

Developing Relationships with Direct Shippers

How To Cut Out The Middle Man and Increase Your Profits

FOLEY





A Faster Way To Grow Your Business

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Introduction

Whether you're a new owner-operator or a growing fleet, there is one thing that holds the key to the future success of your business: your ability to secure freight. Not just any freight, but high-paying freight from reliable sources.

Many carriers know that the best sources of freight don't come from brokers or load boards, but from direct shippers themselves. After all, with no middle man involved, you won't have to pay the broker commission for the loads you haul. You also won't be subjecting your business to below average rates by getting involved in a load board price war. The question becomes: what is the best way to connect with direct shippers? And once you find them, how do you encourage them to give you a chance?

In the pages that follow, we'll dive into each of these issues to provide you with actionable

steps you can take to locate, contact and persuade direct shippers to work with you. The good news is that all it takes is a few good relationships to keep your business on track.

The Middle Man

Freight brokers may simplify the process of finding freight, but since it's a commissionable service, you won't make as much money per load – nor will you have much control over shipping rates. Something else important to remember, is that once you're introduced to a shipper through a broker, you'll be contractually obligated to work through

that broker for all future loads with them – regardless of how much time has passed. If you sideline the broker and get caught, you could have to pay the broker commission on every load you back solicited.

In contrast, when you work directly with shippers, the rates are negotiated strictly between the two of you – giving you much more power to set profitable rates. It also eliminates the need to pay a middle man – putting even more money in your pocket.



Note for New Entrants

For new owner-operators, building relationships with direct shippers can be difficult – especially until you have a published safety score. In the meantime, focus on hauling as many loads as you can through brokers and load boards to build your reputation. At the same time, make contact with small, local companies in your area who might be more willing to take a chance on a new driver. If you have some experience and can make a positive introduction, you might just land yourself a job.

Setting Yourself Up for Success

When it comes to developing relationships with direct shippers, a little preparation can go a long way. Not only will you ensure that you're putting your best foot forward as a business owner, but you'll be better prepared to negotiate freight rates that are in line with the needs of your business.

Step 1: Develop a Marketing Plan

Your marketing plan is an important document that defines the type of company you are, the core qualities that differentiate you from other carriers and your intended marketing strategy. When developing your marketing plan, here are some items you'll want to include:

- What shippers do you plan to target, how do you intend to contact them and what is your follow-up strategy?
- How do you plan on selling your services to these shippers? Think of this as your elevator pitch: a 15-20 second script on how you can help make their job easier.

- What is your hauling capacity? You don't want to commit yourself to a bigger contract than you can handle.
- How many shippers would you like to work with? Keep in mind that it's never a good idea to have a single customer representing more than a quarter of your revenue. By working with multiple shippers, you'll be protecting yourself against lost profits in the event a contract ends.

