Eight Mistakes Freight Brokers Make

& HOW TO AVOID THEM

"I have not failed. I've just found 10,000 ways that won't work."

– THOMAS A. EDISON

Brokerage is a competitive industry, and any number of pitfalls can inhibit a broker from growing as planned. These pitfalls can directly impact a broker's profitability or, more subtly, cause operational inefficiencies that hold a company back.

In this guide, we'll cover some of the common mistakes brokers make, along with tactics and best practices to avoid them.

Having a narrow carrier base

A broker is only as good as their network of carriers.

Unfortunately, many brokers don't strategically approach building their carrier network. Instead, brokers are often overly reliant on load boards to source carriers and spreadsheets to store carrier data. **The result is an underdeveloped network that doesn't add value to your organization.**

How can you grow your carrier network?

There are many resources available to source new carriers:

- Internal history
- Load boards
- Carrier management platforms
- Database resources

Brokers need to leverage them all to add core carriers to their network. Your goal should be creating a deep carrier network with several carriers you can turn to if the first one can't service a load.

Expanding your network will help you generate the options needed to ensure top-tier service levels for your customers.

The depth of a broker's carrier network has a substantial impact on pricing and procurement decisions.
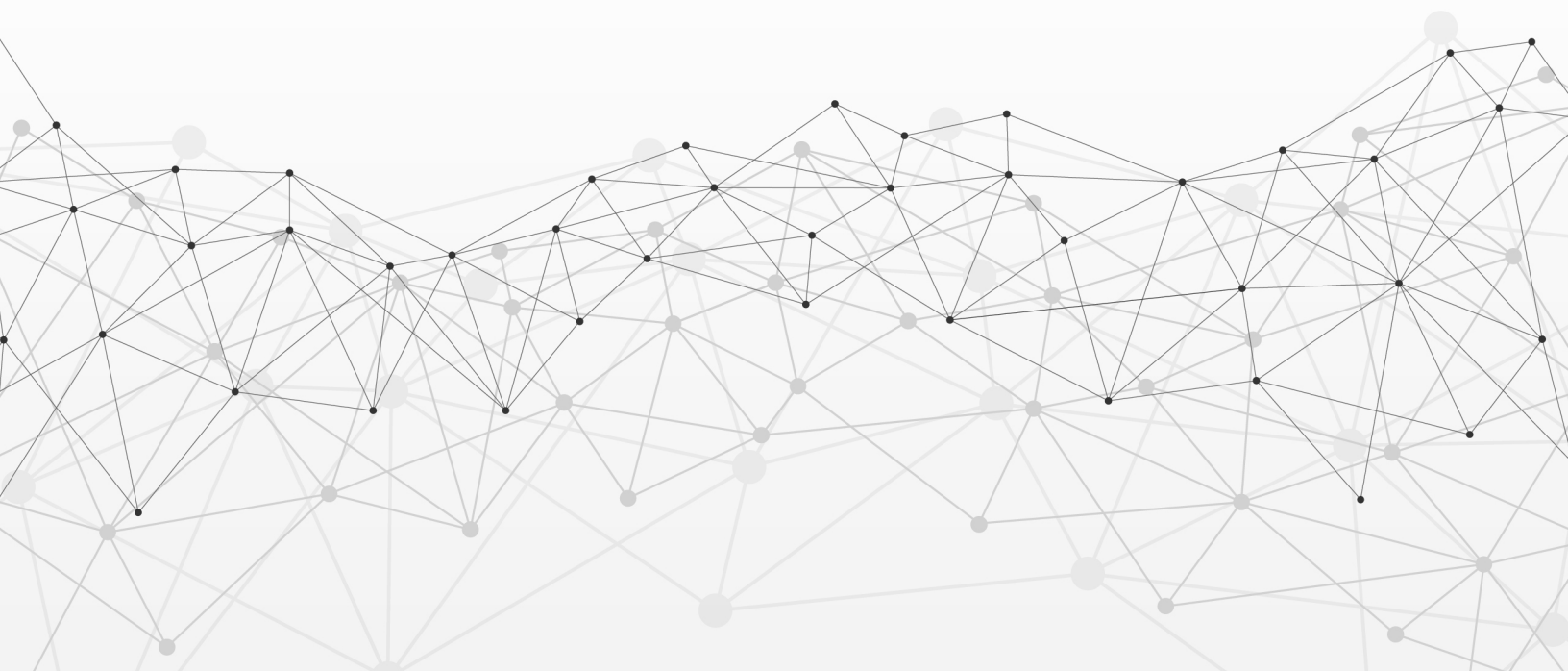
Booking transactional carriers

