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Season 4 Episode 4

Is GenAI the future of transportation efficiency?

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Guests: Doug Waggoner, CEO of Echo Global Logistics
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Bobby Stephens: Hi, everybody. I'm Bobby Stephens. Welcome, or welcome back, to That Makes Sense. This is the podcast where we break down consumer industry trends and explore their impact on both businesses and on us as consumers. Today, we are diving into the world of Generative AI one more time. I know it's everyone's favorite (laughs) topic. This should be a very interesting and enlightening conversation. We'll be discussing how AI-based decision models help improve transportation and how tech trends have significant implications on the customer experience and the broader mobility landscape. Joining us today, we have Doug Waggoner, CEO of Echo Global Logistics, and my partner, Larry Hitchcock, US transportation leader. Doug, Larry, welcome to the show.

Larry Hitchcock: Thank you.

Doug Waggoner: Thanks, Bobby. Good to be here.

Bobby Stephens: Absolutely. So before we get started, I'll let you both introduce yourselves, rather than me do it. So maybe we'll start with you, Doug—and Larry, you bring it up.

Doug Waggoner: Thanks, Bobby. I'm Doug Waggoner, CEO of Echo Global Logistics. We're a technology-enabled transportation company, so we move a lot of freight, about 18,000 shipments a day, but we do it entirely using other people's trucks and our own technology.

Larry Hitchcock: And for my part, Larry Hitchcock, the US transportation industry lead for Deloitte, and that means we cover from rideshare to rental cars and freight

in all forms, whether it's going over the highway, on a rail line, or over the ocean.

Bobby Stephens: I love it. So, Doug, let's start with you. You've been in the transportation industry for three decades, as I understand it. And over that time, you've probably seen technologies emerge, mature, be acquired, and then scaled up by major tech vendors, right? Major ERP players and other large technology firms. So, what's your early read on AI, and more specifically GenAI?.

Doug Waggoner: Well, you're right. I've been around for a long time, and when I entered the industry, there wasn't much in the way of tech whatsoever. But I've always been a bit of a tech nerd, so I followed it and [have] been involved with it. And I have to say that I'm as excited about technology

today as I've ever been, and I think that this whole revolution of AI, and particularly Generative AI, is going to be as big an impact on business as the internet was.

Bobby Stephens: OK, wow. Honestly, I love that. Compelling way to start this. And so, that's kind of my next point, is it seems like GenAI is here to stay. Doug, you think it's here to stay in a big way. Larry, I know your team recently surveyed nearly 300 transportation industry executives. The point there was to gain some insight into current usage and then the future potential of AI and GenAI in the sector. So can you just walk us through some of the takeaways from the research? And Doug, I think you've probably had a chance to review it as well, so if you have your take on the findings after Larry goes, that'd be awesome.

Doug Waggoner: Yep.

Larry Hitchcock: Yeah, sure thing, Bobby. I agree with what Doug said about the internet. But remember the days when you would dial up and hear that squeaking sound, and wait for a long time to establish an internet connection? I think we're at that stage in transportation. So, 75% of the respondents to our survey, as you said, nearly 300 transportation executives, report either doing pilots or proper implementations in GenAI. So I think that's a big step up from the green screens that have dominated the industry for decades, and that are still present. But I think we're across the different modes of transportation, in the early days, and what we saw on this survey, too, was there's more experimentation, more trial, and more implementation in large companies than small.

Bobby Stephens: Doug, what about you?

Doug Waggoner: When I saw the survey, I saw distribution of adoption, or intended adoption, and that didn't surprise me. One of the things that we find as a tech company is that we deal with about 50,000 trucking companies or carriers and about 30,000 shippers, and our strategy for going to market has been how do you deploy technology across that spectrum? Because on one hand, we have people that are very sophisticated, only want API integration, and on the other hand, we have people that use email and whiteboards to run their business. I'm not surprised that there's a lot of disparity regarding adoption of AI. I was also happy, selfishly, to see that we're probably leading the pack (laughs), relative to the sample. So that was something, for me, that was exciting.

Bobby Stephens: It's interesting. You mentioned the different maturity levels between companies, right? Broader companies. But even probably within companies, the different functions or groups might get different uses out of this. So Larry, maybe we dive in on that just a little bit more. If you think about customer service, or operations, or some of the more back-office functions across, the many different modes of transportation that you talked about—over the road, on the rail, in the air, over the sea—and you mentioned experimentation. What are some of the applications of AI and GenAI that you're seeing? And Doug, you can weigh in also. Have you faced any challenges or barriers in implementation, as you're looking to use this in different areas?

