

FREIGHT FORUM

Prescription for Using Brokers



When times are tight, shippers have historically turned to brokers to help them access capacity. When the tides turn in favor of shippers, however, they tend to cull the number of brokers they're using, and use the brokers they keep as safety nets. That's a 1990s strategy that's doomed from the start, and fails spectacularly every few years.

Brokers were able to grow their market share enormously in the 1980s after de-regulation, but slowed into the millennial, and then most recently gained significant market share during the last sustained capacity crisis in 2003. That's because many shippers began using brokers appropriately. Shippers who prefer to deal only with, or primarily with, asset based providers are inviting an expensive and embarrassing disaster every few years. If we don't learn from our past, we're doomed to repeat our mistakes.

Although we may be biased, we know the facts. Brokers are at the forefront of transportation efficiency and should be integrated firmly into every shipper's arsenal. We're not safety nets for core carrier programs - that model has cost more people their careers

than anything else in freight. Those of us who have cultivated a comprehensive knowledge of market conditions and worked to harness the most cutting-edge technology can offer our clients more transparency, security and efficiency. So how can you successfully incorporate them into your program?



First—forget what you “know” brokers CAN'T DO. WE CAN:

- Handle large volume lanes just as effectively—often more so—than your largest carrier friends
- Provide live and drop trailers
- Locate and arrange secured yards
- Provide shipment visibility & cutting edge technology
- Use your own shipping data to help improve your business processes, operations and costs

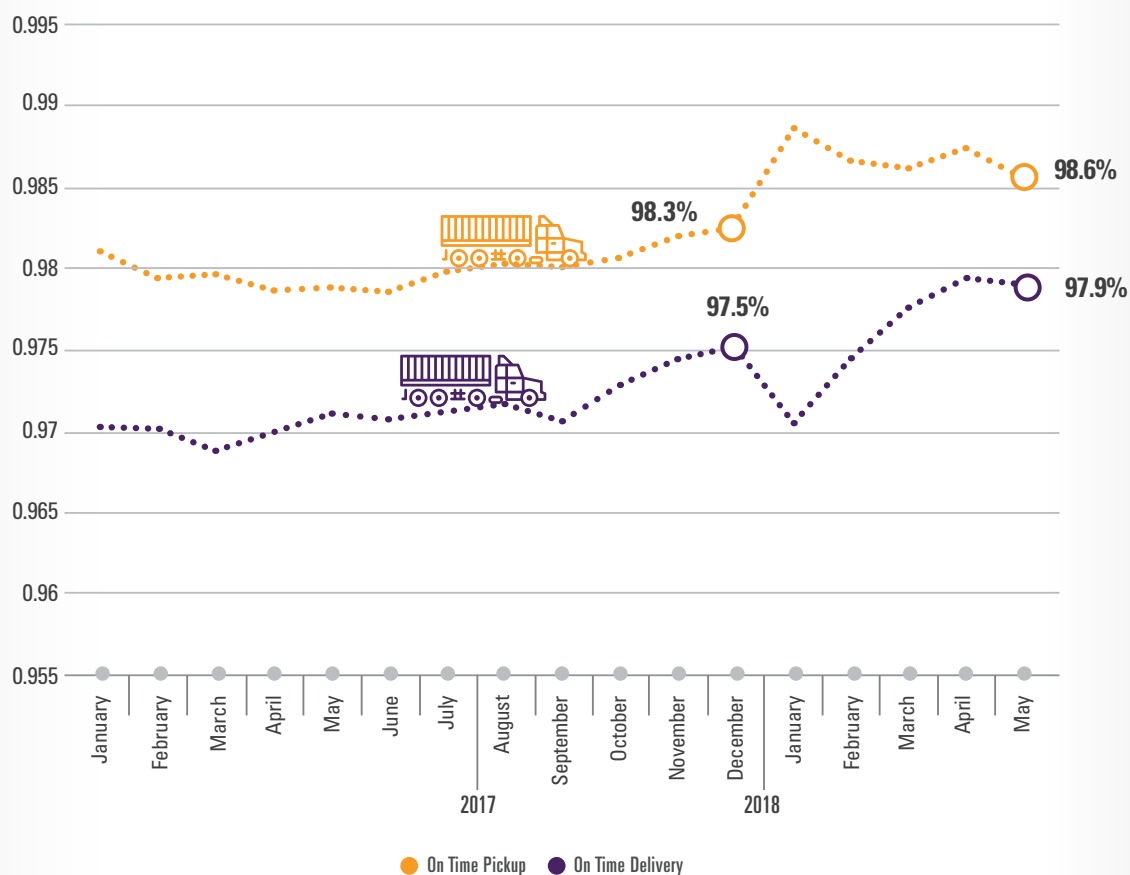
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Be On Time to Maintain YOUR BOTTOM LINE

By now we've all discussed and dissected the "Amazon effect" that's taken hold of the shipping industry – a direct result of consumers expecting their products delivered to them "on-demand" in increasingly shorter timeframes.

