



# Pricing 101 for Freight Brokers

Learn how to calculate broker prices and see how a quality TMS can make pricing easier.



## Introduction

As a [freight broker](#), you have a lot of work on your plate. Not only are you connecting shippers' loads to quality carriers and handling logistics, but you also have to keep your customers informed and satisfied every step of the way.

On top of that, you need to determine appropriate prices for your services, which is easier said than done. After all, you want to make a profit, but you also need to set rates that seem appealing to carriers and shippers. Getting your pricing right will take time, but don't worry! We'll go over the basics of pricing for freight brokers in this guide, so you'll find yourself setting rates and quoting clients in no time!



# Factors that Determine Rate Calculations



**Truck to load ratio**



**Cost to transport**



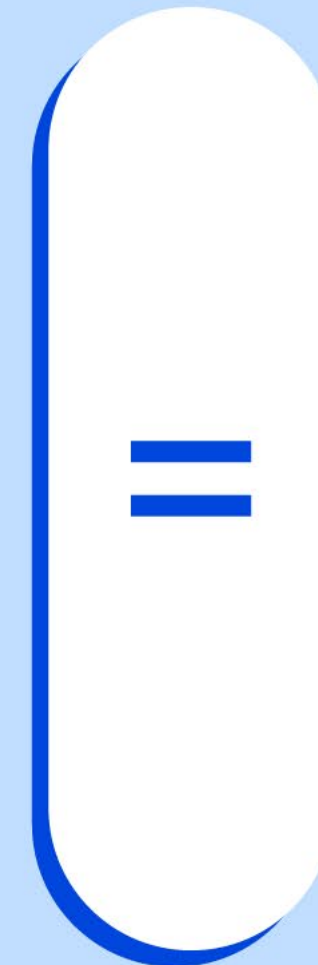
**Labor costs**



**Origin & destination**



**Shipment class & needs**



# How rates are calculated

If you pick a rate without research, chances are you won't be able to reach a fair price for both shippers and carriers simultaneously. Doing work now to determine rates can save you time and headaches later and ensure you make a profit. Not only will you need to think about your brokerage, but you'll also need to think about things from your shippers' and carriers' perspectives. In other words, you need to take the entire freight picture into account.

Here's a quick rundown of factors to consider when establishing broker rates:

## **The ratio of trucks to loads**

In our economy, supply and demand drive pricing, so the ratio of loads to trucks can affect the pricing on a lane. If an abundance of cargo needs to be moved from New York to Texas, carriers will have the upper hand in negotiating rates, and shippers will likely need to shell out more to transport their goods. On the other hand, shippers will have negotiating power if there are only a few loads and many truckers waiting for business.

## **The cost to transport**

You have to think about carriers and their costs when determining your broker rates. After all, if you lowball carriers, you will struggle to find quality carriers and you won't be able to transport shippers' cargo promptly.

To figure out the cost to transport, you'll need to calculate fuel costs for the shipment. On average, a truck will get six miles per gallon, so you should divide the trip's total mileage by six to determine how many gallons of diesel a carrier will need to deliver the cargo. Then, multiply that number by the current cost of diesel (by the gallon) to determine how much carriers will need to spend on fuel to deliver the load.





## The labor cost

Fuel isn't carriers' only expense, so you must consider how they pay their drivers. Unfortunately, determining labor costs for a delivery isn't as simple as calculating fuel costs. After all, some fleets pay their drivers an hourly rate, while others pay by the mile.

If a carrier pays the driver by the mile, multiply the total number of miles by the rate per mile to discover the driver fees. However, if they pay by the hour, you'll need to determine how many hours it will take for a driver to deliver the cargo and multiply it by the fleet's hourly rate.



## The origin and destination

Paying attention to a load's origin and destination is also a must when calculating prices. Not only does this impact travel distance (and, by extension, fuel, vehicle maintenance, and labor prices), but it can also affect the carrier's ability to pick up another load. After all, there are more opportunities for carriers along established shipping lanes and in major cities.

For example, transporting a load to Boston, Massachusetts, will generally cost more per mile than transporting one to Chicago, Illinois. Since Chicago has more outgoing shipments on any given day than Boston, carriers who end up in Boston may have fewer loads to choose from and may need to wait longer to find their next load. As a result, they may expect more money for the load that brings them there.

