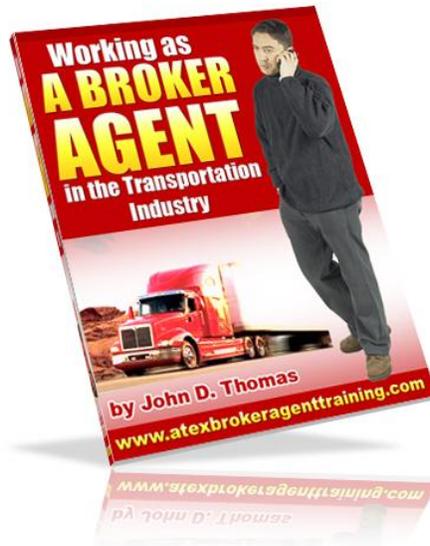


Working as a Broker Agent in the Transportation Industry



By John D. Thomas
Atex Freight Broker Training, Inc.
<http://atexfreightbrokertraining.com/ba-trng/>

Introduction

- 1. Obligations of a broker agent**
- 2. How you can benefit working as a broker agent**
- 3. What is the future outlook for broker agents?**
- 4. What tools of the trade does a broker agent need?**
- 5. What about advertising materials?**
- 6. What kind of preparation and training is required?**
- 7. What questions should you ask your freight broker?**
- 8. Getting set up with your freight broker**
- 9. What about your commission and pay?**
- 10. Searching for customers (shippers)**
- 11. Working with motor carriers**
- 12. Summary**

About the Author

Introduction

While broker agents may work with various types of transportation, all of them basically operate as the mediator between a shipper with cargo and a carrier regardless of whether the carrier is an airline, a railway, a motor carrier or whatever. Despite these different modes of transportation, this report will focus on agents working in the trucking industry.

The broker agent is not required to obtain his or her broker authority because he or she will work under the authority, or umbrella, of the freight broker they contract with.

The broker agent is not responsible for invoicing customers or for paying motor carriers. The basic function is to find new customers, take orders on loads that need to be moved and then find qualified trucks that are ready, willing and able to transport the cargo.

Broker agents normally work for a freight broker as an independent contractor out of their own homes. The agent will be responsible for his or her own income and self-employment taxes. There is no employer/employee relationship so, normally, there are no employee benefits.

Essentially, the agent assumes a fiduciary responsibility and obligation to the freight broker. In other words, a broker agent needs to be honest, diligent and reliable. Read on for more information about this.

1. Obligations of a broker agent

When a person agrees or contracts to work as an agent for a freight broker, the agent assumes responsibility for acting in accordance with good faith, honest performance, fair dealing and strict accountability.

The freight broker then confers their broker authority to the agent to act on behalf of the freight broker. The intent is for a mutually beneficial business relationship that enables the agent to act under the broker's authority and the broker then benefits from the increase in business generated by the agent.

Broker agents may enter into formal agreements with their broker or they may take on the status of an agent by acting unintentionally by course of conduct – that is, if they perform agent duties with or without a contract, they have a fiduciary responsibility to their principle, the freight broker.

Broker agents spend most of their time searching for and identifying shipper customers who have cargo to move. Usually any new customer that the agent finds belongs to the agent. The same holds true for finding new carriers. However, the freight broker may have some restrictions regarding new customers and carriers if and when the agent leaves and goes on their own.

For example, the freight broker may require that, if the agent leaves, the agent may have a waiting period of several months before the agent is allowed to work with the customers and carriers that the agent finds.

If the agent signs a contract with the freight broker, the agent is bound by whatever restrictions the freight broker imposes.

Some freight brokers use any number of broker agents working under them. And some freight brokers have a program where there might be a “sharing” of loads and carriers. That is, a load that one agent gets may be open to other agents when it comes to finding carriers.

If another agent finds a truck for the agent who initially posted the load, the agent who first found the load would share the commission with the agent who finds a truck for that load.

Sometimes this works out very well for everyone; but each agent needs to be aware of how the program works and these details should be spelled out in a contract or other supplemental information that the freight broker provides.

