data up to 3 days ago. When we look at the example above of Dallas to Memphis, average spot rates on this lane fell from \$2.84/mile to \$2.68/mile in one day's time on November 10th.

Users with a platform that contains data three days old would see spot rates in the \$2.80/mile range, looking like they are going to continue trending upward based upon the stale spot rate information. No supporting data within such a platform could provide the user with any insight on key market drivers or conditions that could be facilitating the rate environment.

A user with FreightWaves TRAC would see the pronounced reduction and stabilization of spot rates across this lane, correlating that data to key market indicators at both the origin and destination points. With data that is collected at the point of booking to the carrier, and updated every day at 8 a.m. ET, users can see the freshest and most relevant spot rate data that is pertinent to them. Instead of seeing rates in the \$2.80/mile range on this lane, FreightWaves TRAC users will see accurate buy rates in the \$2.70/mile range, allowing them to easily outbid or outmaneuver their competitors. Regardless of your use case, the insights provided within FreightWaves TRAC at such a rapid pace make this product offering stand out from other systems, giving you that key competitive advantage that is so hard to attain in today's spot market.

## How brokers and shippers should use FreightWaves TRAC/Market Dashboard

The primary targets for FreightWaves TRAC are freight brokerages and 3PLs. Those are the same categories of companies that are supplying FreightWaves the data used as input for the new FreightWaves TRAC/Market Dashboard product. (Note: as we state above, the spot rate data received from brokers/3PLs is processed by an algorithm developed by FreightWaves data scientists).

Therefore, the clearest use case for FreightWaves TRAC is simply that it gives freight brokers the ability to look at what their peers are paying for freight capacity for a load that has very similar characteristics to the one in question. Brokers can then use that data to pay carriers a rate that carriers will find satisfactory (perhaps begrudgingly).

For brokers, the decision of how high to bid for capacity is a balancing act – bid too low and brokers run the risk of the load not getting covered (hurting its relationship with the shipper in the process) and bid too high and brokers will earn substandard margins. FreightWaves TRAC supports that decision-making process by providing daily spot rates that include not only a point estimate, but also a range, showing spot rates in the 67th and 33rd percentiles, respectively. In addition, Market Dashboard also provides the metadata, or the backup detail, about how those rates were calculated and a confidence score (a range from 1-5 with 5 indicating the highest degree of confidence in the buy rates) based on data density.

Different brokers may use FreightWaves TRAC data to employ different strategies for different shipper relationships. To maintain relationships with important shippers that use a particular brokerage as if they were one of their “core carriers,” brokers may want to bid for capacity near the “high” spot rate (67th percentile), or even higher, to make sure that freight is picked up and loads are covered. Conversely, brokers may take an approach to maximize margins when they get a load from a shipper that is difficult or they rarely hear from. In that case, the broker may bid below the “low” (33rd percentile) spot rate in a particular lane in an effort to pay as little as possible to a carrier that is desperate to get out of a deep backhaul market.

