

A Deep Glimpse Into Freight Brokering Training

by John D Thomas



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Special Information

This report is the closest thing you will find to my actual freight broker training materials: materials that are detailed and comprehensive with numerous links and resources. Parts of this report have been lifted directly from the content found in my training materials that individuals pay nearly \$3,000 for on the live training in El Paso, TX. (Training is also done via the telephone and Internet).

The content here is based upon my actual, previous freight broker business, my nearly 15 years of freight broker training (which I now do 100% of my time) and my 30+ years of working with small business start-ups in a variety of industries.

Training is my passion and you can benefit from this.

After going through this report, email John at info@atexfreightbrokertraining.com if you have generated questions from these materials.

You may also want to download the free eBook, "Introduction to Freight Brokering" that you will find at the top of each page on my website at www.atexfbt.com

Now, let's get on with some great information!

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Introduction

Some of the major players in this industry are:

- Manufacturers,
- Shippers with freight of all kinds,
- Growers, etc.

Just about anything and everything under the sun can be - is - and will be moved by motor carriers.

Brokers may be working with very big companies or smaller ones. Generally, brokers won't work with large trucking companies and will focus on owner operators and small to medium-sized fleets.

Why Are Good Freight Brokers in Demand?

Freight brokers save shippers, especially, and carriers as well - time, money and energy.

Shipping managers are busy coordinating inventory for outbound freight. They don't have a lot of time to deal with working with carriers directly.

It's just easier for a shipping manager to turn all this over to a freight broker.

What Are Some of the Challenges?

There are challenges to starting a brokerage – especially if the broker has no contacts. Contacts – shipping managers and trucking companies – are the lifeblood of brokers.

The initial objectives are to get set-up with customers and carriers and then build relationships. This takes time.

New brokers don't necessarily need 100-200 customers. Sometimes just 3-5 good-paying shippers can keep a small brokerage very, very busy.

Our population and economy are growing every day. Every year, the U.S. population grows equal to the size of Houston, Texas.

What Is the Income Potential?

Income potential is unlimited. Many brokers stay small and have no aspiration to grow other than just being comfortable.

Other brokers have a vision of growth that may include putting on agents to help. Each broker makes his or her own decision on what is preferred.

Brokering generally starts slow unless, of course, the broker has those valuable contacts mentioned above.

Generally, brokers can expect \$100-\$300 per load profit after paying the truck. Then, the only question is: how many loads can a brokerage do in a week, or a month?

Many brokers give up too soon. They fall by the way side, especially if they are not properly prepared. Of those who succeed, their success depends on large part of knowing what they are doing and then sticking with it.

Low rates from shippers are the scourge of new brokers. Many shippers know that many trucks will take low rates for whatever reason. So, many shippers will not start by offering their “best” rates.

Brokering is really no different than any other service-oriented business. There is a great opportunity to make a lot of money – but it probably won’t happen overnight.

What Is the FMCSA?

The FMCSA is the Federal Motor Carrier Safety Administration and was formed in the year 2000 under the Department of Transportation (DOT).

The FMCSA administers the Safety Measurement System (SMS) which inspects and regulates motor carriers with the ultimate goal to predict and reduce highway accidents.

We’ll discuss SMS in more detail further along.

The FMCSA also receives applications from prospective Freight Brokers through the Unified Registration System (URS) where applicants also pay the required fee to become freight brokers.

The FMCSA does not endorse or recommend any type of freight broker training.

Getting Organized and Getting Your Broker Authority

Before You Begin

Before you begin your applications for your freight broker authority, you should already have a business registered with either the state or county.

Once, this is in place, you are ready to do the applications for your broker authority.

Licensing Requirements

There are at least four items that you need to deal with for your licensing:

1. Your Motor Carrier and DOT numbers,
2. Your BOC-3,
3. The Unified Carrier Registration (UCR), and
4. Your trust fund or surety bond.

After these are in place, you will receive a “Grant Letter” from the FMCSA that becomes evidence of your authority.

It should be noted that new brokers normally don't need “insurance.” The government and other sources will refer to the trust fund or surety bond as “insurance.” In my opinion, this is misleading – it's either a fund or a bond.

There is contingent cargo insurance available but it is not required. This insurance is supposed to cover damages in the event your truck driver gets into an accident and their insurance does not cover the damage for whatever reason.

Some shippers will require this insurance but it's recommended that this be postponed as long as possible due to the new broker's lack of potential liability and, this insurance is expensive – perhaps \$2,500 per year.

