

Transport Topics

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Brokers Don't Determine the Market

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Two recent letters to the editor from carriers blamed brokers for making freight prices too low for truckers. Since the letters discussed nothing about the value-added services of brokers, my comments will try to speak only to the writers' points about competitive pricing.

Placing all, or even most, of the blame for market prices on brokers is groundless, naive and ignores the reality and complexity of today's freight markets. The market is a living organism composed of millions of buyers and sellers competing and negotiating. Just as an investor in stocks can't control that market, freight brokers cannot control theirs either.

There are more players in the freight market than ever before, using better tools than ever before, and they are under tremendous pressure. Intermodal choices, carriers, brokers, shippers, third-party logistics firms, online reverse auctions and load-posting services have combined to make the market more competitive than at any point in history. Consider:

■ **Intermodal** — The largest truckload firms are among the railroads' largest customers. Long-haul trucking has moved significantly toward the railroads. Some carriers do almost 100% of their transcontinental trucking by rail. The price of rail from coast to coast has driven down the cost of trucking through the same lanes, as railroads and trucks continue to jockey for market share. Even regional shipments such as those into or out of Chicago have moved toward intermodal.

■ **Carriers** — There are between 100,000 and 400,000 carriers in the country, depending upon how you count them. That is a lot of competition in an economy that has been soft from 2000 through the middle of last year.

Add that almost all major carriers in this country broker — with license or without — their excess freight so they don't lose their customers to a competitor. The carrier's customer pricing is presumably already competitive, but now he must find another carrier at a lower rate than what he already has. The lowest rates our company has ever seen in the marketplace have always been offered by carriers, not brokers.

Brokers can't afford to pay carriers the lowest rates around because we won't get the service we need for our customers. Therefore, many of us pay a little more to get the job done right.

■ **Shippers** — There are many hundreds of thousands of shippers in the country. Some of them, especially the major retailers, have considerable leverage they use to negotiate low rates with their carriers. Shippers lower on the pecking order must work that much harder to save on freight costs to be able to compete with the larger shippers.

■ **Brokers** — There are approximately 14,000 DOT-licensed brokerage firms in the United States, supposedly controlling an estimated \$80 billion directly. The actual dollar amount controlled may be double or triple that figure.

Brokers have become a valuable resource for shippers who have fewer and fewer resources available to control their freight effectively, if at all. Likewise, brokers have become a valuable resource for carriers looking to minimize deadhead miles and turn drivers and equipment around quickly.

Also, the freight that brokers handle is cargo that carriers usually cannot get with their own sales force, and probably never will, due to the relationship between the broker and shipper, and due to the unique needs of that shipper.

Our style of dispatching tends to be a result of getting exactly the right trucker for the right lane. A carrier with a driver that is nearby — with his engine running — who has a big customer near our load's destination is a perfect fit for everybody. Those are the carriers that are hot for the lane and need to get back to where we are sending them and are motivated to do a good job for a mutually satisfactory price.

■ **Online Auctions and Load Postings** — We have witnessed or participated in our share of online freight auctions, bids and reverse auctions. We oftentimes must fold our cards midway through the bidding because the prices get ridiculously low, and that is before the final minute when pricing often gets downright absurd. Many shippers have used these programs, and continue to do so. Unfortunately, many bidders seem not to know when to stop.

Load-posting services help put carrier and broker together on a lane-by-lane basis. The more tools and information you give buyers and sellers, the sharper both get. The carrier knows what he needs to get where he wants to go and the broker knows how much money he has in the load to pay. If the carrier could obtain higher-paying freight, he would, and of course is free to do so.

Every market is a kaleidoscope of buyers and sellers with differing needs. There are always going to be those buyers and sellers who deal in the cheapest price. For their own reasons, these players place no value on service, reliability and value-added offerings.

On a final note, I must say that I find the timing of these letters most curious, because they come at a time when freight rates are actually increasing for the first time in several years, due to high demand for hauling capacity since August.

Tucker Co. of Cherry Hill, N.J., brokers and manages freight and helped start the Transportation Intermediaries Association.