Step 2: Know Your Profit Range

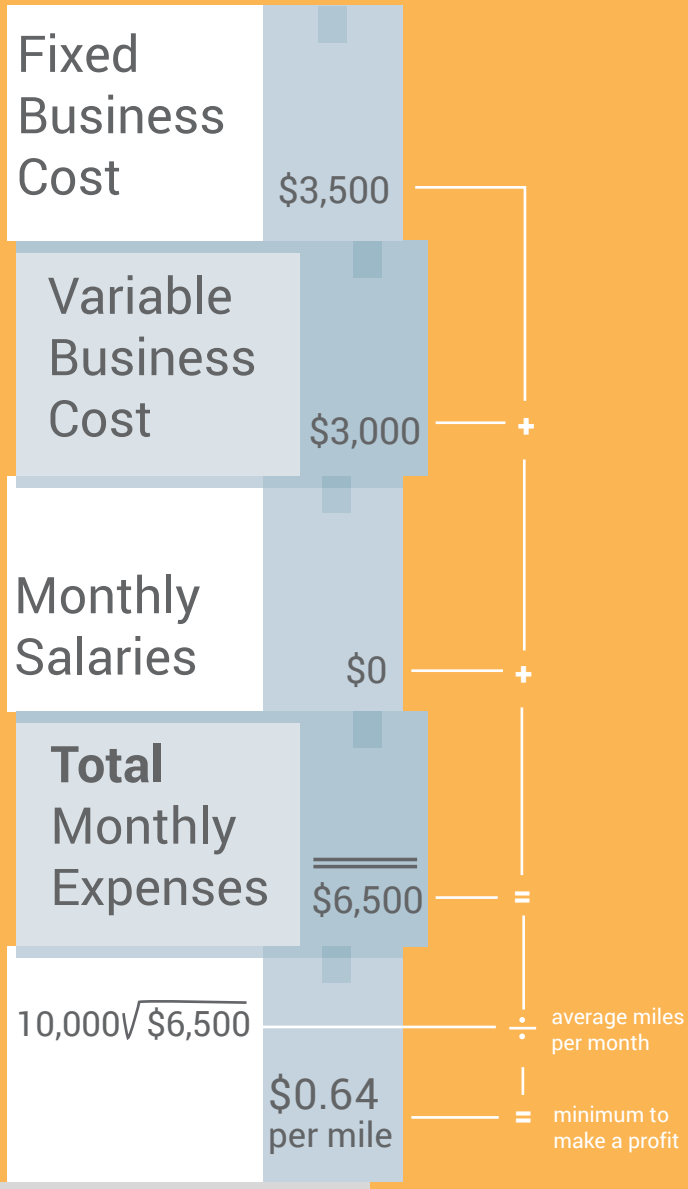
If you aren't sure how much it costs to run your business, how can you accurately negotiate freight rates that will boost your bottom line? To determine your profitability range, consider the following:

- How much are your fixed business costs? (truck payments, insurance, permits, compliance programs, health insurance)
- How much are your variable business costs? (fuel, tires, maintenance, repairs, lodging/meals, taxes)
- If you hire drivers, how much do you pay them?

When making your calculations, make sure you're basing the numbers on your total monthly expenses. Once you have a total for each category, add all of the numbers together and divide the total by the average number of miles you drive each month.

Read on to see how it's done.

How to Calculate Your Profit Range



TIP

To get an accurate picture of your variable costs, take an average from your past three months of doing business.

For example:

Fixed business costs	\$3,500
Variable business costs	\$3,000
Monthly salaries*	\$0
Total monthly expenses	\$6,500

Hank's Trucking drives an average of 10,000 miles per month. Based on that estimate, the monthly per mile cost of operating his business is:

$$\$6,500 \div 10,000 = \$0.65/\text{mile}$$

This means Hank must make more than \$0.65/mile to make a profit.

* Only applicable if you hire drivers. Hank is an owner-operator and doesn't pay any monthly salaries.

TIP

If your per mile cost is higher than you'd like, you can increase your mileage to bring that number down. The more miles you drive, the lower your per mile cost will become.

A Primer for New Entrants

Positioning Yourself as a Professional

Starting your own trucking business is an exciting venture. But before you secure that first load, there's something important that needs to happen first: you need to establish yourself as a professional business owner.

Here are some questions to help you get started:

- Do you have all of the permits and registrations you'll need to operate legally? If you're an interstate motor carrier, this will include a UCR, BOC-3, Operating Authority and the applicable trip permits.
- Are you insured?
- Do you have your required DOT compliance programs?
- Do you have a professional business name? How about an email address?

If you're looking to develop relationships with direct shippers, printing business cards with your name and contact information is also a good idea. You can order a stack of cards inexpensively online.



