



Freight & Analytics

Pricing 101

**A New Broker's
Guide to Pricing
Competitively**

Brokers are problem solvers

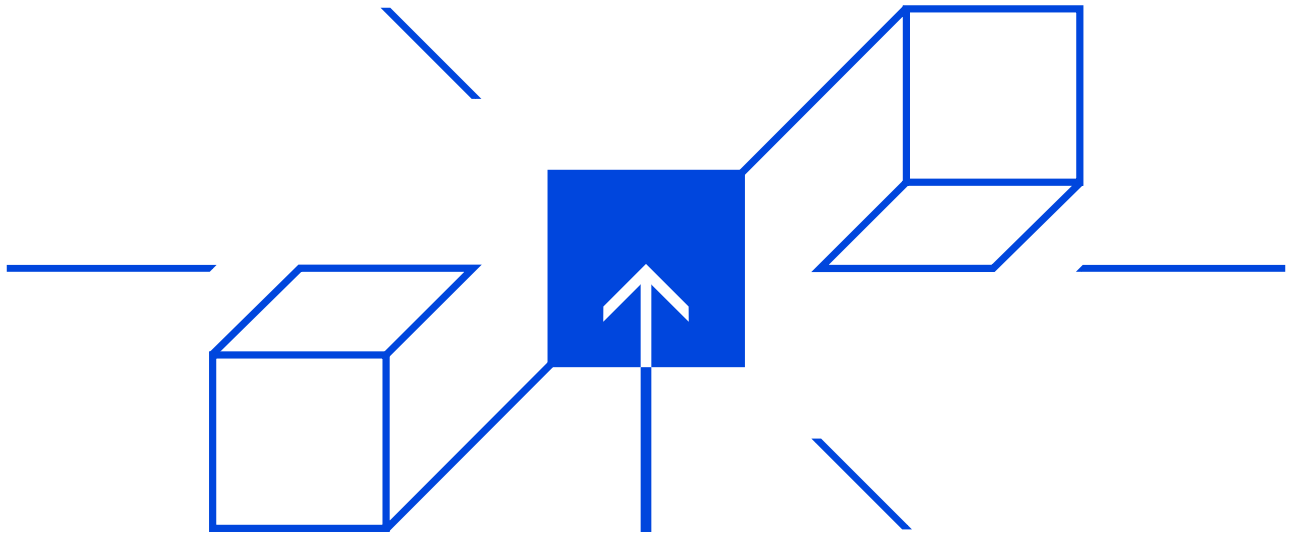
When shipments fall out of the routing guide for myriad reasons, brokers are there to pick up the slack, making sure shippers' freight stays the course. They shoulder the burden of the shipper by finding carriers willing to move their freight, and they provide those same carriers with goods to keep them moving and making money. These two sides of the broker's business serve as the core of any pricing strategy: Selling transportation low enough to keep shippers engaged, and buying carrier's services while keeping a profit margin.

On the sales side of things, brokers are selling their services to shippers. For plenty of different reasons, shippers often need a bit of extra help getting their freight from point A to point B. When their systems skip a beat, or they just don't have the coverage they need,

brokers are there to pick up the slack, selling their ability to fix the shipper's problem and keep freight moving. In that sense, brokers are an outsourced logistics department for shippers. When brokers string together shipment after shipment with a sound pricing strategy, they build a profitable business.

The flip side of the coin is, of course, buying transportation. To put it a bit less crudely, buying the services of a carrier and their capacity. Brokers take the freight they've been given from shippers and buy the services of carriers to move the freight.

Just like any other broker, you've got to successfully navigate buying *and* selling.



This means your pricing strategy has to hit the ‘goldilocks zone’ where you are competitive and profitable – and this goes for both spot and contract rates.

AS A REFRESHER

Spot market

Where shipments are handled transactionally. These are most commonly handled by brokers and negotiated on a one-off basis.

Contract market

Long-term arrangements where a carrier or broker handles a shipper’s freight for a fixed rate and duration.

It’s critical that your pricing strategy is built on real-world conditions, not hunches or guesses. There’s a host of tools that reveal market trends and identify where you can make more money, see how your competitors are pricing, and what markets carriers are eager to work in (or adversely, where it will be the most difficult to get your loads covered). These tools will make you nimble, competitive, and more profitable.

Pricing 101 will show you how top brokers set their prices based on validated market data, then give actionable steps to take once your strategy is set, like how to manage your strategy and communicate changes to customers. This guide will show you how to successfully navigate the murky waters of both buying and selling freight with confidence.