2. How you can benefit working as a broker agent

There are many benefits working as a broker agent. Here's a few:

- Work from home
- No need to leave your family,
- No need to get a broker authority,
- Set you own hours to some extent,
- Conduct business from any location,
- Conduct business in any geographic area in the 48 states

One of the biggest benefits in working as a broker agent is that you can work from home – right off of your kitchen table if you desire. This has mass appeal to not only stay-at-home moms but thousands of other individuals who don't want to or can't work in an office outside their home.

Working for another freight broker means the agent does not need their own broker authority. Getting the broker authority is not costly relative to other business start-ups – but sometimes getting the surety bond or trust fund is a problem if a person does not have good credit or if there is little or no credit history.

In general, a broker agent can begin work early in the day depending on whether the agent is prospecting for shippers or calling on shippers to see if they are looking for any trucks. If the agent is calling customers to get loads, the calls should be made early in the morning. If the agent is searching for new shippers, the calls should be made in the middle of the day.

Normally, a broker agent will have their evenings free unless there are several loads in transit that need to be monitored closely. Then, a cell phone comes in handy in this case.

Most shippers and carriers don't care where you are located. And the broker agent is not restricted to doing business just in their local area. This opens up huge opportunities. It's wide open and the agent can basically pick and choose whatever geographic area they want to concentrate in.

Lastly, the agent can also work with a wide variety of trailers – dry vans, refrigerated units, flat beds. The shipper will dictate what type of equipment is needed for their loads.

So, working from home and being able to reach customers in virtually any geographic area are two of the biggest benefits for the broker agent.

3. What is the future outlook for broker agents?

The broker agent business is entirely dependent upon the freight and trucking industries. There's no question that there are barriers and obstacles that each agent needs to recognize and deal with.

High fuel and other high operating costs are several industry constraints which sometimes put trucking companies out of business. This means fewer available trucks or, as they say, lower capacity. Then there is relatively new government legislation that has, and will, negatively impact truckers.

Currently, however, the business cycle is swinging up due to new developments in certain parts of the economy. Things had been relatively slow in the freight industry several years ago; but the surge in housing, autos, oil, and natural gas are becoming the drivers that are boosting thousands of other businesses.

With the increased supply of freight, pressure is on increased shipper costs but this means higher rates for trucking companies. Sometimes, however, the increase in rates to the truck is not improving as much as the increase in operating costs.

With the relatively recent increase in the cost of the surety bond/trust fund for brokers, some are seeing brokers seeking positions as agents. This may mean more agent competition; but it may also mean more opportunity as well.

Regardless of the industry ups and downs, there will be a demand for good agents that are at least well-trained and who are ready to go out there and make things happen.

For those who understand this and keep the proper goals in perspective, the outcome can be rewarding.

4. What office set-up does a broker agent need?

Here are the basic essential tools:

- A good, high-speed computer,
- A good, high-speed Internet connection,
- A good fax machine,
- A good printer (this may be combined with a fax machine something like the 4 in 1 models where a person can print, fax, scan and copy),
- At least two telephone lines – one could be either a cell phone or Internet telephone

A broker agent can get started with a very small investment unless there is a need to purchase a computer and other small equipment. However, if the agent already has a computer, the next item would be a good fax and, better yet, a relatively inexpensive cheaper second fax for a back up in case there is a breakdown in the first fax machine.

At least two telephone lines are necessary. One would be used for making outbound phone calls and the other would be hooked up to an answering machine to take messages as well as to send and receive faxes. After the broker agent gets established it may be necessary to have two telephone lines – one for sending faxes and the other for receiving them.

Broker agents may consider getting set up with an Internet fax service such as MyFax, Rapid Fax or eFax. Incoming faxes are then printed out on the printer while outbound faxes may be scanned and then sent as attachments.

Often times a cell phone may be used to make outbound phone calls. Or even an Internet telephone service such as Skype. Smart phones may enable agents to run the entire business off of the phone.

A new agent can expect to spend a lot of time on the phone calling to get set-up with both shippers and carriers. The process can be slow in the beginning just like any other service-oriented business.

It is not only a “numbers game”, it is necessary for the agent to learn what to expect and what others will expect from them.

5. What about advertising materials?

Generally, you do not need to invest into traditional items such as logos, letterheads, yellow pages, etc. Your telephone and the Internet will be your primary marketing tools for getting business. Learn to use these effectively.

