

# The Just Word Podcast

## Transcript of Episode 33: The Business Side Of Trucking

Guest: Justin Sky

**Pat Bolland** 00:00

Justin, great to chat again.

**Justin Sky** 00:02

Great to see you. How you doing?

**Pat Bolland** 00:03

Good, good. Justin, full disclosure, Justin is my next door neighbor. He has a cottage beside our family beach and he's become a new dad. How's that going?

**Justin Sky** 00:15

Well, I ... yes, Thank you very much. I'm... I have a three month old literally, I think yesterday, the day before. His name's Otis. He's really really cute. He's kind of chunky. But it only makes him more cuter. And I'll make new parents jealous because we had our first ever 12 hour sleep through the night last night. So I feel super refreshed and happy to be here.

**Pat Bolland** 00:32

Oh, great. Well, congratulations on the night through. Justin, you and I have chatted socially on the beach, I'm sure a few times and I really don't know what Rose Rocket is. Maybe you can tell me that first?

**Justin Sky** 00:46

Certainly certainly. So Rose Rocket is a TMS, which stands for transportation management software. But what does that mean to the average person, what it is, is a piece of software that runs everything inside a transportation company, whether that be a trucking company, or a brokerage or a three PL or you know all the names you've now heard of because of Amazon. And what that really means is it helps the symphony that it is moving from something from point A to point B ... it touches 10 departments and three drivers. And all that orchestration happens in one piece of software. So our customers use Rose Rocket every second of every day to run their operations.

**Pat Bolland** 01:22

Okay, did you come out of the trucking industry? Or did you come out of software?

**Justin Sky** 01:26

So my origin story, and I'll probably actually loop in both of my co founders, Alex and Justin, another Justin, oddly enough... so JB ... and our first employees name was Alex. So it was Justin, Justin, Alex and Alex, who are we're all. So Alex and I, we did a startup, so a software startup back in 2009. Right after college. It didn't go so well. There was some highs and some lows. It was the rocket. It was the

roller coaster that is startups. And then an advisor to that company, his name was Mike, introduced me to JB or the other Justin in 2012. And Justin had spent a large portion of his career up into that point in transportation. So he was not a software guy. He was the transportation guy. And he taught us, Alex and I, everything we need, we knew at that time about transportation. And so we kind of came together and he saw a gap in the market. And we created a company called 'Fratnex' ... F-R-A-T-N-E-X... we thought were so cool. It was like a license plate. The hard thing is, is when you're using a online company, people need to know how to spell your '.com'. And so noone would ever go to our website. So it was really silly, silly lesson there. And so we worked on Fratnex next for a couple years ultimately on the demand side of the market, not the supply side, the transportation and the trucking companies. They worked on the shipper side. And we saw some real interesting growth and challenges there. But we really thought that the bigger opportunity was helping the trucking companies, helping the logistics providers. And so in 2015, we started Rose Rocket became co founders together. And then shortly after that got into Y Combinator, and then the rest is history, if you will.

**Pat Bolland** 02:59

And the name obviously Fratnex didn't work Rose Rocket, where'd that come from?

**Justin Sky** 03:04

The short answer is \$9.99 on GoDaddy. But the longer is, we were sitting together with my first boss. And I'd love to talk about this story, actually, because my first boss fired me. He was ... I worked at a design agency after college before spends and, and he's still a close mentor and friend to me this day. He was actually the emcee of my wedding. And he helped us do the brand guideline of Rose Rocket before we even knew what Rose Rocket was ever going to be. So we sat down, and we were talking about what we thought we wanted in working in trucking. And it was JB and I were sitting at the DMZ the Ryerson DMZ ... OSHA out there at Yonge and Dundas in Toronto. And we were sitting with Joe, and we're trying to talk about our experiences at Fratnex, and a couple things came through, a couple of themes: number 1, 63% of all users on Fratnex were female, and when you look at the transportation space, it's a very, sort of hard edged masculine sounding names, you know, like trucks with an X and all silly sorts of things. And we, we felt that there was not enough respect being paid to the other side ... to both genders. And then additionally, we wanted to go much faster. So it was kind of a slog, Fratnex, like slow and slow. So what we thought about was, we were like thinking old tiny and strong, sort of post war, everyone going and so we thought of like those old school 60s rockets that were sort of pastel and, and cartoon like, and so that's kind of where it rocket came from. And then we were also talking about the inspiration for my entrepreneurship. I felt like I was a born entrepreneur and I think it'd be born or bred. I think that can be either dichotomy, but for me specifically, I felt I was more of the born because there's some entrepreneurship in my past and one inspiration is my grandma who sort of really truly, bootstrap story, came from nothing was an au pair then learned how to cut hair and eventually owned a building on Eglinton ... Bathurst and Eglinton. And so her name was Ruby. But we couldn't get rubyrocket.com. And it didn't sound as right. So we kind of had it as a homage and packaged it all together. Joe came up with rose. And then again, of course, the punchline is we got it for \$9.99. So,

**Pat Bolland** 05:20

OK, so then logistics and trucking though have been around for a long time. Why hasn't? What changed? Why hasn't somebody stepped into this space before? Was it the introduction of RFID, for instance, or the ability to track, or what?