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Understanding market trends and customer needs

Ours is a very dynamic industry. There are expected seasonal shifts we see each year – think Christmas season and produce, for example. These are more or less expected and as such, easier to plan for. Working in tandem with expected changes are the unexpected ones, think about adverse weather events and how it rattles the supply chain.

Working within the confines of markets that are always changing, shifting, and forcing your hand, smart brokers understand that the market itself is a third player in their transactions between shippers or carriers. It's something to be understood and worked with, not ignored or underestimated.

To understand the market and build a profitable business, we recommend two key DAT resources.

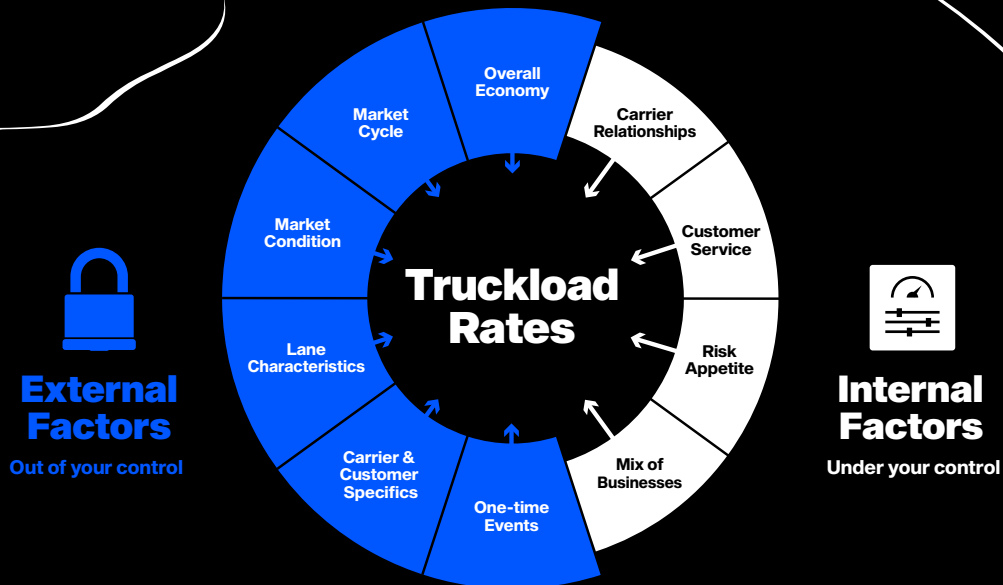
DAT iQ Live

Every week, our own in-house logistics experts cover prescient market topics. They'll break down the complex numbers behind the trends and spell out what they mean for your brokerage. The industry's nuance and enormity make it a tough subject to tackle alone, and our experts make market insights accessible. We upload DAT iQ to [YouTube](#) every week, free of charge.

Market reports

If your busy schedule means you can't reliably attend a live show every week, we condense the same market insights and topics from DAT iQ Live into digestible, [weekly blogs](#). You'll get a snapshot of the market that can be flipped into sophisticated strategies and well-informed tactics.

Deconstructing truckload rates



Bubbling below the surface of a price strategy is a complex web of market behaviors, industry trends, and seasonal shifts that are never static.

Rates are reflections of the current market, and there's a host of internal and external, controllable and uncontrollable factors that are involved in rate calculations. As such, creating a rationale

that informs and generates your own pricing requires a good deal of market research and depth of knowledge.

At a high level, there are two general groups of considerations when creating your rates: those that you can't control (external factors) and those you can (internal factors).



Uncontrollable external factors

Overall economy Of course, the economy at large plays an outsized role in rate construction, especially fuel costs. The more a carrier has to pay for fuel, the more they need to be paid to cover those costs. The same goes for inflation, as it affects expenses and consumer demand for goods.

Market cycle One of the biggest factors that will dictate how much transportation costs is where we are in the market cycle. Like the stock market, truckload markets have bear and bull cycles, generally dictated by the availability of truckload capacity. Generally, where spot rates go, contract rates follow.

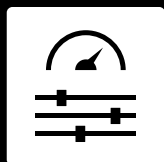
Market conditions Market conditions and the following factor, lane characteristics, reinforce the idea that freight is not handled nationally at a large scale. The freight industry is an amalgamation of lane and shipment-level markets, and these microeconomics should be your primary focus instead of national-level metrics. When exploring market conditions, look at the number of trucks in a market relative to the number of loads, rates in the market, and recent and forecasted weather conditions.