Overuse of transactional carriers can be a massive barrier to a brokerage trying to scale.

The problems with transactional carriers can be obvious – they have no relationship with your company, so they have no incentive to provide preferred pricing or service.

Or, more subtle – think of the time spent setting up new carriers in your TMS or acquainting them with your invoicing process. Regardless, transactional carriers are costly to a brokerage in terms of time, service levels, and money.

Instead of relying on transactional carriers...

Brokers should focus on building their existing relationships by driving freight to their core carriers. An essential component of this is having meaningful conversations with carriers to learn more about their business.

For example:

- What lanes do they run?

- With what frequency do they run those lanes?

- What commodities do they haul?

- Where do they need help filling their trucks?

Asking the right questions and learning about a carrier's business helps brokers better identify compatible lanes and build more long-term relationships.

Identify new lanes for your existing carriers to drive carrier reutilization.

Spending countless hours reaching out to carriers

Communicating with carriers can be a time-consuming process. Brokers obviously need to spend time talking with carriers and building relationships, but not all communication serves that purpose.

Tracking updates, document requests, and rate requests are all tiresome activities that can occupy a good amount of time when done manually.

Even if it's just a few minutes here and there, inefficient communication eats into a broker's day and takes up time that could be spent on more productive activities.

Turn conversations into business opportunities and partnerships.

Automating parts of the communication process helps brokers spend less time on repetitive tasks and more time having meaningful conversations that matter.

As with any technology, the goal isn't to replace people. Rather, it's to help people by allowing technology to perform certain mundane tasks, so people can focus on what they do best.

In this case, technology can be leveraged to automate parts of the communication process so that brokers can focus more of their time on relationship building and more revenue-generating activities.

Automating your outreach can increase engagement with options by 15%.

Leaving money on the table

Brokers make money on the margin between what they quote a customer and what they pay a truck, yet many brokers don't take steps to maximize those margins.

There are a number of common practices that eat into brokerage margin; for instance, waiting until day-of to book freight, quoting with markups rather than margins, and simply not having enough pricing confidence to negotiate well.

While each of these may only make a small difference in an individual load, the cumulative impact can add up to a lot of money.

Pre-book more frieght to maximize profits on every load.

Pre-booking freight, as opposed to waiting until the last minute, will consistently lead to higher margins on better carriers. Pricing with margins, rather than markups, will create a more consistent pricing strategy that yields better results.

Finally, having access to a robust carrier network adds confidence to your negotiations and leads to higher margins.

Even if the impact is only five dollars per load, that adds up to a startling amount of money when it's done on thousands of loads across an entire company.

Plan ahead and establish relationships with carriers before you actually need them.

Ineffective pricing strategies

A broker's pricing strategy is a key component to winning new business. Quote too high and you won't win the business; quote too low and you'll lose money trying to service it.

However, many brokers approach pricing through a combination of tribal knowledge and gut reactions...often applied to delayed data. The result is an inaccurate and inconsistent process that inhibits growth.

Have a data-first mind set

To develop an effective pricing strategy, brokers need to emphasize a more data-driven approach to pricing. While there's value in having experience pricing freight, that experience is more valuable when it's supported by the right data.