**Justin Sky** 05:37

That's a great and yes, definitely the the ELD mandate in 2018, in the United States definitely helped us. But yeah, we have some kinds of ...

**Pat Bolland** 05:46

What's the ELD mandate?

**Justin Sky** 05:48

So the ELD mandate is the electronic logging device. So up in 2018, literally, if I was driving a truck across America, I would have to paper log my hours. So hey, I drove for seven hours down I95. And then I braked. And then I slept and you know, safety, right, you didn't want drivers driving 24 hours out of 24 hours. That's dangerous. And so you had to have, you know, those little truck stops that everyone sees on the side of the highway where you have to pull, although they would check your your logs to make sure that you're compliant. And so up until 2018, you could do it by paper, like pen and paper. And obviously, there's a little bit that's probably not the most advanced system in the world. And so there was a mandate to switch to electronic logging devices. And I think that was the first major shift in our industry, where people are like, oh, there is even more value and power in software than ... Oh, now that I know where the truck is, I can log it, I can see how fast it's going. I can see its fuel consumption, and I can literally see where it is in the world by GPS.

**Pat Bolland** 06:48

Okay, then you also have free and paid for services. Why offer both? Is that a marketing thing?

**Justin Sky** 06:56

Oh actually, sorry. Sorry, I didn't actually answer your previous question. So I'll come to the to the free freemium model for a second, but why hasn't? You asked and I apologize for not answering you asked, why have we not seen sort of advanced offer make it into this and ELD mandate is just one little slice. You know, we have some customers have been around for 100 years. And so why have we just started to see the march towards advanced software automation in trucking? Well, trucking was regulated until 1980, the Freight Motor Carrier Act came out. And so you saw deregulation, you see an explosion of companies and free market take doing what it does best. And you saw some software starting in the 80s and 90s, that sort of followed that trend. But we're very on prem, on premise, you know, you get a CD, you go into your closet, you install it on the server. And you know, trucking is a very complex and nuanced industry. It's like nothing I've ever experienced before. And so you have these, these really mature and have every feature and every little box and every checkmark that it needs that have been developing over 40 years. And so the impetus for a new entrant like ourselves to come in, we're going up against 40 year old Titans, if you will. Additionally, you had a because of the deregulation, you had a demographic that was pretty much close to retirement around 2008. And then, of course, the financial crash in 2008. When we set their retirement plans back a few years, and your spending, you saw them starting to retire. So you saw a demographic shift happened in the back half of the teens. And then you

also saw the ELD mandate. And then finally, I would say that trucking is a little bit of a laggard industry and in adopting new technology, and so you saw the shift from that happened in SAS on all other industries, you know, the Salesforce is the hub spots, all that in the last 10 years, sort of catch up at the back half of the teams. So I think all these conflicting forces, and then of course, COVID, everyone having to work from home all of a sudden, really shifted logistics software and logistics tech, and freight tech into high gear, and you're seeing an explosion of companies come up now.

**Pat Bolland** 06:56

Okay, so now the free versus paid?

**Justin Sky** 09:02

Yes, certainly. Sorry. Sorry about that. So free versus paid. Um, so there's many different ways to attack our market, you know, you could go enterprise, you could have these bespoke solutions that are for the top 200 trucking companies, it would be millions of dollars a year and require a type of go to market strategy, then you'd have the mid market play, which is really going against those legacy players I spoke about I'm going to go. And then for us, we think that there's a really interesting and compelling opportunity to help level up the small and sort of baby medium sized carrier, so call it 250-300 trucks and below and I'm just using that and painting with a big brush. But those folks might be starting, might be new, might be two people in an office and they're growing over time and they're growing their business. And so what allows freemium to do is that we actually see in trucking that a lot of us ... so say you and I own a trucking company, we might actually work together. Now we might compete against each other in our in our local markets, but maybe you're in Montreal and I'm in Toronto, and hey, I got to send some stuff down on Monday, I'll call my buddy Pat and say Hey, can you take this load for me. And so we're seeing sort of this collaboration. And so what freemium allows us to do is say, to you and I, maybe you're not ready to do your switch, you're still doing your software. But if I'm using Rose Rocket, I can send something over to you through Rose Rocket, and e-dispatch, as we call it, and you can start using Rose Rocket and go, this is interesting, I like this, this is a little bit faster, I can upload documents, chat with each other, we can share location, you know, maybe I'll try that out for a couple months, see if it's right for me. And that's what freemium allows us to do. So allows us people to snack and try it out on a one by one basis, where they're getting used to it, and validating and checking out the software or they are growing in there, maybe a two person shop and they don't have enough money to spend what they have to spend on a TMS and allows us to level up the industry.