Lane characteristics and seasonality

Similarly, lane characteristics keep your focus on the micro level. Look at the lane you're aiming to operate in and consider the market type (metropolitan vs. rural, for example), lane economics, optionality, volatility, headhaul vs. backhaul, and seasonality.

Singular events You can rarely plan for them, but you'll always need to react timely to adverse events. Hurricanes are a good example. Polar vortices and global pandemics also seriously impact rate calculations.

Carrier costs Remember, what you pay a carrier isn't all profit. Like you, they have costs to cover, including but not limited to fuel, truck and trailer payments, insurance, licenses and tolls, maintenance, and lodging. You have to build a carrier profit margin into your rate.



Controllable internal factors

Experience Consider whether or not you understand the market you're targeting and the type of freight you're trying to move. A lack of understanding will throw your rate calculations off-kilter.

Risk appetite Uncertainty about the lane you're operating in or the freight you're moving demands higher rates, as your risk is higher than normal. Consider also whether or not the shipper you're working for is a relationship you want to maintain. If it is, you might be fine with not charging a premium on the lane.

Carrier network How robust is your carrier network? Are you relying on a small group of carriers? Or do you have several other options? Within the larger supply and demand of the market is your internal supply and demand among your carriers. The more carriers you trust, the greater your options in order to protect your profit margins.

Pro Tip: DAT tools like CarrierWatch and OnBoard are designed to help you vet and build your carrier network from the start of your brokerage.

Combining the two to stay profitable and competitive

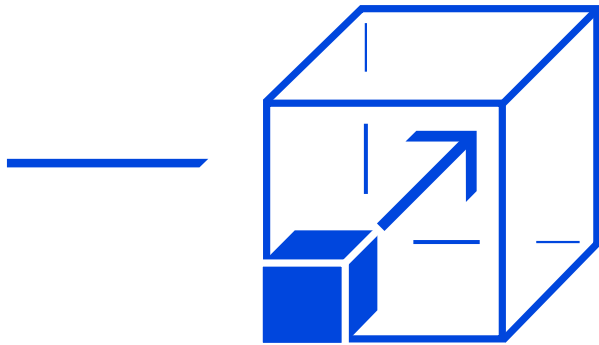
You need to find that sweet spot we talked about before – a price that shippers can afford, you can profit from, and carriers can profit from while continuing to move shipments and further your business relationship.

DAT provides rate data in the load board, but users looking to get into the weeds with market intelligence will turn to RateView from DAT iQ. RateView is an industry-representative weighted average

of the real linehaul amounts paid to move freight on a given lane at varying levels of granularity.

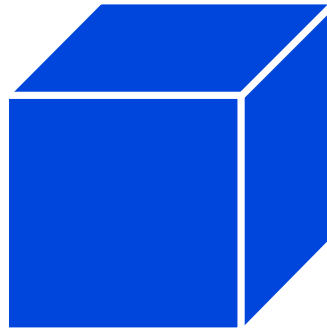
RateView simplifies the pricing process. Instead of sitting down with pen and paper or a spreadsheet to compile all of these factors, adjusting your price for each category's value or condition, RateView can tell you what average rates are for a lane and market. That average gives you a place to begin negotiations. Once you have that average value, adjust it based on the internal factors above such as risk, experience, and the status of your network.

Level the playing field



As you're getting your brokerage off the ground, the first few months will be the most difficult.

Combat this by specializing in a type of freight, a certain commodity, a specific lane, or a specific market or region. Plenty of new brokers go with a “hit ‘em where they ain’t” strategy, where they specialize in freight few deal with. Find shippers that are a match for your potential niche, then work to build relationships with those shippers. This is the slower, longer, more sustainable way to build a business. Soon enough, you’ll grow relationships with shippers who will seek you out over newer brokers they don’t know.



There are bigger, more established brokers that have name recognition, familiarity, and rapport with shippers that work in certain markets or lanes. Early on, you’ll be taking nibbles out of their larger piece of the pie. Some DAT customers have told us that large shippers wouldn’t work with them until their brokerage reached a certain size. So it may be in your best interest to not worry about the big shippers just yet and focus on finding shippers that match your startup attitude and work ethic.

But don't get too disheartened, times have changed. DAT iQ levels the playing field, bringing years of analysis, focus, and industry knowledge to you. You don't need hundreds of employees or decades of trial and error – all you need is DAT iQ. You'll have proprietary algorithms point out where you can alter your strategy so you take more money home, where to strategically take losses, and where you stand relative to your peers. It makes developing a sophisticated and thoughtful pricing strategy quick and painless. Instead of building out a pricing team, stay lean and let DAT iQ lead the way.

and flexibility that big brokerages can only dream of. While starting a business is nerve-wracking, calculated risk could launch you into bigger profits down the road.