Finding Shippers

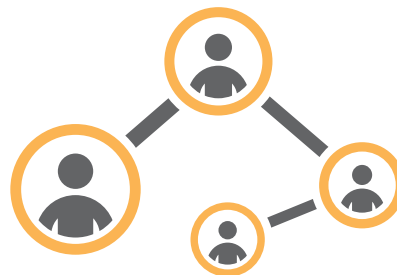
You have your marketing plan, you know what you need to make per load to pull a profit and you've established yourself as a serious professional. Now that you're ready to start selling your services to direct shippers, how do you find them?

In this section, we'll explore the three best methods of connecting with shippers:

1 Cold calling



2 Networking



3 Web-based apps



Method #1: Cold Calling

This takes some practice, and may not be your preferred method of finding business, but the fact is, it works. Cold calling involves making phone calls to the direct shippers you want to work with and pitching your services over the phone. It's that simple.

That being said, it's not always easy – especially if you don't have a background in sales or aren't comfortable on the phone. Here's how to get started:

Step 1: Identify Who You're Going to Call

The best strategy here is to start with small manufacturing companies within 100 miles of your home. When you contact a small company (versus a major corporation), you'll have a much easier time reaching key decision makers. You'll also have an easier time negotiating freight rates that work best for your business.

When doing your research, make an effort to find home-based businesses or those leasing space in areas that aren't readily visible from the road. These "unseen" manufacturers probably aren't getting inundated with offers, giving your phone call an opportunity to stand out. If the company is small and either ships a low volume, or has a sporadic shipping schedule, your chances may be even better.

Not sure where to find these companies? An online Google search is a great place to start. You can also contact your local Chamber of Commerce or manufacturing associations for leads.

Step 2: Have a Script Ready

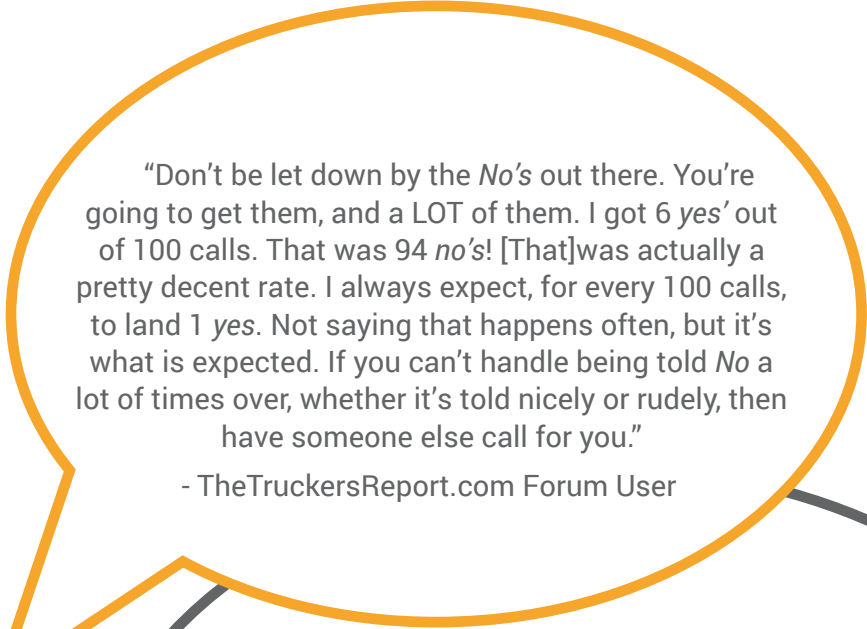

Even seasoned sales professionals rely on a script to get them through their calls. With that in mind, think through what you want to say (and how you want to say it) and then write out the conversation before you make the call. In your script, make sure you include the following:

- Ask the question: what issues is the company having with their current shippers? By keeping the focus on them, and how you can fix a current problem at their business, you'll increase your likelihood of landing a job.
- Give your elevator pitch: why are you the best carrier for the job? Why should they give you a chance?
- Talk to the needs of each business you contact (briefly) and show you have a basic understanding of who they are and what they do.

