



Freight Brokers Flourishing in 2016. Or, are they?

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The market trend toward shippers relying more on freight brokers and intermediaries to find and arrange transportation and distribution has been on the rise for the last decade. But, are things coming to an end for some brokers? Statistics show that transportation arrangement moving to freight brokers and third party logistics companies has risen at a double digit clip for over 10 years. However, some freight brokers have done much better than others. Why?

Fifty years ago, when a shipper wanted to hire a truck to move their goods, they just handed over the cash to the trucker, and the deal was consummated. Today, a shipper is faced with a much greater challenge when hiring a trucker. They worry about contracts, liability, insurance, fraud alerts, trucker and driver compliance, and, above all else, actually finding the truck at the right price.

Overall, freight brokers have done a good job of taking away the headaches associated with finding that truck and arranging all the associated paperwork for the shipper. Essentially, freight brokers have said; *'let us be your transportation department.'* Wisely, they have leveraged technology to push their operating costs down far enough that they can often find the same truck that the shipper could have, but for less money, *and* they do all the heavy lifting for them.

However, not all freight brokers are smiling. It is currently a very fractured market of *haves and have nots*. Large brokers largely have fared better than small brokers in the last 10 years. The large brokers have leveraged technology, hired armies of sales people, pushed prices down, and used their size as a selling point. Much of that growth came at the expense of the smaller freight brokers.

Moreover, in some industries, like oil and gas, freight business has plummeted over 40% in the last year, so if you are a small freight broker specializing in the oil

and gas business, you could be in deep trouble (not to mention the credit risk now associated with collecting money for work already completed). While the larger, more diversified brokers are still feeling the pain of lower freight volumes and credit stress in some markets, it likely won't cause them to shut down their businesses.

We spoke to Tim Higham, CEO of InMotion Global, Inc., developer of the popular AscendTMS transportation management system last week. He sees a somewhat brighter picture for small freight brokers, and feels that they are very resilient. However, they lack in embracing the technology tools that the larger brokers do. "Large brokers will see a new technology that shows promise and they will at least try it out. Small brokers still resist using TMS software, like AscendTMS, to manage their daily business operations. However, shippers ultimately want to trust that the freight broker they select to move their freight knows what they are doing, they have the right tools to do it, and they can fit in as part of the shippers' logistics team."

And, this is the rub with being small. The large brokers have all the glossy brochures, fancy websites, sharp looking sales teams, and a national presence. That is what they sell. They are selling the fantasy. The dream. However, like David and Goliath, their sheer size is often their soft-spot. Higham said, "All the large brokers have high staff turnover, and the shippers I talk to tell me that they often get lost in the shuffle when working with the big national brands."

AscendTMS has seen its user base grow to over 2,150 accounts over the last year as small and medium sized freight brokers take advantage of this large broker weakness. Shippers tell Higham that they want *service, honest pricing, and trust* in the shipper-broker relationship. "The successful brokers using AscendTMS tell us that much of their new business comes from larger brokers over-promising and then failing the shipper when it comes time to execute."

Steve Fernlund, of the consulting firm TEAM 10 Logistics LLC said, "Brokerage is hyper competitive. Exceptional service and the use of the right technology aren't differentiators, they are standard customer expectations. Smaller brokers need to

avail themselves of the latest technology on offer or they risk losing market share. And, it isn't the most expensive technology that provides real value to shippers."

It is clear from the success of many small and medium sized freight intermediaries and 3PL's, that the key to success is embracing available TMS technology, emphasizing long-term personalized service, and focusing on markets where the larger brokers are weak.

Fernlund said, "If smaller brokers can inspire shipper confidence with their daily performance, and they implement the right TMS technology, then they will get more than their fair share of the shippers' business."