



GSA Freight Forum 2013

Effective Utilization of Brokers & 3PLs as a Resource

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(Incoming) Vice Chair, TIA



Background

- TIA
 - Treasurer & In-coming Vice Chair
 - Chairman, Carrier Selection Committee
 - Former Chairman, Government Freight Committee
- ATA
 - Member of Government Freight Committee
- NDTA
 - Sustaining Member
- FMCSA
 - Member MCSAC CSA Subcommittee
- Works Published
 - Journal of Commerce
 - Transport Topics
 - Logistics Weekly
 - Inbound Logistics
 - Defense Transportation Journal
 - Others
- Congressional Testimony
- NITL
 - Former Board of Directors Member
- TCA
 - Former Board of Directors Member
- MBA Temple University, Physical Distribution
- Co-Founder & CEO, QualifiedCarriers.com
- CEO, Tucker Company Worldwide, Inc.



Freight Broker vs. Motor Carrier

- “Property Broker” is a Federally licensed entity, with authority from FMCSA, to arrange transport of goods, using licensed motor carriers.
- *Approximately 20,000 licensed in U.S.*
- “Motor Carrier” is a Federally licensed entity, with authority from FMCSA, to transport goods on equipment it owns or leases.
- *Approximately 167,000 active, for-hire in U.S.*



What's a 3PL?

- 3PL is short for Third Party Logistics
- 3PL can describe virtually any logistics company that either:
 - (a) makes some or exclusive use of other companies' assets, or
 - (b) operates a facility (like a warehouse) for a customer.
- 3PL is simply a term. It is not a recognized legal entity. There is no 3PL authority.



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Brokers Benefit Carriers

- Fewer sales reps required
- One credit check vs. hundreds
- Variety of loads and lanes from which to choose
- Reduce dead-head miles
- Reduce wasted driver time and fuel
- Increased speed of pay
- Better collections, low risk
- Build fewer, stronger relationships
- Broker knows its shipper customers, and can help carrier
- Many carriers have brokerages today



Brokers Benefit Shippers

- Brokers represent 1 in 5 dollars spent
- Save money
- Adding strong brokers lets shipper have fewer and stronger relationships, and increase capacity
 - One-stop for hundreds of small, niche, great carriers
 - Client knowledge (hours, locations, etc.) better understood
- Good brokers choose good carriers, and validate their data, authority, safety rating, etc.
- Good brokers verify current insurance



Brokers Benefit the Environment

Brokers are by their nature, extremely “green” and environmentally friendly.

- Some are SmartWay Transport Partners
 - Most deserve to be recognized as such
- Reduce driver idling, dead-head
- Increase trucker productivity
- Reduce the number of truckers necessary to move the nation’s freight
- Can help Government reduce its carbon footprint



Dispelling Some Myths

- Brokers can arrange drop trailers
- All brokers don't use "gypsies"
- "I get better service from the carrier directly" isn't always true
- Load boards, in and of themselves are not bad
- Not all brokers use anyone off the load boards
- If I pay a broker, and it doesn't pay the carrier, I have to pay again
- All brokers are the same
- Brokers can do inside delivery
- Brokers can do rigging & special projects
- Brokers can handle products with high security



Brokers Vary Greatly

- There are about 20,000 brokers (and 167,000 for hire carriers)
- Freight Type Specialties:
 - Perishables
 - Temp control
 - Hazmat, hazardous waste
 - Flatbed, van, intermodal
 - Furniture, processed foods, consumer goods
 - DOD, GSA & Other Government
- Few brokers are alike
 - Sales & Service
 - Sales is Service
 - Agent office network
 - Company office network
 - Company and agent offices
 - Centralized office model
 - Carriers as brokers
 - Stand alone business
 - Augment carrier operations
 - Both require broker authority



Signs of a Good Broker

- TIA membership
- Other relevant associations (ATA, TCA, NDTA, NITL, etc)
- Years in business
- Written, audited procedures
- ISO-9001, or other quality standard
- References within your agency, or other reputable customers
 - Stand by their word?
 - As effective as best carriers?
 - Reliable?
 - On-time metrics?
- Do they have a written carrier selection criteria?
- Do they have a risk management person(s) on staff?
- Insurance certificates: \$1M or more of GL & Auto; contingent cargo insurance of \$100K minimum; workers compensation; errors & omissions
- Professional website & materials
- Written contracts with all carriers
- Broker passes your audit
- Broker is recognized by outsiders



Freight Broker or Carrier-- Which is Better?

- There's no easy answer
- A healthy mix of both is your best bet
- There are brokers and carriers ranging from terrible to terrific
- As in any business, you need to identify and align yourself with strong allies, and avoid poor ones



Should the US Government Contract Key Logistics Functions to Carrier or Broker?

Answer: Neither
(and both)



Perfect Utilization: Carriers and Brokers

The Bigger the Shipper, the less sense it makes to outsource logistics to a transportation service provider.

(yes, a 3PL just said that!)



Perfect Utilization: Carriers & Brokers

- 1. Contract with a stand-alone TMS (Transp. Mgmt. System) IT provider**
 - Must be independent & not own nor be owned by a transportation service provider (broker, carrier, 3PL, 4PL)
- 2. Use all qualified brokers and carriers**
 - Maximizes savings
 - Leverages whole marketplace
 - Eliminates bottlenecking through 1 company
- 3. Establish rules of engagement for providers**
 - Exclude under-performers
 - Measure key performance areas
 - Consolidate shipments
- 4. Expert Advisory Committee**
 - Committee of service providers and Government logistics leaders reviews metrics, program, and offer improvements/enhancements
 - Keeps and leverages key Government freight personnel in-tact



Thank you!

Questions?

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