



Level Up

**A Broker's
Strategy Guide
to Growth**

Introduction

Getting a new business off the ground is a rewarding endeavor, and not just financially. But it's also a daunting task no matter what industry you're in.

For decades, transportation and logistics has attracted entrepreneurs. As a crucial industry for the country's economy, it provides ample opportunities for enterprising businesspeople. However, there's no getting around the risks associated with creating a startup.

By understanding the risk-reward tradeoffs that are inherent in transportation and logistics, you can choose a business model for your freight brokerage that sets the foundation for long-term success.

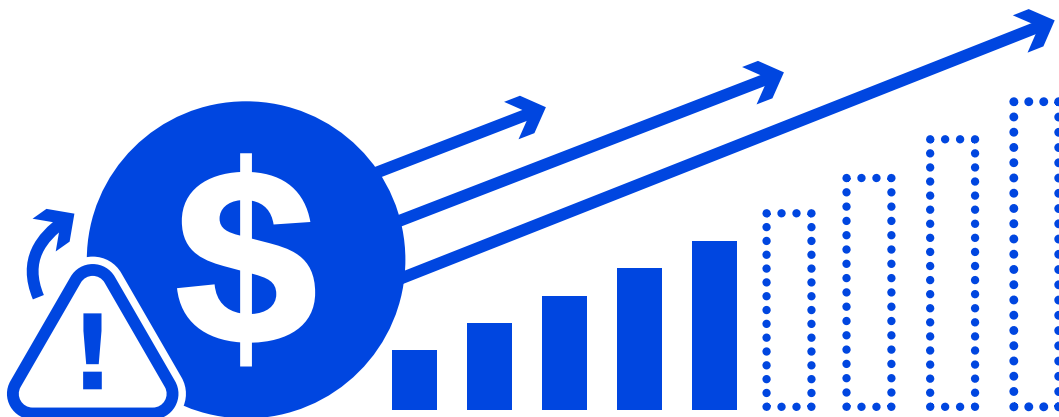


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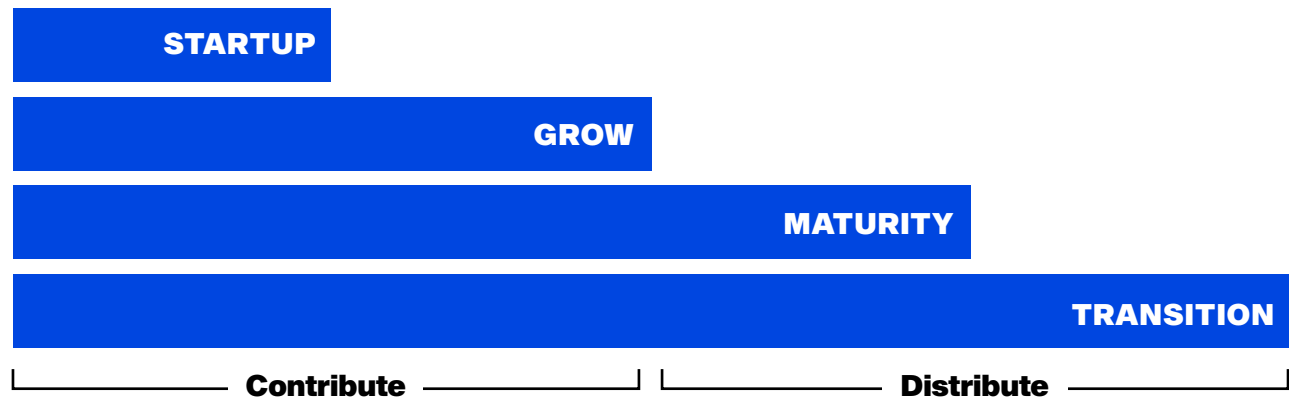
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The 4 phases of your business



While every business has its own set of goals and priorities, a successful one generally goes through four distinct phases.