[Click Here for More Information to Get Started – Training Options, Costs, Etc.](#)

Essential Tools of the Trade

Routing, Mileage & Mapping Resources

It's important to know how many miles are on a load so that the broker can calculate the rate to the truck before posting a load.

Why not find out if the rate you are offering the truck is competitive or not?

Load boards will often allow you to find the “going rates” for different lanes around the country.

Brokers don't need expensive mapping software; most of the search engines have mapping capability.

Calculating Rates

Rates are center of attention with everyone involved. Shippers normally try and get by with low rates, truckers want higher rates, and the broker is in the middle looking for a margin of at least 10-15% on average.

For example, if a shipper is offering to pay \$3,000, the broker is looking to get at least \$300-\$450 on that load. The rest goes to the truck.

Sometimes it's easy to for all this to work out; other times it's very difficult – especially for new brokers.

New brokers normally work with spot rates and spot loads; that is, each load is negotiated by itself instead of setting up annual contracted rates.

In addition to base, spot rates, there may be accessorial charges that the shipper will pay to cover, for example, unloading fees, or a fuel surcharge or tarping.

The shipper will determine how they will make payment to the broker. Several methods might be:

- A flat rate,
- So much per mile,
- By the piece, or
- By weight,

Rate Negotiation

Brokers will get accustomed to thinking about “head haul” and “back haul” rates, depending on whether the carrier is head outbound or going home.

Again, load boards will offer help in learning about the going rates and these rates are the bases for negotiation.

Load boards provide visual “hot maps” that allow brokers and drivers learn where there is a demand for particular types of trailers.

It’s up to the broker to come up with a rate that is to be offered to the trucker or dispatcher. Again, these rates are normally negotiated and brokers need to hone their negotiating skills.

In general, brokers can expect to make between \$100-\$300 per load. It depends on not only the rate the shipper is offering but the distance as well.

Loads with longer distances will yield a greater dollar amount than shorter distances.

Using Load Boards

One good load board for posting loads and seeking trucks is TruckStop.com They also provide good information on the going rates around the country.

There may be over 100 loads boards but many of them are not popular or active like TruckStop.

It’s important to understand that brokers will not use the load boards to look for loads; these loads posted on load boards are posted by other brokers.

Brokers want to go directly to shippers to get loads. The broker will use the load boards only to post their loads and to search for trucks.

Starting out, it may be difficult for brokers to find trucks when and where they want them.

Building a database of good, reliable motor carriers is essential to freight broker success.

Don’t leave any stone unturned when seeking trucks.

Benchmarks to Evaluate Progress

As freight brokers get more experience, they want to create benchmarks by which to evaluate how they are progressing.

Load Manager spreadsheets are provided by Atex Freight Broker Training Inc and expensive software is not required.

These spreadsheets will help evaluate shippers for margins, the number of loads, how quickly they pay the broker plus a lot more.

Shipper and Carrier Databases

Brokers, in addition to recording load activity, need to collect relevant information from both shippers and carriers.

Information such as contact names, addresses and phone numbers, what kind of cargo is being shipped (for the shipper) and what kind and how many trailers are available (for the carrier).

This database of information can become quite valuable to the broker over time.

After these databases are developed, brokers will rely upon them to go through their lists when seeking loads and trucks.

This information needs to be right at the broker's finger tip.

Finding and Working with Shippers

Shipper Set-Up Package

The broker will create a set-up package that will be sent to prospective customers. The information in these packages will provide the proper evidence of the broker's authority – the Grand Letter, evidence of a trust fund or surety bond and the broker's form W-9.

Once the shipper receives this package, the broker is ready to start moving loads for them.

This set-up package is sent only one time.

Further along, we will touch upon “confirmations” that are used for each particular load.

Customer Search Strategies

Most new brokers are very curious to learn how to find loads. It's a mystery for many and; yet, it may be easier to find customers than it is to find trucks.

So where does a broker start in their search for loads?

It's important to understand that there are not any one or two ways to find customers. Brokers need to learn several search strategies and use what works while continuously trying other methods.

For those brokers who have contacts in shipping or trucking, they need to start there. Let every contact know that you are brokering and would like to work with them.

You would then send your set-up package to them and, after the carrier returns some information (further along), you'll start moving loads.

The key to find receptive customers is to go where no one else is going. If you follow the herd, you'll surely come upon shippers who are being called upon by other brokers – perhaps many other brokers.

Thomas.net is a popular manufacturers' directory with thousands upon thousands of potential customers. The only problem here is, as mentioned above, this is popular source and thousands of brokers use this directory to find loads.

Nevertheless, it's a good, easy place to start.