**Pat Bolland** 10:45

It's fascinating you say that because my son has a best buddy that was in that business ... logistics and made those connections between small companies. You know, you're bringing cabbages from California, you might involve several trucking companies along the way, as the packages get offloaded, and reloaded and that kind of stuff. So you kind of do all that?

**Justin Sky** 11:05

Yeah certainly, we call it the network TMS. And, you know, kind of that old joke. I don't know what comedian said this. I think it was Brian Regan. But, you know, have you ever gotten on the highway and you saw two trucks with logs drive past each other? And you're like, Well, don't they just need the logs at the same place they just came from. So I think, ultimately, this industry is at the beginning of a

revolution of efficiency and making sure that, you know, routes and lanes are overly optimized because it's expensive. You know, diesel's not going down. And we need to be efficient, we need to do more with less these days.

**Pat Bolland** 11:34

Okay, that does bring up some interesting questions. What are the biggest challenges? Is it communication? Is it tracking? Is it delivery to the last mile or onboarding the first mile? Or is it fuel prices?

**Justin Sky** 11:47

You definitely your stuff? Um, you know, the easy answer is all the above. But if I can touch on those gently, so you know, diesel is definitely going to push prices up freight freight rates up this year. And I think that's just gonna be a pass-through, really, I think, you know, diesel is a hard cost. And so I think the consumer is going to end up paying for that, and you're going to see that contributing to inflation. So that's a challenge, but I don't think insurmountable. But there will push down a little bit on demand as prices rise. I think transportation, transparency, tracking, making sure that you don't forget something is a critical problem in this industry. Meaning we, you know, if we have three people in our shop, and Bob doesn't talk to Sally, and they they miss that pickup, you know, that could be the profit of that whole truck, just gone for the day. And so really, that orchestration, I like to think of it as symphony, you know, in our software, it's a conductor, but everybody has, you know, you've got your lead violinist, and you've got your, you know, your first chair cello, and they all have to play in harmony for you to make a profit in trucking. So I think that transparency piece and that coordination is really critical. And then additionally, its drivers. Drivers are really, really hard to recruit right now we're seeing a big swing in retirements for owner operators, so the spot market, so people that are just driving around the country, so you're seeing a lot of freight marketplaces pop up. So, you know, Uber freights getting into the business convoy trucker path, you know, there's a lot exploring that opportunity, because of needing to find more and more drivers, you know, keeping drivers and recruiting drivers is a big pain in our industry.

**Pat Bolland** 13:22

You know, I started off by talking about the protests that happened in Ottawa that kind of gave the trucking industry a bit of a black guy. What are your thoughts on that?

**Justin Sky** 13:32

Yeah, certainly. So. So it's very interesting that trucker protest, which when we looked at it was, you know, most of, of the folks that we work with, you know, had over 90-95% compliance on vaccination. And so it wasn't really a challenge to cross the border at all for the majority of our businesses. We think it was a little bit more of the spot market. So you know, a single driver who owns their rig who was driving wherever they wanted to drive. That was a little bit more of a challenge there. But I think it was a very, pretty small minority, making a very large sound and rallying about some other sort of folks that were feeling disenfranchised across the country. So we didn't really see a big challenge to to our customer base. One area that was challenging was closing down the border crossings. Slowed freight down. And slowing freight down is is never great for consumers because the prices go up.

**Pat Bolland** 14:27

Right? And you don't get fresh fruit and all that kind of other stuff. Let's shift the conversation a little bit. You recently raised a boatload of money, very successfully a point out. so ... and some serious venture capital finance ears. How'd you do that?

**Justin Sky** 14:44

Yeah, well, thank you very much. That's that's really nice. And it was hard. I definitely probably got a few more gray hairs through that process. But so the company went through.

**Pat Bolland** 14:52

No, that's from being a new dad.