In the startup and growth phases, the focus will be to contribute time and money. That includes buying the tools and technology needed to run the company – load board, pricing tools, accounting software, etc. – and the time needed to build your customer base through networking, selling, marketing and hiring.

Once a business enters maturity, there will be greater opportunity to distribute earnings and enjoy the rewards of your company's success. In transition, you may choose to sell the business.

Choosing a growth model



Before discussing growth models, let's zoom out and discuss the two basic organizational structures of modern brokerages. Neither is right or wrong, and both have their pros and cons. Two models dominate the landscape:

Chicago model: Adopters of the Chicago model delineate between sales and operations. One team, sales, is entirely dedicated to finding shippers and maintaining those relationships, where the other team, operations, handles finding, vetting, and maintaining relationships with carriers.

Cradle to grave: The older of the two structures, the cradle-to-grave model puts the entire freight journey in the hands of a broker. They're charged with both finding shippers and carriers and maintaining those relationships. This structure gives brokers a holistic view of the freight's movement.

Pros and cons of each model

The Chicago model is praised for its ability to facilitate faster growth. The separation of each side of the business makes scaling much smoother. On the flip side, implementing operational changes is harder between two departments. Additionally, managing two departments is more expensive than one.

As for cradle-to-grave brokerages, keeping the entire freight journey with one broker puts powerful customer service tools at their disposal. They're able to know their customers at a high level and adapt to their needs accordingly. Conversely, the model doesn't facilitate fast team onboarding or general agility. With an account resting entirely on one person, departures or staff changes are followed up with longer runways to prior service levels.

Choices as your business grows

Following a successful start-up phase, you will face some choices and risks as you grow your business.

During the growth phase, you should plan on investing heavily into your business, with both time and financial resources.

If you divert your time and attention, or start to distribute earnings too soon, your business will be less likely to reach the next stage.

There are several growth models for a transportation company. Generally, they fall into two main types – agency and organic service levels.

Agency growth

Many brokerages grow their businesses through an agency model, where the company provides back-office support to brokers who do not want to handle billing, accounting, carrier qualification, insurance, etc. Operating under your authority, the agent brings in quick revenue growth, usually on a commission-only basis that reduces the company's indirect costs but dilutes profit margins.

The agency model provides ongoing opportunities, as individuals look for a way to work independently without the risks of business ownership.

In many instances it might be more helpful to think of agents as customers rather than employees.

Organic growth

There are two ways to hire for organic growth: Find experienced personnel or hire people new to the industry.

When you hire experienced people, you're looking for someone who can hit the ground running and hopefully bring in a book of business and expanded knowledge. The risk here is that the experts you bring in from other transportation providers are by definition mobile and may jump to another opportunity the same way, possibly taking some of your business with them.

These people are generally more expensive employees, but they come up to speed much faster and can bring needed expertise to the business as you expand into new segments or regions.

Alternatively, you can hire people who are new to the transportation industry. Naturally, their learning curve will be longer, and it can also take a lot of time and effort to find quality people. To be successful, a strategy of hiring industry "outsiders" requires a solid business model, with set procedures and formal training and promotion paths.

People who are trained by you will work the business your way, with fewer preconceived notions or bad habits to be unlearned.

Strategies for expansion



At the beginning of your brokerage career, consider specializations. When you cast a wide net early on, you'll be competing against large, established brokerages. By specializing in a market, region, or type of freight, you'll effectively be hitting them where they aren't, which gives you a faster runway to actually compete with them once you've scaled up.

Specialization options

Specific regions: Do your research and opt for lanes, markets, or general regions that are less serviced. Learn the relationship between that region and other

major markets and use what you learn to your advantage. If you're in a smaller market like Portland, OR, specialize in getting freight and carriers to larger markets like Chicago, Dallas, or Atlanta. Get targeted with your focus, then expand.

Types of freight: Similar to finding geographic niches, an alternative strategy is identifying niche supply chains.