It is essential to make sure you speak clearly and communicate effectively both with your customers and the motor carriers. Talk directly into the mouth piece. Don't worry if you have an accent or about the fact that you are inexperienced – just speak slowly and clearly. Problems will surely arise if there is a breakdown in communication or if patience is not exercised on the phone.

What about making personal visits to prospective customers? While personal, face-to-face sales calls can be very effective, they are also time consuming. And an agent could spend a great deal of time outside the office without any real results.

If an agent lives in an area with potential customers, and if personal visits are a possibility, the best method is to find someone who can introduce you to the decision-makers. Then make a personal visit.

Other times cold calls can be made but be prepared to stop if these turn out to be dead ends and a lot of wasted time.

There is no ONE right way to market your services. Try a variety of methods and you will find out which are worthwhile and which need to be eliminated.

To repeat, the telephone and the Internet will be your best tools. You can cover a lot of ground in a very short period of time with these.

Once you get a number of good paying customers or reliable carriers, do whatever is reasonably possible to let these people know you appreciate their business and service. A simple “Thank you very much” can go a long way to hold on to existing business and might be the beginning of some good “word of mouth” PR.

6. What kind of preparation and training is required?

There are basically three types of training:

1. On-the-job training,
2. Live classroom sessions, or
3. Online/telephone instruction and coaching

Let's look at each.

On-the-job training:

If an agent has an opportunity to work in the industry for a freight broker or as a dispatcher for a transportation company, this may be the best way to learn about freight brokering and how to work as an agent.

In reality, however, on-the-job training is hard to come by for various reasons. First, most freight brokers don't want to train. They prefer someone already with experience. Second, freight brokers in general are not willing to share much of their knowledge or resources.

There is always the possibility that an agent will learn what they need to learn and then strike out on their own. If this happens, and if the freight broker has invested time and resources on this agent, the freight broker then has to go through the entire process again to get other help.

Or, if the agent leaves and strikes out on his own, they may take valuable "secrets" with them from what they have learned from the freight broker.

So, on-the-job training is the best way to prepare to work as an agent but it is not likely that there will be many opportunities to do this.

Classroom Sessions:

The next best way to learn to become a broker agent is to attend a live class session IF the trainer has actual, freight broker experience as an owner. Some don't.

If your live session is with a group, you can sometimes learn from others' questions. However, sometimes you have to compete with others to get YOUR questions and concerns answered.

Sometimes questions from others are not relevant to others; you become bored and maybe forget what was on your mind. I have done that before.

It may be difficult to find live classroom training for agents; but there are a number of live sessions for freight brokers. Some people take the live training to become a freight broker to learn the entire spectrum of brokering.

They, then, can take their knowledge and start as an agent with plans to eventually do it on their own. It really depends on the individual's personal goals.

Telephone & Internet Training:

This is the most convenient and least costly method. Telephone and online training can be powerful and effective.

You have no travel, lodging and meal expenses. You can take your training from your home office and at a time that is convenient for you – days, evenings and sometimes on weekends.

Don't let anyone tell you that you have to have live, in-person sessions. The truth is, a broker agent will be conducting their entire business over the telephone and Internet. It is no surprise, then, that training can be taken in the same way.

A big cost savings can be gained by training over the telephone and Internet without losing quality.

7. What questions should you ask your freight broker?

- Average days to pay carriers.
If a broker is not paying his or her carriers in a timely manner, you may have problems finding trucks willing to take any loads.
- Non-compete clause.
This may or may not be a concern for your freight broker or for you as well.
- What happens to your customers if you leave the freight broker?
Your new shippers and carriers should be **YOURS** if you leave a freight broker. Some, however, will

require a waiting period before you can use them.

This might be difficult for the broker to enforce, however.

- **What services does the freight broker provide?**
Does the broker provide any load boards.
- **Will you be required to buy into the freight broker's software?**
This can be a bigger fee than what you may care to take on if the broker requires paying into the broker's software or other requirements.
- **What other expenses are you responsible for?**
Be sure to go into detail with the broker on any other expenses. Some are even requiring you pay them for business cards.
- **If the freight broker does credit checks, who is responsible for "no-pays" or slow pays?**
Just when are you liable for no-pays, etc. if at all?
- **Who pre-qualifies the shippers and motor carriers?**
Usually the freight conducts the due diligence. But you need to know how the process works. That is, your broker may not want you to dispatch a truck for a pick up unless and until both the shipper and carrier are approved.
- **When do you contact your freight broker with a problem?**
A freight broker is hiring agents to "take care of business". But you should know at what point to call on your freight broker if big problems arise.

