



## What's happening in the freight brokerage business?

How the industry's "travel agents" are dealing with a soft economy and aggressive bidding



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has over 20 years of experience in the logistics and transportation industries in both Canada and the United States. He has held executive level positions in the industry including president of Yellow Transportation's Canada division, president of Clarke Logistics, general manager of the Railfast division of TNT and vice-president, sales & marketing, TNT Overland Express. Goodwill is currently a consultant to manufacturers and distributors, helping them improve their transportation processes and save millions of dollars in freight spend. He can be reached at dan@dantranscon.com

**F**reight brokers are the "travel agents" of the freight business. They identify customer needs and then configure a cluster of freight transportation services to meet these needs. Some freight brokers are extensions of existing transport companies and fill the service voids that exist in the portfolios of their asset based sister companies. Others are stand alone non-asset based companies that can range from one or two person operations, sometimes working from home or a small office to multi-million or even billion-dollar enterprises.

To catch up on what is happening in this segment of the industry, I recently was in contact with some leading freight brokers in Canada and the United States. Here is what they had to say:

Freight brokers are feeling the effects of the soft economy during the fourth quarter of 2006 and the first quarter of 2007. Shippers have been sending out RFPs in record numbers to offset some of the rate increases experienced during the three previous years. This is resulting in very aggressive bidding by some carriers and as a result, depressed rates.

How are freight brokers responding? Connie Whitley, vice president, sales & marketing, VHI Transport in Chester, Virginia indicated that her company has adopted several strategies to address these challenges. "We are partnering with carriers to secure business. We are responding to the RFPs by selecting carriers that provide the most value and match up best against the shipper profile. We are negotiating aggressively with our carriers but paying them in ten days or less so we maintain our top level financial rating with all rating firms." Paul Cooper, director of logistics at Challenger Logistics is "looking at non traditional lanes with a concentration on value added services that will prop up margins."

As non asset based businesses, how are leading freight brokerage companies differentiating themselves from their competitors? "At VHI Transport we provide a one-on-one service. Every transaction defaults to the client's specific preferences and we uphold a can do attitude. The breadth of expertise in our company allows us to offer all modes of

transport with top levels of efficiency and skill. We also feel our proprietary software is a differentiator," stated Whitley.

Cooper expressed the view that "our core strength is our association with the asset side of Challenger Motor Freight. We are less dependent on our carriers from our customers' dock and from any one of our warehouses." Several companies commented on their carrier selection/evaluation and carrier relations programs as differentiators as well.

Looking ahead to the future, there is the expectation that capacity shortages will reoccur as the economy improves. As a non-asset based provider, how will they ensure that their customers' needs are met during periods of tight capacity? Whitley mentioned that she aligns her company with certain carriers to meet contractual commitments made to specific shippers and her company maintains carrier loyalty by paying them in a timely manner." Cooper believes that there will be ample capacity for a while. "As capacity shrinks, we will do what we have done in the past. We will provide a fair market rate to our carriers and provide volumes that are consistent all year long."

Of course, carriers can be both partners and competitors for freight brokers as they target certain business. How can freight brokers compete against companies that have their own fleet of trucks that they can offer to prospects and clients? "Our extensive knowledge of the business, routes, rates and nuances goes far beyond what an asset based company can devise. Asset based companies can only offer what they own. We have contracts with 12,000 truck carriers. With our extensive data base, we can reach out to the carriers that can best handle a particular type of cargo. We provide the reports, analysis and report cards that our clients find invaluable. We provide true one stop shopping," stated Whitley.

The true test of a freight broker is their ability to grow their businesses successfully during the ebbs and flows of the business cycle. A continuation of double digit growth is the expectation for a number of leading freight brokers.

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