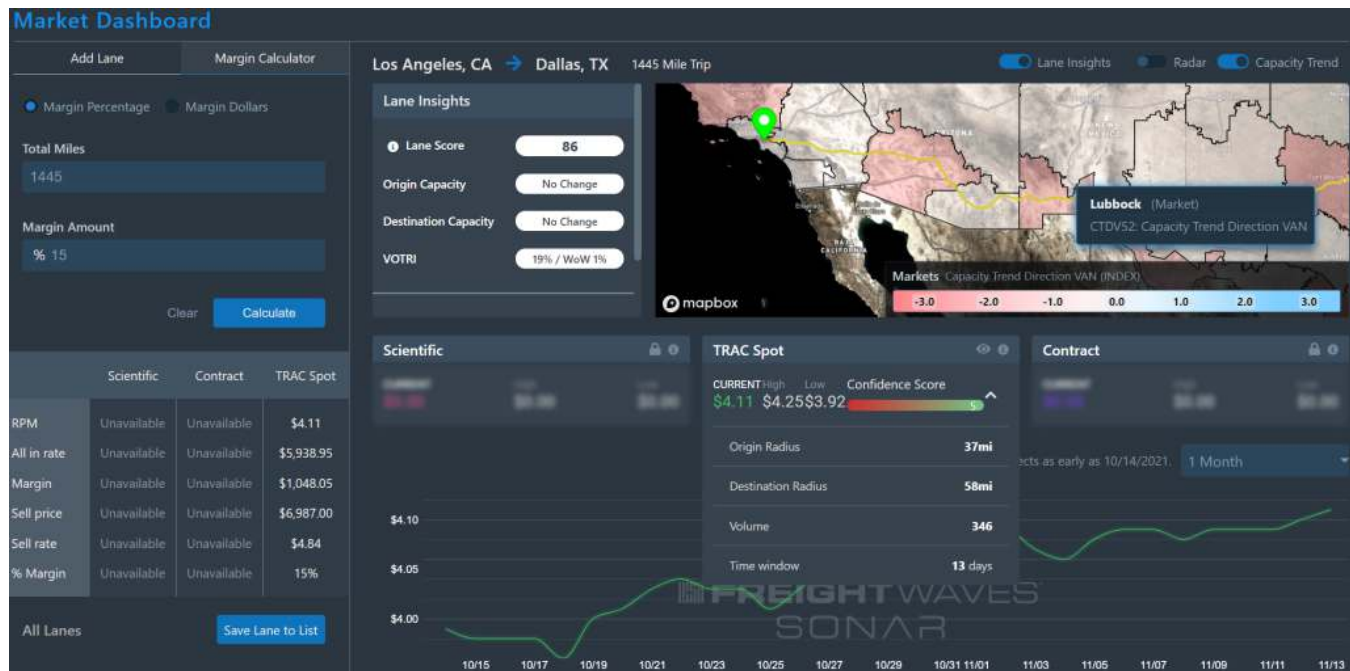
FreightWaves TRAC data should also help brokers to prioritize which loads to cover first. In order to be most productive, we recommend that brokers first look to cover loads that promise to be (1) high-margin and/or (2) difficult to cover. Certain lanes can be more profitable for brokers because, in a loosening freight market, buy rates typically decline faster than sell rates. In addition, in tight markets, brokers can earn high margins as a result of adding value (reflected in the spread between buy rates and sell rates) by finding capacity in a market/lane where capacity is scarce. Brokers should prioritize covering freight markets/lanes with elevated tender rejection rates and elevated spot rates because brokers will be competing for scarce available capacity.

While the discussion above is focused on how brokers can use FreightWaves TRAC data and Market Dashboard to their advantage, when it comes to purchasing transportation capacity, shippers approach the market in a similar manner as brokers. Shippers that are likely to find the most value from FreightWaves TRAC are those that purchase transportation capacity on the spot market directly from carriers. This typically happens when contracted loads fall through the routing guide during a period of elevated tender rejections in a particular market or lane. In fact, we believe that shippers that buy transportation capacity on the spot market may derive more value from FreightWaves TRAC than brokers – simply because shippers have less visibility into freight markets because moving freight is not their core business.



The other main difference between how shippers and brokers can use FreightWaves TRAC is that shippers can use the tool in budgeting/risk analysis and to hold carriers accountable. Market Dashboard will help shippers quantify the level of extra freight costs that will arise if X number of loads fall through the routing guide. Market Dashboard should also allow shippers to hold carriers accountable for certain service levels more easily if they, in fact, know that the spot rates they paid were in line (or above) prevailing market rates.