TUCKER COMPANY WORLDWIDE ON-TIME METRICS



**DRIVER
SHORTAGE**
DEBUNKED

Much has been made of the "driver shortage" gripping the nation. In reality, there's not so much a shortage of qualified drivers as there is an inability of the large fleets that many shippers depend on to find more drivers.

TAKE A LOOK AT THE NUMBERS:
SINCE FEBRUARY 2012 –

Fleets with 501+ trucks have added
157,185 drivers– up 20%

Fleets with 1-19 trucks have
added **224,886** drivers–up 54%

Over the past 12 months as retailers work to stock their warehouses to meet the needs of today's consumers, they have turned up the heat on suppliers by implementing strict delivery windows accompanied by heavy non-compliance fees. Suddenly, the flexibility and margin of error that shippers have always used to accommodate lower-cost shipping options is no longer available to them— and carrier accountability and on-time performance reigns supreme.

Now we're beginning to hear more about the enormous financial impact on large national shippers. By any standards, the logistical blowback has been swift and costly. Many large manufacturers' CEOs are keenly aware of these costs, because their stock prices have been directly impacted by higher freight costs and higher compliance fees paid to retailers. On a recent conference call, several senior level executives from large manufacturers lamented that their companies had to "steal" from advertising and marketing budgets to pay compliance fees! That's on top of the already historically high prices for freight.

Many shippers—including some of the most sophisticated companies—still rely upon their large carrier partners to self-report their on-time performance. When late deliveries can cost a single manufacturer hundreds of thousands, up to millions of dollars a quarter in retailer fines, shippers are quickly discovering that much of that data is unreliable - with some carriers reporting higher on-time performance than they're actually delivering.



At Tucker we've seen our on-time performance actually climb upward as we continue our laser-focus on pairing the best carrier to each shipment, with an emphasis on consistent communication and real-time load tracking.

Other immeasurable factors – such as our familiarity with appointment-setting and the off-load requirements of major retailers and distribution centers - has helped us to manage the expectations of all parties, reduce issues, preserve the shipper's profits and improve our overall customer satisfaction.

However, reducing compliance fees is truly a team effort and can't be achieved by your carrier or 3PL partner alone. For example – we recently petitioned a long-time client of ours who ships to major retailers nationwide to take a closer look at the way compliance fees were eating into their profits – and the company got on board with an initiative to tighten up their internal practices. They began working with suppliers to communicate orders earlier in order to preserve their bottom line. This customer took the issue seriously, early. Their quarterly business reviews that once only included our account managers and their load planners grew to include their 3rd party warehousing companies, security team, and product managers – all stakeholders coming together in order to create better communication to make sure their products get to the shelves. Curated transportation updates were shared from our team and disseminated throughout their supply chain. The result? A more holistic approach to transportation planning. On-time metrics improved, and perhaps more importantly the lines of inter-team communication opened up, resulting in greater efficiency, understanding and less frustration. These folks were, and remain, way ahead of the learning curve, and their production shows.

Working closely with your top carriers and 3PLs, and disseminating their real-time knowledge throughout your operations, and to your customers and/or suppliers, is key to ensuring your products reach the shelves for your consumers (without eating into your profit margin with penalties). As you're planning for the transport of your goods, it's time to look at your options differently – what appears to be the lowest cost option might end up becoming a lot more expensive as issues crop up and fees are incurred. Make sure you are evaluating on-time metrics, and valuing service. The most attractive prices on paper may be deceiving.

Many drivers are choosing to join smaller fleets, or strike out on their own. There are many reasons – more flexibility and control, better profit margins... but this is a problem for large shippers who aren't able to reach this "sweet spot" where the drivers are more plentiful, but scattered.

Who can? Brokers.

Invite your brokers into the fold, and tap into this rapidly growing fleet of trucking firms. These firms often have great drivers, who simply want to be treated as a person and work for an organization

that knows his or her name. Brokers continue to invest in the tools, resources and practices to connect with these firms and add plentiful capacity, especially for larger shippers.



56 N. Haddon Avenue | Haddonfield, NJ 08033

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Second – treat your reliable broker partners as “shoulder to shoulder” peers to your core carriers. It’s the only way to scale! If a broker “owns” some of the lanes you’re moving, their carrier friends see you as the customer, too. So whenever capacity gets tight, and the big carriers begin disappearing (as they always do), the broker can more easily add capacity at often the same contract pricing. Compare that against the safety net model—you call the broker when every asset based carrier is dry, indicating your market is tapped-out. What’s a broker to do? They’ll get any available truck, but the price will be high, and the carrier won’t know the shipper from Adam.

Going back to the “driver shortage” – only brokers are reaching the smaller fleet sizes that can keep your freight moving. Plus, when you bring brokers in on your business from the get-go, your pricing will improve, and the brokers will better understand your business and expectations.

Finally, all brokers are not created equal. It’s not even close. It’s like saying all people are the same. They’re not. There are the low-cost leaders—often making prolific use of one-truck, one-driver fleets. Some brokers mix price and service; others specialize in top-notch service and dependability for their customers. Above all, select your broker partners wisely (as you would any large carrier!).

This particular broker is excited to see how we can continue to leverage our expertise, emerging technologies, and the ever-evolving freight market to move our shippers’ products to the shelves.