- Be prepared for a "no." If the decision maker is busy, or doesn't seem interested in talking, ask if you can either set up a face-to-face meeting or call back at a more convenient time. Be friendly and always maintain a positive attitude. But be persistent.

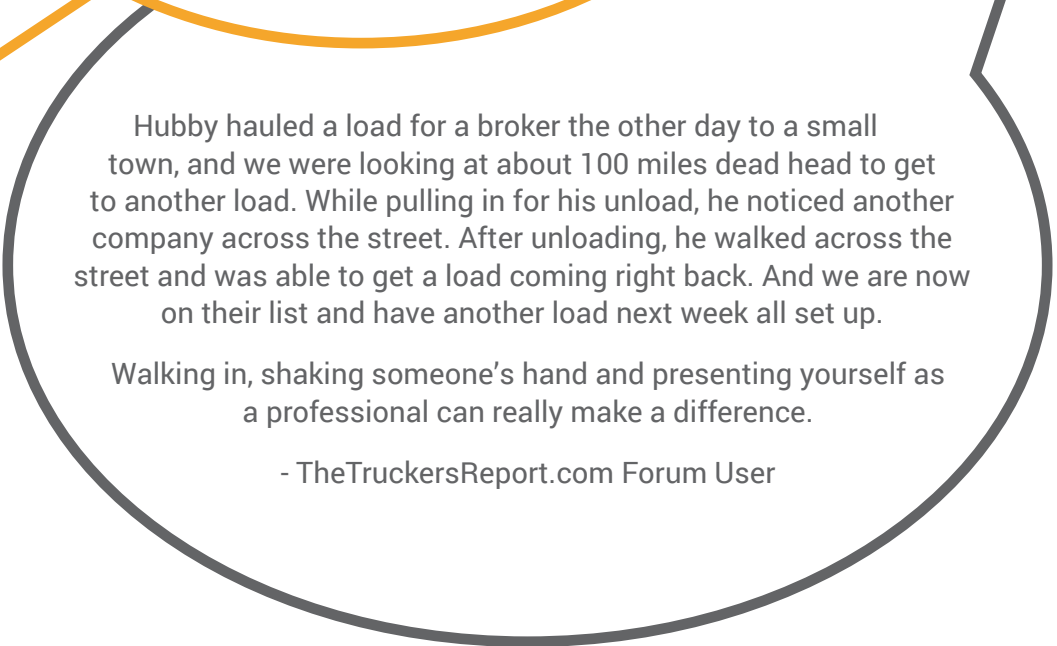
Lastly, remember that this script is a work in progress. As you make phone calls and are confronted with a variety of different questions and objections, make sure you add them to your script. This will allow you to think through your responses and better prepare for future calls.

Advice from the Road



“Don’t be let down by the *No*’s out there. You’re going to get them, and a LOT of them. I got 6 *yes*’ out of 100 calls. That was 94 *no*’s! [That]was actually a pretty decent rate. I always expect, for every 100 calls, to land 1 *yes*. Not saying that happens often, but it’s what is expected. If you can’t handle being told *No* a lot of times over, whether it’s told nicely or rudely, then have someone else call for you.”

- TheTruckersReport.com Forum User



Hubby hauled a load for a broker the other day to a small town, and we were looking at about 100 miles dead head to get to another load. While pulling in for his unload, he noticed another company across the street. After unloading, he walked across the street and was able to get a load coming right back. And we are now on their list and have another load next week all set up.

Walking in, shaking someone’s hand and presenting yourself as a professional can really make a difference.

- TheTruckersReport.com Forum User



Method #2: Networking

How much time do you spend networking?

Whether it's with fellow truck drivers or professional associations, networking can be a powerful tool in your marketing arsenal. Unlike cold calling, networking is based on relationship building. So instead of calling companies cold, you'll be approaching individuals who already know you and your business. Depending on how well they know you, it may even be someone you consider a friend or trusted colleague.