8. Getting set up with your freight broker

There are freight brokers who are willing to work with new agents – after all, they all started out knowing nothing themselves.

But, the reality is, freight brokers do not want to train agents. They don't want to spend a lot of time "holding the agent's hand". Many of these freight brokers have quotas which they use for their benefit.

That is, if an agent does not "perform" within a certain time frame, the freight broker may ask the agent to leave. Or they may just let the agent "fade away".

It would be wise for an agent to question the freight broker as to what are his or her expectations.

An agent may need to aggressively seek out these freight brokers who are willing to work with new agents and then provide a certificate of completion for any broker agent training that has been completed.

Here is a partial list of information that the freight broker may need or will provide:

- Application
- Evidence of completed broker agent training
- W-9
- Contract/Agreement
- Scope of Duties and Responsibilities
- Set up Packages that are used for shippers and carriers
- Carrier confirmation form
- Other related materials

9. What about your commission and pay?

The commission split between broker agent and freight broker may run anywhere from 50/50 to 70/30 with the broker agent receiving anywhere from 50% to 70% of the gross profit.

Normally, the gross profit is the profit after paying the truck. However, the broker agent should fully understand what “gross profit” is from the particular broker they are working with. Further, the broker agent needs to understand what events would trigger a deduction or negatively impact the amount that is considered to be “gross profit”.

In some cases, a freight broker may penalize a broker agent if the agent is “negligent”. A broker agent, then, should understand what activity would be construed as “negligent” performance.

Some freight brokers pay weekly, some pay every other week and some may pay monthly. A broker agent should understand when to expect payment after a delivery has been completed. It could take up to two months before an agent collects any commission depending upon how the freight broker pays out.

10. Searching for, and working with, customers (shippers)

A broker agent will search for customers and get “set up” with them. It is imperative that the agent think in terms of “customer service”. The shipper – just like your freight broker - will be looking for honest, reliable, effective and efficient agents. The goal of an agent is to fulfill their customers’ needs.

A broker agent will not want to take an order from a particular shipper until the freight broker has given their stamp of approval first.

After all, a freight broker needs the chance to at least run some type of credit check on a new customer and it would be unwise for an agent to try and post a load without getting the “okay” from the freight broker.

Also, a broker agent needs to know in detail what the broker’s policy covers and how the freight broker wants to operate his or her business.

Here are a couple of examples: Does your freight broker work with LTLs as well as TLs? LTLs are “Less Than Truck Load” and can be difficult for a beginning agent to work with. TLs are “Full Truck Loads”.

When a freight broker or broker agent works with LTLs, they will be assembling a number of small shipments from several customers. Working with LTLs involves a completely different pricing method that includes weight and density.

More brokers work with “Full Truck Loads” rather than LTLs. With this method, the freight broker or broker agent is dealing with only one shipper per load.

An agent needs to know what the broker’s policy is regarding advance payments as well as all the payment terms being offered. Nearly every carrier will be asking for one.

Communication and monitoring loads are two of the highest skills a broker agent can develop. A shipper will not settle for poor communication or for big surprises. At the first hint of a problem, the broker agent needs to use discretion about informing the shipper of potential problems.

This means that the broker agent needs to establish good communication with each motor carrier. The broker agent should not needlessly “pester”

drivers during the movement of cargo. But the best broker agents will train each of their carriers to call-in at least once a day and if the driver is experiencing a potential problem.

Customers can be forgiving if they are kept informed and if they know their broker agent will notify them of any impending problem. Over time, the agent wants to create a good sense of trust and reliability between themselves and their customers.

It's always best if an agent has carriers on hand before taking an order from a shipper. This is difficult to do for the new agent. Most new agents will have to take an order and then search for trucks.

Over time, however, both the shipper and agent will start to work proactively where the agent has a "heads up" on what the shipper needs before the agent takes the order.