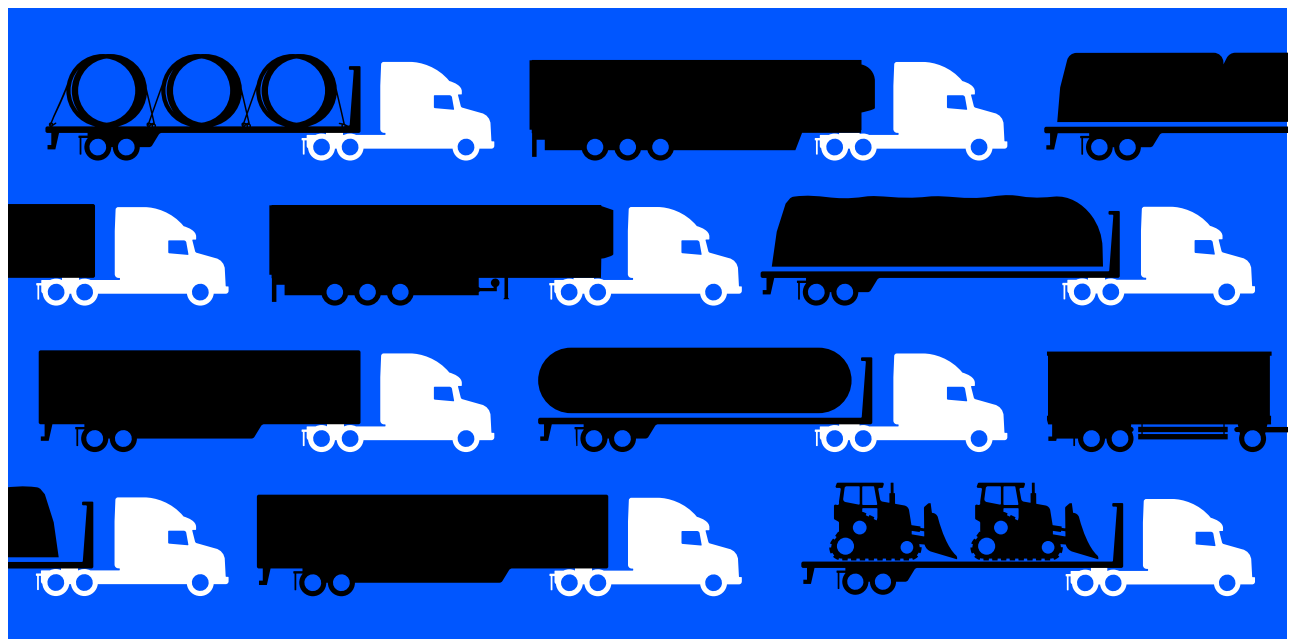
Think beyond the typical retail and product seasons and find specializations with less competition.

It could be a sector, type of shipping service (expedited freight, specialized flatbed, etc.), or even niches within larger categories like one specific type of produce. Learn this supply chain in and out, and use that expertise to pitch shippers.

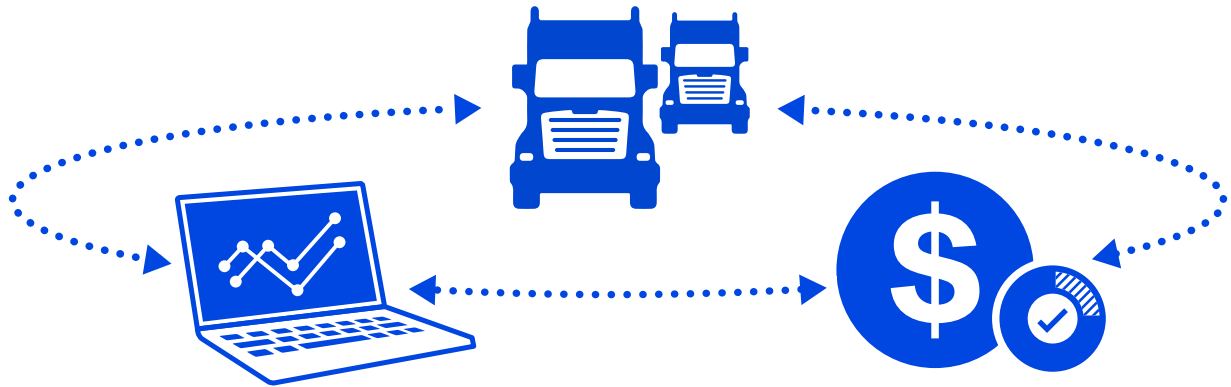
Adding equipment types: Another option is to grow your product line to include more trailer options. This strategy may add complexity, as it requires special expertise to prevent major mistakes.