Part of running a successful business is customer service, and communication is the foundation of happy customer-vendor relationships.

Transparency helps here. DAT iQ lets you heap spoonfuls of it into your negotiations with shippers, giving both parties the same data that represents the full picture of a given lane. With rich context and shared data, you can show them how you're

“The amount of data that's provided by DAT allows us to be nimble with our pricing strategy process and see trends evolving almost in real-time. It's allowed us to stay ahead of market adjustments and deliver for our customers.”

– DAT customer Colin McChesney of Axle Logistics

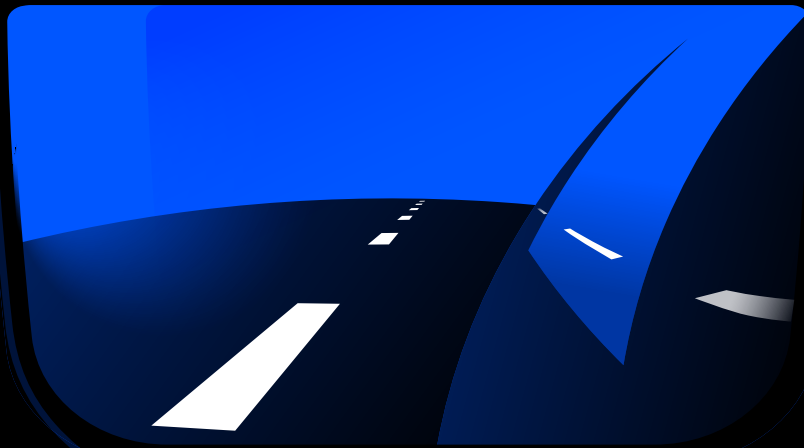
Taking a loss isn't necessarily always a bad thing either. Sometimes it's in the service of maintaining a good relationship with a trusted carrier. Other times it might be with the goal of winning lucrative business with a shipper in the future. As a smaller brokerage, you've got the agility

building your rates so they understand your rationale. Doing so fosters trust and grows your relationship with them. They'll see you're operating in good faith, which will motivate them to do the same and hopefully help you secure new business.

Getting your
brokerage off the
ground is difficult,

**but the hardest part
is behind you:**

you decided to chart your
path forward, and starting
any new adventure takes a lot
of mettle. Congrats. Now it's
time to grow your brokerage
with the right tools. Here are
our favorites.



Market Conditions Index (MCI)

[MCI](#) is a simple, definitive metric for truckload supply and demand, showing you how many trucks are in a market in comparison to available loads. With that information, you'll identify seasonality shifts, and geographically normalized search and post behavior. Plus, it accounts for inbound and outbound volume.

This helps brokers negotiate with solid footing. It'll be easy to find where you have breathing room for lower rates and where you can anticipate paying a premium.

MCI also has a forecasting element that lets you look ahead at load-to-truck ratios for the upcoming 8 days. With that, you can schedule shipments for days when the capacity conditions are working in your favor.

RateView

[RateView](#) is a synthesis of over \$150B in freight transactions from over 68,000 shipping lanes. Once that data is sorted and categorized, brokers have a transparent view of how the market handles rates on any given lane. That information powers confident negotiating and gives you the upper hand. Ratecast, our rate forecasting tool, working in tandem with RateView, gives brokers an all-in-one pricing tool. You'll quote shipments transactionally as well as bid on long-term contracts, built on a deep knowledge of both historical and forecasted rates for any market.

One of our customers, Ali Fraley, VP of Learning and Development at Axle Logistics said, "Rate View is probably the most impactful from arming our team with the knowledge of how to be competitive in a market that changes every single day."



DAT Load Board

Load boards are a broker's best friend. With a quality load board, you'll be able to post loads to carriers you trust, find, vet, and onboard new carriers to expand your network and see rate data for any market or lane. We're partial to our own [Load Board](#), which helps start-up brokers and established operations move more freight, faster.

As you begin your journey, DAT is proud to partner with brokers like you as you grow,

scale, and profit. We've covered pricing here, but if you're looking for help finding shippers, read Finding Shippers 101, a companion piece to Pricing 101.

As always, DAT is ready to help. We've helped thousands of brokers, from the top brokerages in the country, to start-ups like yours. Our products and resources are built to fit your growth journey. For more of those resources head to dat.com/brokerdemo to book a product demo.

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.

To learn more, connect with one of our experts and get started on your journey towards improving your pricing strategy.

www.dat.com/brokers



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