This is when things really start to happen – and it's exciting!

For each load either the broker agent or the freight broker will receive a confirmation from the shipper. In either case, either party will view the details, making sure of course, that the rate is correct as well as all the other information.

11. Working with motor carriers

Just like working with shippers, the agent will need to get approval from the freight broker before committing to any load with the carrier.

As mentioned above, nearly every carrier will be asking for an advance. If the agent's broker does not make advance payments, the agent will need to know what the broker's payment terms are.

Paying the truck within twenty-one days is the industry standard. It's absolutely necessary for the agent to verify how quickly (or poorly) their broker pays their carriers. An agent does not want to work for a freight broker who has a poor record for paying trucks.

Many carriers will be looking for "backhauls". They will want to know if the agent has a return load. It's difficult for a new agent to have such a network of shippers in the beginning and it's likely an agent won't be able to provide backhauls. But it should be a goal as time and experience allow.

Using the load boards effectively is crucial for a new agent. Of course, the goal is to build a database of qualified carriers that the agent can call on a regular basis. But until a number of “regular” carriers are collected, the agent will want to work the load boards diligently.

Essential information that each carrier will want is - what are the unloading conditions on delivery. It’s best for the agent to learn as much as possible about this before dispatching the truck. The agent may query either the shipper, sometimes the receiver or both for this information.

For example, difficult access/egress can be a problem for some drivers, there may be unknown gateway fees, the unloading fees may be higher than what the broker indicates, the receiver may unexpectedly require that the driver assist with the unloading and so on and so forth.

Confirmations are used for each load and the broker-carrier agreement is required as a permanent document. The broker agent will need to know when the freight broker has received these from the carrier. Otherwise, the agent does not want to dispatch the truck until both the broker-carrier agreement and the confirmation for each load have been received by the freight broker.

The freight broker has to explain the process to the agent.

Again, being detailed oriented, taking nothing for granted and applying full and complete communication will set the broker agent head and shoulders above his competition.

12. Summary

Broker agents need to know with confidence

- what to do,
- when to do it,
- how to do it,
- with whom to do it and
- why they are doing it.

Broker agents need to be aggressive and assertive – not so much in personality but rather in their methods of operating. Never, never wait for someone to call unless they have given instructions that they will call. Even then, don't be afraid to “be a pest”.

Lastly, the broker agent is not legally liable for any damages on delivery whether they be ruined or missing pieces. The reason is the agent (and freight broker) do not take possession of the cargo. The carrier takes full responsibility.

If there are any claims to be filed, these are usually the responsibility of the shipper. In the case of a problem on delivery, the agent acts as the middle-person and communicates between the shipper (or their insurance agency) and the carrier or receiver.

Great business relationships are waiting to be built as the freight industry is very much a people business. While some brokers and agents fail to follow through with excellent service, others flourish because of these people skills.

About the author: "Working As A Broker Agent"

John D. Thomas, is founder, President, CPA and sole owner of Atex Freight Broker Training, Inc and Atex Freight Brokers, Inc. He has over 30 years' experience working with small business start ups. Currently he provides comprehensive, one-on-one, practical step-by-step ***freight broker and broker agent training over the telephone and Internet***. Some travel to El Paso for John's freight broker training. This option for live training is not available for broker agent training. All of the training is based upon his actual, current freight brokerage company and the years working with small business start-ups.

You may call John at 888-526-ATEX (2839), or 915-400-4732 or email him at info@atexfreightbrokers.com

John also maintains his blog titled "Insiders Secrets to Successful Freight Brokering". You may view it at <http://www.freightbrokeringblog.com>

Feel free to pass this free resource on to a friend.

WAIT! – Order the following eBook NOW and save \$5 off the regular price.
“Insider Secrets to Successful Freight Brokering” – The Best Blog Posts of the Year – Vol. 1

Grab this eBook now! It is jam-packed with nearly 100 insightful, practical and useful blog posts covering topics such as starting a freight broker business, freight broker training, freight broker marketing strategies, freight broker tools of the trade, getting your freight broker authority, freight broker financing, plus much more.

Click below now for this one-time offer:

<http://atexfreightbrokertraining.com/off-5-insider-secrets-to-successful-freight-brokering/>