Now, when I say “easy”, you don't want to always look for the quick and easy way (if there are such ways).

Brokers want to use “effective” search strategies, not necessarily “easy” ones.

Another strategy that might work is to go to rural counties and starting calling on potential customers.

For example, you might go to Livingston County in Illinois, find the biggest town or city (Pontiac) and do a search using the term “manufacturers” as your search keyword.

Many of these smaller communities may not even know what a freight broker is; but some of them may be open to using a broker if you explain how you can help them move their freight.

Giving Quotes

When you locate shippers who are interested in getting set-up with you, you generally would ask them what they want to pay after taking the order from them.

Sometimes the shipper will ask for a quote. It's up to you to experiment with whichever way the shipper wants to work with you.

Taking the Order

Generally the shipper will either call you or fax or email the load information. They are normally very good at giving you all the details related to the load.

If you have questions after taking the order, do not hesitate calling the shipper back for clarification.

Don't "wing it". Get the correct information.

Before You Post the Load

Before the broker posts the load, he or she needs to find out the number of miles on the load, the amount being offered to the truck and the rate per mile being offered to the truck. Brokers should want to know if the rate they are offering is a competitive rate or not after taking out their profit.

Of course, the rate is subject to negotiation but whatever the broker comes up with at the start of moving a load is the starting point.

Some brokers may want to specialize in certain niches but this is difficult. If a broker is new, how does he or she know what niche to pursue?

It's best to just take whatever comes your way, for the most part.

[Click Here for a Detailed List of Things You Will Need to Get Started](#)

PreQualifying and Working with Carriers

Carrier Set-Up Package

Brokers will send a set-up package to each carrier before dispatching a truck. This package is a little different than the one sent to shippers and our training provides forms for this that can be modified.

Unlike the set-up package for the shipper, the carrier will return some information. The broker-carrier agreement (essential) should be returned properly signed and dated.

In our training, we also provide a four-page agreement that is time-tested and good. It too will just need to be modified.

As with the shipper set-up package the essential information imparted to the carrier would be evidence of the broker's authority. No W-9 is sent but the broker will be looking for the carrier's W-9.

Carriers Calling in Response to a Posted Load

Once the broker posts a load to the load boards, he or she can expect to start receiving phone calls.

The driver or dispatcher who calls will generally start asking questions about the load, including what is the rate. In addition to answering callers' questions, the broker wants to get the caller to talk about their business.

Conversations are the essence of freight broker success!

The broker is seeking one (or even several) callers on a load who will say, "Yes, I want the load".

Booking the Load

Once this happens, the broker will get the carrier's DOT number and start checking them out on the FMCSA website at:

http://li-public.fmcsa.dot.gov/LIVIEW/pkg_carrquery.prc_carrlist

More often than not, the carrier is Active, and the broker will then continue by checking out the carrier's cargo insurance either through a load board or from the carrier's certificate of insurance.

Even when a carrier is found to be Active, there is still a lot of confusion on making a proper selection of a motor carrier.

Making a Carrier Selection

If a broker is negligent in a carrier selection, the broker could become liable for their negligence or for the acts of a truck driver who commits an accident, including death or injury to other personnel.

The FMCSA website assigns scores to carriers but this process was never meant to be the bases for brokers or other third parties selecting carriers.

Yet, brokers and others are indeed using these scores to make a selection determination.

The strange thing about this is that independent studies have found that the methodology used in this scoring system is flawed and is generating inaccurate information.

So, the courts have said that brokers need to exercise “reasonable care” in carrier selection; yet, they failed to define reasonable care.

This issue is still evolving and brokers should keep abreast of what’s going on here.

Broker-Carrier Agreement and Carrier Confirmation

We mentioned above the broker-carrier agreement that brokers will use to formally contract with carriers.

After the proper materials are completed by each carrier and returned to the broker, the broker will use a “confirmation” for each load.

The confirmation details all the information of each load and this, too, needs to be properly completed and returned to the broker.

In fact, the broker never wants to dispatch a carrier’s truck for pick-up without first receiving the confirmation.

Business, Credit, Financial and Legal Issues

Credit Issues

Brokers will be extending credit to shippers and carriers will be extending credit to brokers. It’s essential that brokers learn how to manage their cash when paying trucks and receiving payment from customers.

Yes, the broker will normally invoice the customer after the broker receives proof of delivery from the carrier.

In most cases, the motor carrier will insist on quick payment, including advance payment as well. It’s up to the broker to look at his or her cash position and devise a collection/payment policy that works for everyone – shipper, carrier and broker.

It may take several months for a new broker to build some type of credit rating with various credit agencies.