**Justin Sky** 14:53

Yeah, so double. So now I'm just like, you know, this is the last time you'll ever see me with a with a with dark hair. Yeah, so the company went through something called Y Combinator in 2016. It was, you know, it was such an interesting thing to do in your mid 30s, with your other co founders who also mid 30s, who also have kids, I didn't have Otis at the time. But we moved together in a house classically that we all sat at the kitchen table and coded together and it felt very stereotypical to the Silicon Valley story. And we went through YC and YC is a incubator for very early stage companies. And they have a lot of names that you might use today, Airbnb went through Y Combinator, Reddit, Coinsquare, Dropbox, you know, huge companies, yeah, Athletic, who are in our batch. And so Y Combinator teaches you how to talk to venture capitalists, gives you access to certain of those networks, I really compare the venture capital industry very similar to Hollywood, where it's a little bit of a networker who, you know, helps you get to know other folks. And once you're in the team, you know, you start building great businesses over and over and over again. And so that was our kickstart. And then how we did this last raise, our Series A, was really hard, just hard work. You know, we've been working really hard on the company, we've put some really great metrics and some growth into our business, and telling that story. And it truly is a story. You know, people want to hear where you're going, what the vision is, how the company attracts, what's great about it, what are your awards, and then running, getting to know those investors and making sure that you have the right partners at the table, because there are some horror stories where you bring on the wrong venture capital, and they sort of point you in the wrong direction. And then it blows up. You know, it's very interesting is that like, I always think of the analogy of the breakfast, where who's more involved the chicken or the ham, right, like more involved in that breakfast. And I would say the entrepreneur is definitely the ham, and the venture capitalist, definitely the chicken, because they've got a couple eggs out there. And you're, you're on the plate. And so while they're in partnership with you for breakfast, there definitely have to go elsewhere and do a lot of things for their business. And so finding those right partners that can support you, and really, hopefully turn this thing into a very large company,

**Pat Bolland** 17:12

as an interesting story, too, because the chicken does stay alive, it's the eggs that are consumed. A horrible thought, Oh, my God. Okay, so what are you going to? I guess the real question is, what are you going to use that money for? What's next for Rose Rocket?

**Justin Sky** 17:26

Certainly. So when we raise a series, A, we were really just starting on the on our pathway to the network, TMS. So that early story that we're talking about, where we work together on the same platform, and we can recruit each other. And so you know, that requires a lot of development. Trucking is very nuanced, we need to have specialists, we have about 105-110 people here, and I would say fully 15 of them. So 15% have deep industry knowledge who have worked at trucking companies for many, many years, decades, even. And so it's taking that knowledge, but across the industry, and then really building deep domain. So, you know, we have a lot of engineers, a lot of developers, a lot of product folks, a lot of designers and those are expensive, and we're sort of building to that future state of our revenue. So that's really where the majority of this round will go. Less so than like maybe hiring 500 salespeople or something, you know, our sales team is quite healthy. But I would say this is definitely more focused on building that product.

**Pat Bolland** 18:21

Yeah, actually, I kind of thought you'd take the conversation a different way. I kind of see your business the way you've just described, it is kind of almost like an outsource for the trucking companies. You know, like, I don't know, Mayflower, for instance, trucking company, Van moving company, all that kind of jazz. You become an outsource for what they used to have in house. Is that not the case?

**Justin Sky** 18:42

It could be, yeah, and some of our customers do have homebuilt and homegrown solutions. And so that's allowing us to offload all of that, you know, that op-x into our software and allowing the leveraging, it's actually the best way to think about SAS, so our business, and software as a services, it's the only asset you purchase that grows over time, right? Because it gets better literally every two weeks release new features, new software, correct bugs, it's just continually appreciating in value. And so the worst version of Rose Rocket is today you buy the best version is today leave, or never leave

**Pat Bolland** 19:19

I was I was gonna say you shouldn't wish that upon yourself.

**Justin Sky** 19:22

Exactly. Exactly. Or you retired? Sure. Right, you sell up. And so you know we'll continually do that. And I think the great thing of the revolution of SAS is that allows for high efficiency in our business and then unlock for theirs. So do we need 500 sales folks? Not really, you know, we can do a higher efficiency approach, especially with that network team is where our leads are coming in from our customers as well. And and there's value there. It's a value sharing work. If you and I work better together. That's great, because then we're we're making more money or we're having better profit or we're having better efficiency. And yet then Rose Rocket now has two customers instead of one.

**Pat Bolland** 19:59

Wow, great future ... It's great to chat Justin

**Justin Sky** 20:02

Thank you

**Pat Bolland** 20:03

Justin Sky Chief Executive Officer at Rose Rocket ... see on the beach buddy

**Justin Sky** 20:09

Can't wait for it