The difference in load availability is even starker when comparing major metropolitan areas to more rural ones. Think about how much cargo goes in and out of the tri-state area compared to how much activity there is in Lincoln, Nebraska. Your pricing will need to reflect that difference to attract carriers.

**“For example, transporting a load to Boston, MA, will generally cost more per mile than transporting one to Chicago, IL.”**





## The shipment's classification and needs

Every shipment has a different freight classification — and anything from product density to liability to stowability can determine a shipment's freight classification and costs. Similarly, a load's specific requirements can impact costs.

For example, overnight and expedited cargo commands higher rates. Some items require inspection or additional regulations, meaning carriers will likely expect higher rates. Likewise, hazardous materials require special endorsement, while oversized freight requires extra skill to transport safely — both factors that lead to higher prices.



# How a quality TMS can make pricing easier

As you can see, calculating prices manually requires quite a bit of work. It's not impossible, but it takes time and patience — and it can quickly get out of hand as your brokerage grows. After all, you'll need to calculate rates for every potential shipment. While it's doable if you work with just a few shippers and carriers daily, scaling up manual processes will be extremely difficult, making growth more challenging. That's where a transportation management system (TMS) can make all the difference.

Each TMS is slightly different, but generally speaking TMS software comprises a suite of tools that can help you manage your broker business and increase profits. With a TMS, you can accelerate the quoting process and make sure you don't undercharge the current market rate. You'll be able to view average shipping and lane rates, understand the ratio between trucks and loads, and even walk away with more money in your pocket at the end of the day. Quality TMS software will cost you upfront, but it offers an incredible return on investment. With a TMS platform's help, you can make better deals, increase efficiency, and save money.



***“With a TMS platform’s help, you can make better deals, increase efficiency, and save money.”***

# The importance of having substantial inputs to properly price freight

If you only have a few data points on lane rates, you won't be able to correctly price and negotiate your rates. The trucking industry is constantly in flux, so you might quote prices that no one wants or miss out on potential profits if you don't keep up with the latest market updates. Instead of going off what a handful of other companies are quoting, you'll need access to current and accurate rate data to make the best business moves.

While knowing the mileage between origin and destination, the load's weight, and its freight classification are all important when pricing freight, you'll have to go beyond that to remain competitive. When you know the real-time market information and going rates, you can better satisfy carriers and shippers, set prices that allow you to profit on each transaction, and make matches even faster.