Larry Hitchcock: Yeah, Bobby. Commenting on experimentation and current use, from the survey, what we saw was it falls into three areas. So, operations (in a couple of different forms that I'll describe), marketing, and sales. And if you think about transportation, as Doug pointed out, there's companies that move things around with other people's assets, and then there's other types of companies in the industry that own assets. So, given the dominance of the companies that own assets, we saw a lot of experimentation in trying to improve the utilization of assets and improve the deployment of fleets and correspondingly, about 86% of the respondents were targeting cost reduction as the primary benefit from using either

AI or GenAI. Along with that would be inventory management; that was another area of key focus. So that was not a surprise to me. I'd be interested in Doug's reaction as well.

Doug Waggoner: Yeah, because we don't have assets a lot of our application of GenAI is focused on internal efficiency and productivity. And we do a lot of inserting AI into a workflow to make people more productive, to reduce the transaction time, etc. The types of things that we've been up to with GenAI is largely revolving natural language processing. So, emails phone calls, that sort of thing. And as we look at that, we receive about a million emails a day as a company. So when we start parsing that down into the types of emails that we get, we see a lot of opportunities for the application of AI.

So for instance, we get 60,000 emails a day from those customers that want to get a rate quote. We get another 40,000 emails a day from somebody that wants to know where their shipment is. So, prior to now, that would require a human reading the email; going into the system; figuring out the answer to their question, whether it's a rate or a tracking piece of information; and then creating a response. We've implemented technology that reads those emails; hits our internal API to get the answer, whether it's a rate or a tracking status; creates the email response; and then pops it on the screen for the rep to approve and send. So we take that one transaction from three or four minutes down to two mouse clicks and keep a human in the loop.

Bobby Stephens: Yeah, that sounds like it saves a ton of time. It's really interesting, first of all, that you guys drew the contrast between companies who own assets, who are really looking to drive cost down, manage inventory, maybe using it for the actual hard cost there versus sales and marketing—and just the everyday kind of speed, Doug, of the funnel, right? Keeping the funnel moving,

so to speak, of the things that you know are happening. So there's a lot of sort of every day experimentation going, but for this to be pervasive and sort of being transformational, in a practical manner, how do you each see this happening? Is there a time frame when we might see it really accelerate more broadly? Doug, to those folks, for instance, that you say are a little less advanced, is it a cost thing? Is it a willingness to try thing? Maybe each of you can talk through what you see from a time frame, and what are some of the things that might have to be true for this to truly be transformational in the industry? Larry, why don't you start? Doug, you follow it up.

Larry Hitchcock: Again, so here's something from the survey. So, I find it curious: 73% of the companies that responded say they're feeling some external pressure to show progress in this area. That could be investors asking questions on analyst calls. It could be board members asking what their competitors are doing and what they're doing. But here's what's curious. At the same time, our respondents—a little over 70%—feel that the transportation industry will expect to be transformed over a three-year period of time, and that stands in stark contrast to five other industries, where we did a similar survey, and they think AI will transform their businesses in one to three years.

Doug Waggoner: I agree with the "one to three years" outlook. Taking my company as an example, and moving beyond that, we built that solution that I just described in-house and started on it about nine months ago. By the time that we finished it, we found third-party products from tech vendors that would do the same thing, and frankly do it a little bit better. They had built out their product in such a way that it was a little more mature, a little more battle tested, and so we actually switched to a third-party product.

Since that time, I've come across five other vendors in our space offering similar technology to accomplish the same

thing—and that's using natural language processing to read emails and to manage workflows. The new kicker is we're seeing companies bring voice AI to the table. So, where we have people talking to customers or carriers we can use voice AI to do a lot of these transactions that are very manual. And they can be supervised by a human, and there's literally five companies in my space right now offering that solution, and four of these companies are less than six months old. And I think that these third-party technologies democratize the technology and make it available to all companies, large and small—so not just companies like mine that can build it in-house, but smaller companies that can get it off the shelf. I think that's going to accelerate the adoption.

Larry Hitchcock: You know, there's an interesting connection here. As Doug knows, we released a study called the Future of Freight, and there were five major findings in that study. One of the five was the respondents felt that incumbents were at a disadvantage when transforming the transportation industry relative to new upstarts. In the case of technology, because bigger companies have all this tech debt that they're trying to service, they don't have the talent that they may need to transform. So I think there's an interesting connection between what Doug just said and what we'd found previously in the Future of Freight study, that a lot of this change may be provoked and catalyzed by people that are not experts in the transportation industry and, in fact, come from outside the industry.