A common way to expand into a new segment, such as flatbed, is to bring in one or more experienced staff members who understand that type of freight. This plan is even better if the new hires can bring along a book of business.

With the right staff, you can expand into flatbed, reefer, over-sized or specialized freight, as you will have the experience and expertise on board to handle the unique issues associated with your new business segment.



Investing in growth



No matter what strategy you choose, you'll need technology that supports expansion. Three technological investments are critical to executing on your growth strategies:

1. Transportation Management System

If you started out running your business with spreadsheets and simple accounting software, you will quickly reach a point where the tools are hampering your growth. An integrated Transportation Management System (TMS) can facilitate growth by supporting operations and accounting together, with integration that adds efficiencies and controls into your workflow.

Many successful brokers will credit a solid TMS for expanding their business ten-fold without adding to the back-office staff that ran their old manual systems.

The trick is finding the right fit for your business, and a solution that will grow alongside your operations.

The Broker TMS from DAT One is built specifically for freight intermediaries and allows you to move more freight with fewer people, with optional modules that expand with your business.

2. Capacity-finding tools

Carrier relations can be a sticking point for a new brokerage. When capacity is tight, your staff may not offer a large enough selection of carriers to meet your needs, so a load board integrated into your TMS is crucial.

DAT One provides the largest on-demand freight marketplace in North America, with 249 million loads and trucks posted annually.

DAT One also enables you to quickly qualify and monitor carrier safety scores, insurance and operating authority, along with tools that allow you to onboard new carriers in minutes.

3. Pricing tools

The truckload marketplace is volatile, so access to timely freight rate data is critical to maximizing your margins.

With DAT iQ, you can make clear and confident business decisions based on the deepest and broadest data in the industry.

RateView Analytics from DAT iQ is an all-in-one freight rates tool that offers instant answers on past, present and future prices for every trucking lane. With these insights, you can quickly quote rates for your shipper customers, knowing the margins you need to stay profitable. And with the Ratecast predictive model, you can forecast rates for the next 8 days to inform your day-to-day operations, or the next 13 months to inform your long-term bids and contracts.

Take the uncertainty out of freight

While there's always risk when it comes to starting your own business, the right strategy and approach can take away the guesswork. By investing in the best tools and the right people, you can take advantage of your opportunities. And in the end, that investment can pay big dividends.

**Learn more about DAT Freight & Analytics.
Call 855-923-0036 or visit [DAT.com/brokers](https://www.dat.com/brokers)
to schedule a demo today.**

About DAT Freight & Analytics

DAT Freight & Analytics operates the largest truckload freight marketplace in North America. Transportation brokers, carriers, shippers, news organizations and industry analysts rely on DAT for market trends and data insights based on 400 million freight matches and a database of \$150 billion in annual market transactions.

Founded in 1978, DAT Solutions LLC is a wholly owned subsidiary of Roper Technologies (NYSE:ROP), a diversified technology company and constituent of the S&P 500 and Fortune 500 indices.

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experts? Call [\(855\) 923-0036](tel:8559230036)**



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