For instance, rather than relying on delayed data, use a pricing tool that provides real-time rate information to have a more up-to-date view of current market conditions. Or rather than relying on the anecdotal "I know a guy who will take this for $1k", have a database of recorded rates from actual carriers.

Use a pricing tool with real-time data helps to protect margins and profits.

Inability to grow at scale

Brokerages have a tendency to throw bodies at problems.

You're behind on your tracking? Hire a full-time track-and-trace employee to manually call carriers for updates. You need a deeper carrier network? Hire more carrier sales reps to source additional capacity. You need more customers? Onboard a class of new college grads to pound the phones.

The problem is that this strategy is incredibly inefficient and will eventually cause a brokerage to plateau.

Provide tools to make brokers more effective

Rather than adding additional bodies, brokers should focus more on making their existing employees more efficient.

There are a wealth of tools available to help automate the time-consuming and repetitive aspects of a broker's day-to-day, freeing up time for brokers to focus on more revenue generating activities.

By leveraging technology, brokers can scale more quickly and more profitably, compared to those brokerages that simply add to their headcount to solve every problem.

> By automating manual processes your team will have more time to be strategic and plan.

Using outdated technology

The transportation industry has a reputation for lagging behind with respect to technology and brokers are no exception.

Surprisingly often, brokers are working with outdated technology that would seem out of place in any other industry. While notepads and spreadsheets may have gotten the job done twenty years ago, they are no longer enough to be competitive.

Technology is your friend.

Over the past several years, the transportation industry has seen a much greater focus on technology.

Through the use of technology, brokers are able to operate more effectively and at lower margins than ever before.

1 PRICING TOOLS
Give better insights into market dynamics

2 CARRIER MANAGEMENT PLATFORMS
Give brokers access to a wider network of carriers

3 AUTOMATION
Allows brokers to operate more efficiently

The list could go on. While it remains a relationship-based industry, those relationships are easier to grow and maintain by adopting new technologies.

Implement technologies that are easy to use and fit with your current workflows for seamless adoption.

Developing bad habits

A brokerage floor is a hotbed for bad habits. Whether it's waiting until day-of to book a load, posting loads rather than taking the time to source correctly or failing to build carrier relationships, there are a host of bad habits brokers fall into.

Often, these behaviors are the result of chasing short-term wins at the expense of a more sustainable approach to business. The result is a chaotic environment where people struggle to find long-term success.

Create a culture that encourages best practices

Brokers need to create a culture that supports operational best practices and encourages strategic decision-making. This starts with providing employees with the industry-specific knowledge and training they need.

Thorough training programs, give employees the background they need to understand why certain behaviors are discouraged - if you want employees to avoid posting loads, they must understand the risks associated with unknown carriers.

Additionally, make sure employees have been provided with tools that align with the behaviors your brokerage wants to promote. It's great to promote strategically sourcing carriers, but that becomes more difficult if the only sourcing tools available are load boards. Take the time to evaluate your tech stack and make sure it supports the way you do business.

To be successful your people, your processes, and your technologies must align.

Don't let simple mistakes hold you back.

While there are thousands of registered freight brokers, the vast majority either go out of business or plateau at a certain level. Often, this is a result of operational mistakes made along the way.

In a competitive industry, it's important to adhere to certain best practices, so that you can operate as efficiently and as profitably as possible.

We hope that this guide gave some insight into some of the more common mistakes made by brokerages and ways to avoid them.

About Cargo Chief

Cargo Chief's C4 platform was built to help 3PLs gain efficiency and precision in the freight booking process with load automation and an enriched quoting experience. Our system was purpose-built to optimize pre-booking, improve carrier relationship management and reduce administrative time and costs allowing you to book more freight.

If you want to see how our procurement software can help get your brokerage on the right foot, check us out at www.cargochief.com to schedule a demo.

160 Spear St.,
Suite 1000
San Francisco, CA 94105

650.265.6100
sales@cargochief.com

Cargo Chief
WIN THE FREIGHT MARKET®

cargochief.com