Doug Waggoner: I think there's a lot of truth to that. We, like large companies, do have tech debt, and so sometimes, when you have a new idea, it's hard to prioritize it in front of keeping the lights on and refactoring legacy code, and that sort of thing. But, I think for companies that are enlightened and see the future the advantage of the big company is you can do more things at once. And so a small company can adopt a particular piece of

technology and compete with the larger players, but I think the other side of it is the larger companies can have simultaneously multiple projects going on and implement multiple things.

Larry Hitchcock: I think, though, an added challenge that I see, and I am empathetic to this, is if you're a large company and you have a bunch of technology initiatives, you've got to keep a rudder in the water, and you've got to keep your eye on some waypoint. You can't get charmed by, like, a new technology that comes this month, and next month, and be constantly changing your portfolio of initiatives. You're going to drive your own team crazy, and then all of a sudden, you've got a vessel in the water (laughs) that's moving all over the place, because you're moving the rudder too often. So sometimes, even in a big company, you want to implement new technologies, you want to try new initiatives, but you've got to, like, keep the ship running in a constant direction toward some destination too.

Doug Waggoner: Yeah, and you mentioned something that we've seen in our industry, which is the startups have greenfield

technology, and they can move quickly. And when you're trying to build new capabilities on legacy systems, it's a harder process.

Bobby Stephens: Yeah. That makes total sense. It's interesting. It's a bit of a tug-of-war there between… the smaller startups probably can move more quickly, but the larger companies have the volume of data that it generally takes for AI, especially Generative AI, to work well. To your point, to train the model. You guys, what you were able to build, Doug, was probably… because you get a million emails a day, right? And because you get the 40,000 emails that ask, "Where's my stuff?" And the—I don't remember the exact numbers—the 60,000 emails asking for a quote. You have enough volume over time to build that up so you can build something that works for your business really quickly, which I think is impressive.

I'll take a second to recap in a minute, but our listeners, our regular listeners, know that we always end with a question that's a little less related to the topic at hand, and so we've gotten to that point where we usually like to end the conversation by talking a little bit about your habits as a consumer. This is

a consumer-facing podcast, and so maybe what we can talk about is how we can all be better consumers, maybe vote with our wallet, or some habits that we're picking up, that either ourselves or others are doing. So with that, maybe each of you could share a new consumer habit that you, or someone close to you, has picked up, that you'd like to keep going well into 2025. Maybe Doug, you start, and Larry, you go second.

Doug Waggoner: I've, over time, switched to buying a lot of things online and utilizing the internet to do my trip to the store. I never used to go in and comment on website reviews and that sort of thing; just wasn't worth my time. But I've suddenly started finding myself voicing my reviews on products and services online, just because occasionally I'll look for that to guide me, and I think I should give my experiences, good or bad, with these particular companies. And so I find myself starting to fill out company reviews, which I've never done, only because I'm a consumer of that same data.

Bobby Stephens: All right, user-generated content. I like that. As an e-commerce guy, I like that a lot. What about you, Larry?

Larry Hitchcock: It's funny that Doug picked that example, because mine was in the same realm. We have a lot of consumers that have been trained to interact with their phones and have high expectations for how quickly transactions can be undertaken and monitored. And I would say that me, as a consumer, and as a group, we should maintain and keep those high standards for transportation companies. Consumers are not going to accept the fact that you can't tell them when their package is arriving, where their shipment is, when they've been trained to look at their phone and find out that information very quickly. And I have high hopes and confidence that our clients and companies in the transportation industry can meet that standard.

Bobby Stephens: I love it. Well thank you guys both for sharing your knowledge on the industry and also that more personal anecdote there at the end. And thanks for joining the That Makes Sense podcast. Really interesting to see how AI and GenAI is transforming the transportation industry. Try to say that one three times fast. Like a lot of other industries, Larry and Doug, it's here to stay, the tech is. The use cases are a little different. There's a lot of experimentation happening. But I'd agree. You're seeing a lot of how do we make the everyday tasks more efficient, how do we take cost out of the system where possible? And eventually, how do we speed up things, routes to market, or frankly just allow us to focus people on more strategic tasks and get those repetitive tasks handled potentially by AI? We explored some of those use cases today, whether it was the advanced inventory management, automated quotes to your transportation partners, but it seems like AI/GenAI is definitely shifting the way the overall transportation industry operates.

So listeners, don't forget to subscribe so you don't miss our next episode. Take a look at our description for more content. Doug, Larry, thanks for joining.

Larry Hitchcock: Thank you.

Doug Waggoner: Thank you.

Bobby Stephens: All right, and until then, let's keep making sense. This is Bobby Stephens. Stay safe, and take care.

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