

# The Pros and Cons of Starting a Freight Brokerage Company

Before entering any industry, gathering as much information as possible is vital. Of course, fact-finding alone isn't enough. In a highly competitive industry such as freight transportation, stacking up the potential benefits against the likely [drawbacks](#) is a key way to determine whether the rewards are worth the risk.

When it comes to opening up a freight brokerage, there are some really powerful pros and cons to consider.

## **PROS OF STARTING A FREIGHT BROKERAGE COMPANY PLENTIFUL OPPORTUNITIES**

The sheer volume of freight that is transported each year makes starting a freight brokerage company an enticing option. [More than 70 percent](#) of all the freight tonnage moved in the U.S. goes on trucks, according to the American Trucking Associations (ATA). An industry forecast from 2017 projected freight volumes to grow nearly 3.5 percent every year through 2023.

In other words, there's plenty of business to go around — especially for talented salespeople who know how to cultivate long-lasting customer relationships.

### **FREEDOM AND FLEXIBILITY**

When someone starts a small business, freedom is almost always one of the biggest factors. Many people feel a strong pull to work for themselves, which is understandable; the ability to work from anywhere, with a flexible schedule, is invaluable.

### **POTENTIAL FOR EXCELLENT SALARY**

As is the case in any sales-related job, there is a wide range of salaries for freight brokerage owners. There are so many variables, including experience level and familiarity with market trends, number and quality of your relationships with shippers and carriers, and access to technologies that streamline operations.

### **TECHNOLOGY TOOLS TO SUCCEED**

Starting a freight brokerage company is much easier than it used to be, thanks largely to the many excellent software platforms now readily available on the Internet. Online load boards and other key tools make it easier than ever to find and select the right carrier for each shipper's freight. Additionally, a wide variety of websites — some industry-specific and some not — help brokerage company owners handle back-office tasks they otherwise wouldn't have enough time to complete.

## **CONS OF STARTING A FREIGHT BROKERAGE COMPANY EXPENSIVE OVERHEAD**

Starting and maintaining a freight brokerage is not as expensive as you might think unless you are planning to purchase and already going concern. Total startup and operating costs for a new brokerage can be as low as \$6,000.00 for the first year and run as high as your budget allows. Costly requirements can include:

- Startup or “seed” loans
- Cash flow to cover growth, bad debt, and claims
- TMS software startup and yearly maintenance
- Back-office support such as accounting and marketing
- Multiple types of insurance
- Claims management
- Risk assessment and management
- Website design and development
- Attorney
- Monthly fees for posting board services

#### **HUGE TIME INVESTMENT**

Many of the ongoing expenses associated with starting a freight brokerage also require significant amounts of time spent managing a wide variety of activities. Running your own brokerage also means wearing many hats — especially in the back office, where tasks such as technology setup, carrier approval and setup, payables and receivables, and more are constant.

There’s also the grueling, stressful up-front work of tracking down and implementing all the funding, infrastructure, licenses, and monthly support necessary to get started.

#### **RISKS AND STRESS**

Even those who can spare enough man-hours and raise enough money to open a freight brokerage company should come to grips with the risks involved — not the least of which is cash flow. Making sure carriers get paid while you wait for shippers to pay you can be very stressful, especially if you have only modest operating capital.

Initial credit risk assessment is very important, but perhaps even more vital is a commitment to consistently observe and analyze customer payment patterns, week in and week out. It’s a laborious, pain-staking process, but failure to do so could bring the whole business down.

Claims for cargo loss and damage can be crushing, too — costing brokers up to six figures. Every broker will encounter claims, so being prepared is essential — but even readiness only goes so far if claims come early and often.

#### **CONSIDER BECOMING AN INDEPENDENT FREIGHT AGENT**

Many freight brokerage company owners are leaving behind their overhead and expenses, risks, and stress by becoming independent freight agents connected to other Freight Brokerages. Agents can concentrate more on sales and operations and less on administrative duties — and often make more money in the process.

Learn more about becoming a Freight Broker or an independent agent by asking about our Training program, or send an email to [info@urtruckconsult.com](mailto:info@urtruckconsult.com).