



LOGISTICAL LOWDOWN

compliments of your True Blue Logistics Crew

Choosing a Freight Broker, Do They Have The Right Stuff?

Song Inspiration: "You Got It (The Right Stuff)" by New Kids On The Block, 1988



Not all freight brokers are created equal, because the old model of freight brokering lacked transparency and shipper control. A strong partnership with the right freight partner will [take the fear out of freight brokering](#) and provide endless benefits to your business model.

Your freight broker should be a true business partner that will work with you to meet your supply chain needs by delivering your goods to your customers on time, in good condition, and for a good price.

Before choosing a freight broker for your shipping needs, it's important that you evaluate each broker to ensure they are reliable and provide the best service for your needs; in other words, do they have *the right stuff*? Here's our checklist for evaluating the right freight partner for your business.

1. Choose a Licensed Broker

Federal law requires anyone arranging transportation for compensation to have a federal property broker license issued by the Federal Motor Carrier Safety Administration (FMCSA). In December 2013, the FMCSA implemented a new law that raised the broker bonding requirement from \$10,000 to \$75,000 putting many small freight brokers out of business. Before selecting a new freight broker, ensure they have proper authority and licensing to broker freight.

2. Experience is Better

Becoming a freight broker is quite easy, but becoming a successful freight broker is not. Just because your neighbor or friend-of-a-friend is running a freight brokerage business out of their home doesn't mean you must choose them out of obligation. Experience is important when [choosing a freight broker](#). You want someone who has been in the business for a while and knows the ins and the outs of the industry.

3. Check MC Authority, Bonds, and Cargo Insurance

A freight broker needs a Motor Carrier Operating Authority, or simply MC Authority, from the FMCSA to operate as a freight broker. Ask a broker for their MC number and check it against the Register page of the FMCSA. In addition to a MC authority, a freight broker must have a BMC-84 bond of at least \$75,000. This bond ensures that freight brokers follow all applicable rules and regulations. Ask to see their bond details.

Many freight brokers will also carry contingent cargo insurance coverage that provides shippers with a second level of protection as long as the claim is valid. Look for brokers who also carry liability insurance as well as "errors and omissions" insurance.

4. Verify Carriers' Operational Authority

You might think you're just choosing a freight broker, but you're really choosing carriers. By using a freight broker, you lose some power in choosing the right carriers to transport your goods. It's important to discuss with your potential freight broker how they screen their carriers. Don't be afraid to ask to see their carriers' operating authority, safety rating and records, and their insurance coverage.

5. Run a Credit Check

Freight brokers should be financially solvent and able to pay their carriers reliably and on time. Most freight brokers treat their carriers fairly and pay them on time, but, unfortunately, there are a few bad eggs that present a credit risk to carriers.

Freight brokers must carry a \$75,000 bond, but that still doesn't reduce your risk. Ask questions and check the broker's credit rating and days-to-pay information with a third-party credit reporting service, like [RTS Credit Service](#). Checking a broker's credit is inexpensive and could save your company thousands of dollars by avoiding high risk freight brokers.

6. Get It in Writing

Always get pricing quotes in writing so you clearly know the details of any and all fees and accessorial charges, especially if you ship internationally. Custom fees and taxes can unexpectedly increase your shipping costs.

All brokers and carriers should have a written carrier/broker agreement on record that outlines the terms and conditions of the work. Ask for a copy of this contract for your records.

7. Check Trucking Association Memberships

Look for members of the [Transportation Intermediaries Association](#) (TIA). TIA is the premier organization of third-party logistics professionals and freight brokers in North America. Members must adhere to their high standards of ethics.

8. Look for Asset-Based Carriers

Some freight brokers are an asset-based 3PL; meaning you have access to their in-house fleet incase an appropriate carrier cannot be found in time. Many freight brokers have begun to consolidate the number of carriers they work with to help reduce costs leaving you with the risk of late delivers. Access to an in-house transportation fleet can ensure your goods are delivered to your customers on time.

Working with [a freight broker has many advantages](#) if you find the right partner. Don't rush into any agreement for the sake of moving goods. Spend time evaluating each freight broker until you find the right one for your shipping needs.

Once you find that perfect fit for a freight partner, we know you'll be singing:

You've got the right stuff, baby, You're the reason I'm singing this song,

All that I needed was you...