In the meantime, some truckers may be hesitant to work with a new broker without having some assurance of payment. And, this is why many, if not most, carriers will require a partial advance payment before working with the broker.

It would behoove a new broker to make sure that payment to carriers is made as quickly as possible – maybe within 21 days.

Brokers need good, well-qualified carriers and getting good rates to them and paying them in a timely manner is critical.

As a last resort (because of the cost) brokers may consider using factors to get cash up front that allows quick payment to carriers.

There are pros and cons to using factors and the search for the “best” factor can become quite confusing.

Filing Claims

It should be noted that the broker is seldom responsible or liable for damaged cargo or missing pieces during deliveries – UNLESS the broker is found to be negligent.

If broker negligence is not an issue, the carrier then assumes liability because it is the entity who takes possession of the cargo. The broker (except for freight forwarders) never takes possession of cargo.

When a trucker has an accident during delivery, the normal procedure is for the shipper to file a claim against the motor carrier.

The broker is “off-the-hook”, so to speak.

Accounting and Recordkeeping

The accounting requirements are not complicated. Shippers will be generating revenues to brokers; brokers will be making payments to carriers. These payments to carriers will make up the bulk of the cost in running a brokerage.

The broker will then have other operating payments such as load boards, office supplies, phone, promotion, salaries, etc.

Most individuals nowadays already have an office ready to go (computer, fax, printer, scanner, file cabinet, etc.) and the start-up cost and efforts are just not that demanding.

QuickBooksPro is the software of choice for brokering. Most accounting firms have people who specialize in this software.

There are a number of accounting and tax issues that need to be considered by new brokers and it's best to speak with a good attorney and/or accountant.

Just make sure that a separate company is set-up for the brokerage and not co-mingled with any other business such as a trucking company.

Business Fundamentals

Brokers – whether new or seasoned – should focus on four core business fundamentals:

- Customer acquisition,
- Cash management,
- Operations, and
- Planning

If the broker can periodically remove himself/herself from the nitty-gritty daily routines (which may be required in getting the business off the ground), the broker will ensure greater success by mastering all four of these fundamentals.

Legislation and Other Related Legal Issues

Introduction to Legislation

There are several very important pieces of legislation that brokers need to become familiar with:

- CSA 2010,
- MAP 21, and
- The FAST Act.

Each of these pieces of legislation targets motor carriers, brokers (directly or indirectly) and the FMCSA.

Safety Fitness Determination (SFD)

A very big issue is Safety Fitness Determination (SFD) related to carriers and how this determination is to be made. The FMCSA wants to tie this determination to roadside data, crash reports, FMCSA interventions, etc. Others oppose it for several reasons but the FMCSA has withdrawn their effort on this – at least for the time being.

Currently, carriers are supposed to be rated as such:

- Satisfactory,
- Conditional and
- Unsatisfactory

Yet, only a small number of carriers are actually rated. Thus, the FMCSA would like brokers and third parties to rely upon the CSA scores (mentioned above) for the bases for carrier selection. And, as mentioned, this methodology is flawed.

The FMCSA is pushing the responsibility of carrier selection off to brokers and third parties and it becomes a guessing game for those trying to make good decisions on working with carriers.

Finally, brokers are encouraged to search these topics on the Internet and become familiar with some of the points being made. An easy way to research some of this is to follow some of the resources that can often explain the issues without you going directly to the geeky legal sources. In other words, these sources will cut through the mustard for readers.

Several Good Resources

>>> Trucks.com <<<

<https://www.trucks.com/>

>>> Commercial Carrier Journal (CCJ) <<<

<http://www.ccjdigital.com/>

Other Related Issues

Currently, the requirement for Electric Logging Devices (ELDs) is ready to go into effect. How much impact will this have on delivery times?

Hours of Service (HOS) is an issue that never seems to get finalized.

Then there are issues with speed limiters, the new food transport regulation, the California Air Resources Board (CARB), driver training, national carrier hiring standards and so on.

Make a habit of surfing the Internet for updated information on these topics.

Summary

Is there any easy way for all this?

Many freight brokers are looking for an easy way to succeed. And this is okay to some extent except when you delude yourself into thinking that freight brokering is easy.

If this were an easy business, it still would not be easy because there would be so much more competition.

Approach this business AS A BUSINESS. The business concept is very simple and may be deceiving.

There are many procedures and details; they have to be done quickly and in sequence or else you will appear to be very unprofessional at best or just plain stupid at worst.

Get properly trained:

[Click Here for a Snapshot and List of Information to Get Started](#)