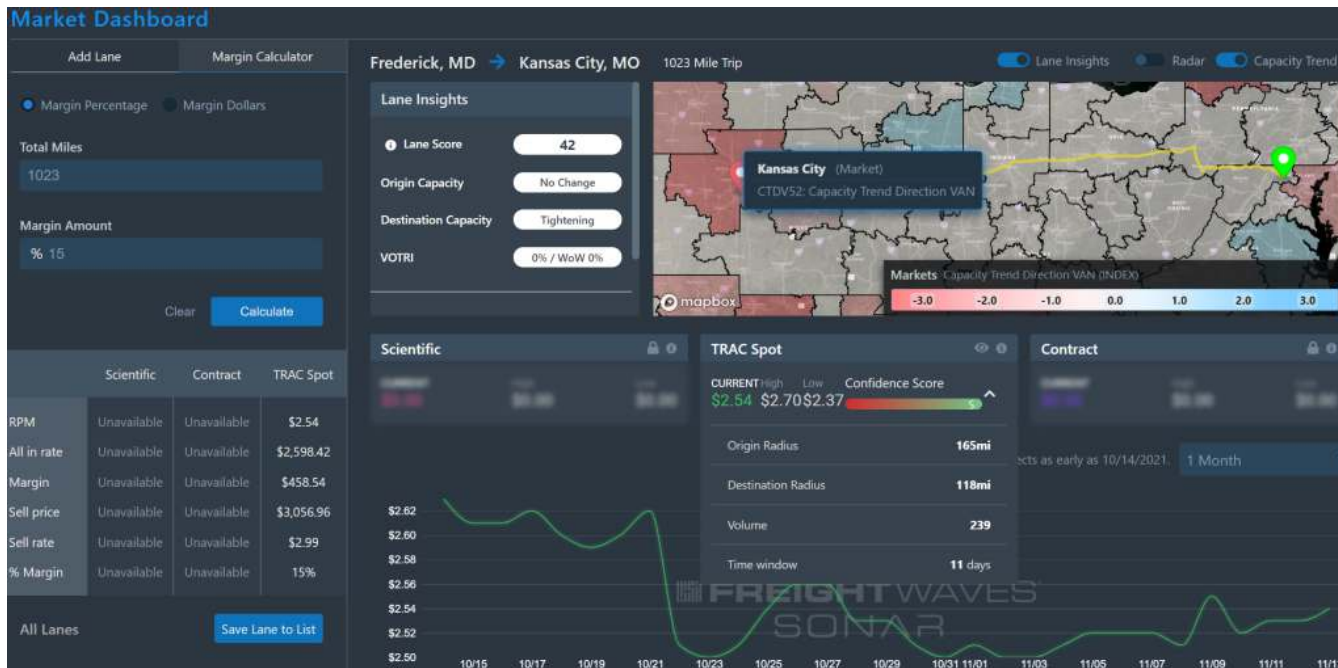
### L.A. to Dallas – How high do brokers have to bid in a tight lane?



In light of the congestion at and near the ports of Los Angeles and Long Beach and congestion in the intermodal networks, it won't surprise any brokers or shippers to see that spot rates are high from L.A. to Dallas. Market Dashboard adds value by quantifying that. Here are some quick insights from Market Dashboard in the lane:

- The estimate for today's spot rate in the lane is \$4.11/mile, including fuel surcharges.
- The estimate for spot rates that will land in the 67th and 33rd percentile are \$4.25/mile and \$3.92, respectively.
- Spot rates in the lane are up ~3% in the past month from just under \$4/mile and at the highest level in the past month.
- The estimated rates are calculated using data from 346 loads in the past 13 days with a radius at origin and destination no further than 37 miles and 58 miles (a relatively small radius), respectively.
- Dry van carriers are rejecting 19% of tendered loads in the lane, up 1% week-over-week.
- There has been little change to capacity levels at both the origin and destination markets in the past week (which is why they are shown as neutral on the dashboard map).

**Market Dashboard also provides spot rate estimates in lanes where little data is available.**



The Market Dashboard above shows an example of a freight lane that is far less dense – Frederick, Maryland to Kansas City, Missouri. Whereas the data in the previous example (L.A. to Dallas) is valuable in pinpointing what other brokers are paying for capacity, spot rate data in less dense lanes gives brokers an idea of where to start. We would argue that Market Dashboard is more valuable in less dense lanes because brokers, and especially shippers, have fewer data points to use as comparables.

Market Dashboard provides a spot rate of \$2.54/mile, including fuel, in the Frederick to Kansas City lane, using 239 comparable loads that were booked over the past 11 days. This is particularly valuable to existing SONAR subscribers since the lane is not dense enough for brokers/shippers to benefit from seeing a tender rejection rate in SONAR in the lane. In addition to providing all of the data in the above example, the Frederick to Kansas City dashboard highlights a Lane Score of 42, which shows that the market is looser than most, and shows that the Kansas City market is tightening. Therefore, brokers/shippers may want to bid on capacity at rates towards the published “low rate” with the knowledge that carriers will be more willing to head to Kansas City, an improving market from the carriers’ perspective.

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