



As appearing in  
**Internet Truck Stop Magazine**  
September/October 2008

## What Really Happens In The Freight Broker Back Office?

By Mike Williams

A freight broker is an individual or company that serves as a liaison or intermediary between another individual or company that needs shipping services and an authorized motor carrier. Though a freight broker plays an important role in the movement of cargo, the broker doesn't function as a shipper or a carrier. Instead, a freight broker works to determine the needs of a shipper and connects that shipper with a carrier willing to transport the items at an acceptable price.



To operate as a freight broker, a business or individual must obtain a license from the Federal Motor Carrier Safety Administration (FMCSA). Freight brokers are also expected to carry insurance to protect both their business clients and their customers from loss. In many areas, freight brokers are required to carry surety bonds as well.

Freight broker services are valuable to both shippers and motor carriers. Freight brokers help shippers find reliable carriers that might otherwise be difficult to locate. They assist motor carriers in filling their trucks and earning money for transporting a wide variety of items.

Freight brokers use their knowledge of the shipping industry and technological resources to help shippers and carriers accomplish their goals. Many companies find the services provided by freight brokers indispensable. In fact, some companies hire brokers to coordinate all of their shipping needs.

Many freight brokers begin their careers as agents rather than actual brokers. Freight broker agents are independent contractors who work as representatives of a broker. These agents handle assigned areas and are able to operate locally. Probably the single most important decision an agent makes is the brokerage firm they choose to align themselves with. Not only are the services and capabilities of that broker important, the size and scope of the "back office" functions that the broker provides its agents is critical.

The most experienced and diversified brokers who offer a back office function to its agents includes the following services:

- Carrier freight invoice audit
- Credit analysis
- Customer billing
- Carrier database
- Carrier payments
- Cargo claims and safety
- Commission statements
- Collections
- Marketing (brand recognition)
- Technology and systems

The broker is compensated for these collective services for a split of the margin that the agent generates on each load. The margin is the difference between the negotiated rate with the shipper and the rate the carrier has agreed to move the load for.

These back office services would require a significant investment in people, equipment and technology to develop for a single office operation. The broker provides the tools and assistance that the agent needs to conduct business so they can focus more on identifying customers and moving freight.

So, exactly why is the back office so important? To understand that, you also need to understand the “shopping list” that shippers will often follow in selecting their freight brokers. This list includes:

- Make sure the broker is licensed – shippers are advised to be wary of motor carriers who broker loads without broker authority; for-hire motor carrier authority is not the same as broker authority

- Look for modes beyond just truckload – shippers need and want additional service options, such as intermodal, warehousing and LTL; brokers with multiple modal options can back up shortages in one mode with capacity in another

- What is the broker's carrier and truck selection process – brokers at a minimum should verify carriers' operating authority, safety rating, and insurance coverage; in addition, a written contract between broker and carrier is essential

- How credit worthy is the broker – freight brokers should be financially solvent and able to pay their carriers; savvy shippers check to see how promptly they are in paying vendors, are they profitable and are there any liens or legal judgments against them?



- Does the broker carry adequate insurance – solid brokers carry contingent cargo insurance to pay shipper loss or damage claims if the carrier and its insurance company refuse to pay; contingent cargo coverage provides shippers a second level of protection, as long as a claim is valid

The broker's back office function works to address all the issues a shipper will have when it comes time to selecting the broker and its agent. Without a strong back office to support the agent, the shipper will simply look elsewhere for service. In today's competitive market, they simply have too many options not to. That's why the back office and what goes inside it is so important and why nothing but the most comprehensive solution is essential to conducting business.

*Note: Mike Williams is chief operating officer of Sunteck Transport Group. Sunteck is a non-asset based transportation services company, providing transportation capacity and related transportation services through its agent network to shippers throughout the United States and Canada. Sunteck's services include ground transportation coast-to-coast, local pick-up and delivery. Sunteck has strategic alliances with less-than-truckload, contract carriers, truckload common carriers and independent owner-operators. For more information, visit [www.sunteckagent.com](http://www.sunteckagent.com).*