***“You’ll need access to current and accurate rate data to make the best business moves.”***





# Tools to help you price freight

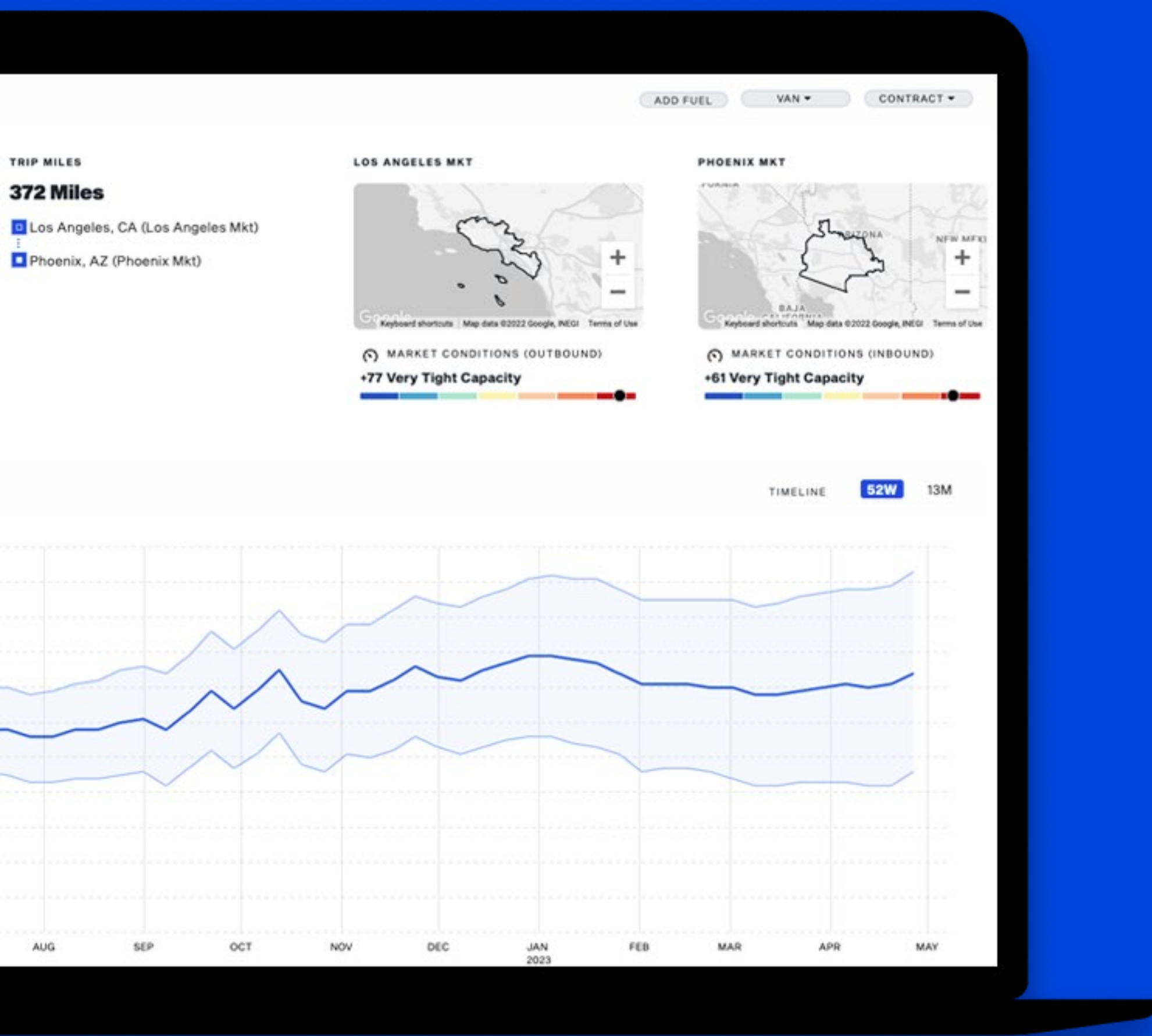
Pricing freight is an essential part of being a freight broker. Luckily, DAT has all the tools you need to price your freight appropriately. With [DAT Broker TMS](#) you'll gain access to up-to-date rate analytics and accounting features, and with the [DAT load board](#) you'll have access to the most comprehensive load board in the industry. Even better, with DAT, you can run your entire business with all its tools from a single centralized system. Whether you need to communicate with existing clients, search lane rates, pay invoices, post loads, or analyze operations costs or employee profitability, you can do it within DAT Broker TMS.

Plus, since DAT's cloud-based TMS software is flexible, you can add additional modules without stressing your hard drive. DAT is ready to keep up with your growing business, so if you need advanced management or back-office features, we've got you covered. DAT's TMS software is ready to support your business, no matter how big you grow or how much your needs change.

And that's not all. [DAT Trendlines](#) offers insights into national van, flatbed, and reefer spot rates and national diesel fuel prices. You can even view data on van, flatbed, and reefer demand across the country — and we don't just provide data on the current state of the market in a vacuum. We also show how these rates are changing on a weekly, monthly, and yearly basis so you can better predict where freight rates are heading.

[DAT RateView Analytics from DAT iQ](#) will further allow you to instantly compare spot and contract rates on countless lanes. With DAT RateView, you can say goodbye to hours of careful research and hello to readily available, accurate, and up-to-date market prices. Our data comes from over \$150 billion in transactions annually, covers over 68,000 lanes, is regularly updated, and is protected from data manipulation. Since you can see 3-day, weekly, biweekly, monthly, and yearly average rates and seasonal trends, you'll be able to quote customers faster than ever, negotiate well, better navigate market volatility, and ultimately protect your margins.

DAT RateView will even give you insights into the future (up to 52 weeks!) so you know what's coming down the pipe and can stay ahead of the competition. Our add-on forecasting model is over 95% accurate on over 7 million daily predictions, so you can bid and evaluate RFPs confidently.





## Price like a pro with DAT!

As a freight broker, you can't pull a price from just anywhere and hope for the best. You need data to set appropriate rates. Luckily, you can save time and get back to customers with fair quotes fast by using the right tools from DAT.

At DAT, we know your relationships are everything, and you can't concentrate on building solid connections if you're giving unreasonable quotes or spending all your time researching. That's why our accurate and user-friendly tools were designed to make your life easier, giving you more time and energy to focus on your clients.

Ready to see what DAT's range of services can do for your brokerage? [Discover our solutions for freight brokers!](#)

**DAT**® Freight  
& Analytics