Could Automation Bankrupt The Freight Brokerage Industry?

Freight brokers in today's market are worried, in fact, they are very worried. There is a race going on to eradicate the "middle person" in freight brokerage. Literally billions of dollars are being poured into solutions to erase intermediaries, or at the very least, minimize their participation. If this information doesn't grab your attention, you are either too rich to care, close to retirement, or your potential bankruptcy just doesn't bother you.

Here is a corollary from not so long ago. According to the Bureau of Labor Statistics (BLS), the number of full-time travel agents in the U.S. dropped from a high of 124,000 in 2000 to around 68,000 in 2016. That's a drop of over 45% in 16 years. What's worse is that the number continues to decline rapidly. On top of the net decrease in the number of travel agents, their pay has fallen just as fast. What's most interesting to me, is that back in 2000, people were cautioned that the Internet would eat away at both the net number of travel agents and their pay - yet many travel agents scoffed at the idea. They said that people needed a travel agent; they said that booking travel was just too complex for mere mortals on the Internet, but here we are today. Ask yourself, honestly, when you last used a travel agent. It was likely a long (long) time ago.

My prediction is simple: in 10 to 15 years, the net number of freight brokers and freight forwarders will be cut in half and the margins being earned by those still in the market will fall by *more* than half. All of this will be driven by innovative technology that will fundamentally remove half of all freight brokers and ultimately decimate the gross earnings of those that are left.

Face it, if you want to be in the freight brokerage or freight forwarding business in the future, you will need to do more business with less people on your team - and that means embracing the right technology at the right time. The rewards for those that are smart will be great. My educated guess is that the market, in terms of net employment, will shrink by 70%. A typical brokerage today with 10 people will only need 3 people. Gross margins will be pushed from 12-15% per load today to 5-7% per load within 10 to 15 years. The good news for you is that as the gross margins fall, so will your active staff, as long as you leverage technology. This means that those brokers and forwarders willing and able to embrace technology will harvest a "winner takes all" environment consisting of tech savvy players.

So, what's the biggest death knell that's causing of the freight broker to feel such enormous pressure?

It's caused by the rapid use of "API's", or 'Application Program Interface' technology. In simple terms, an API replaces the human in "talking" to both customers and capacity providers. Today, the human freight broker (or shipper) calls and emails truckers, rail providers, ocean cargo lines, and air freight providers to "interface" with the capacity provider. That process is being replaced as fast as I type this article. Every major capacity provider with trucks, trains, ships or planes already have API's for shippers to directly see their capacity, reserve it, track it and conduct the billing process. In most cases, capacity providers want to do business directly with shippers because they can collect more

money with less confusion. In turn, shippers want to do business directly with capacity providers because it costs less and minimizes confusion. BUT – they only want to do it if it's automated and easy. Today, shippers use brokers because the broker masks the confusion, adds expertise, takes on the risk and earns a reasonable profit for the service.

But, in the very near future, these shippers are going to be offered TMS (Transportation Management Technology) that's fully connected to capacity via API's and packaged in an easy to use interface. Click, click, click. Done.

So, what's to be done? Give up? Go to nursing school? Not necessarily. Freight brokers will exist. But, those that stay in business, and those that are profitable, will need to embrace the best and latest technology to be able to maintain a viable business. Without the right technology – you'll be toast. But, by raising your service game and adopting innovative technology, your shippers will look to you as their outsourced (and expert) transportation department - and they'll be willing to pay you a fair margin to do the work and to take on the risk. Moreover, while gross margins will surely fall, you'll have far less staff to feed to do the same amount of work. This means your compensation will stay the same or could even rise – IF you harness the right technologies.

Face it, the last time you booked a flight or a vacation you likely used the Internet. So, even YOU, a bastion of service and a believer in brokers, have moved away from travel agents… or have you??? Remember this: Expedia, Orbitz, Travelocity, Trivago and others ARE ALL STILL AGENTS. But, they reinvented their model, harnessed the latest cloud technology and they became THE travel agents that made it through a sea of change (and survived the tens of thousands of travel agent bankruptcies around them). They now own the market along with thousands of other, smaller travel agents that specialize in niche services with the added leverage of cloud and Internet technology.

Services from DAT Solutions (www.DAT.com) and AscendTMS (www.TheFreeTMS.com) are helping freight brokers and carriers prepare for the coming changes, and they offer solutions that also work in *today's* business environment. Many of their tech services and solutions are totally free to try, with no obligation, and their stellar reputation lets you know that they are here to stay. It's worth sticking with the leaders when choosing logistics technology, because they have already vetted the innovative solutions for ease of use, and more importantly, what truly works – both today *and* tomorrow.

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