Here are some tips to network like a pro:

- Put those meals at the truck stop to good use and spend time talking to your fellow drivers. Who do they know that needs a reliable carrier? How are they finding their best sources of freight?
- Get active in local business groups and associations. Is there a manufacturer or grocer association in your area? Consider becoming a member and attending the events. By getting to know the other attendees, you'll be putting your face right in front of the professionals who need your services.
- Be prepared to make a good impression! Even when you're not actively looking to build relationships, make sure you're presenting yourself as a serious professional. If you look the part, and conduct yourself professionally, you'll represent your business well.

Don't have time to attend networking events regularly? You don't have to become a member of every association to reach their members. Instead, check the association's website for a membership list. Then, contact key decision makers at each organization using the cold calling techniques we discussed earlier. Keep in mind that some associations only release this information to their members.

Method #3: Uber for Trucking Apps

This is a relatively new avenue of sourcing freight; one that relies on technology to connect shippers with carriers who are traveling to or from their desired locations. Here's how it works:

1. You identify where you are, where you're headed and the type of truck you drive
2. Shippers reach out to you directly if they have freight in your proximity that needs to be moved
3. You work with the shipper to negotiate a contract

Provided the initial job goes well, the potential exists to form long-term relationships with the direct shippers you meet through these applications. The key here is to make sure you leave the carrier with a good impression: be pleasant to work with, deliver the freight safely and be on time.

A quick Google search for "Uber for Trucking Companies" will help you find some of these companies so you can determine which – if any – you'd like to try.

Know Who You're Working With

You've found a few shippers who are interested in doing business with you – great!

But before you sign that contract, it's important to do your homework to make sure it's a company you really want to work with. Do they have a history of skipping out on payments? Is their safety record less than stellar?

This information, along with how they treat their employees (and vendors), can go a long way in painting a picture of how the company will treat you – and whether you'll get paid.

One way to dig into a company's reputation is to do some online research. Trucker forums and online review sites such as

Glassdoor can provide useful insight about the company. Equally as important, is running a credit check on each company prior to accepting a load.

"Running a credit check will provide you with important information on how a company manages its debts," Foley Factoring Sales Supervisor Kevin Zimmerman said. "If a company has a poor record of paying their bills, it could be a red flag that you won't get paid for your work. Or if you do get paid, that you'll have to wait a long time before the check comes in."

At Foley, Kevin and his team provide their customers with an unlimited number of free credit checks so they can quickly and easily evaluate prospective clients prior to signing a contract. Carriers also have the option of running credit checks themselves through their online portal account. "While there is a small fee for these credit checks, customers have access to this service 24 hours a day, 7 days a week," Zimmerman said.



Credit Scores & Factoring

Knowing the reputation and credit score of a company is also important if you plan on factoring the load. After all, most factoring companies will only agree to factor an invoice from a shipper or broker if they're sure they'll get paid. If you choose to do business with a less than reliable shipper, your factoring request will likely be turned down.

Developing Relationships

Once you've convinced a new shipper to give you a chance, and you're certain it's a company you want to do business with, now it's time to demonstrate how reliable and trustworthy you are. The goal here, is to move beyond the single contract to become an approved carrier for the company.

What is an Approved Carrier?

Approved carriers are the drivers a company will contact each time they have freight that needs to be hauled. Chances are your relationship with this shipper revolves around certain pre-established criteria, such as load size, delivery timeline or the freight's destination. As soon as a load comes up that meets this criteria, you'll be the first call they make.

How Do You Become an Approved Carrier?

Shippers want to work with companies that provide an honest, reliable and affordable service. Here's how you can increase your

chances of becoming an approved carrier with the shippers you work with:

- Provide freight rates that work for the company's budget (without sacrificing your own profitability)
- Always deliver your loads on time and on schedule
- Communicate with the shipper regularly about potential delays or other problems that arise
- Use care when making deliveries to ensure there is no damage

Becoming an approved carrier is advantageous for your business, as it allows you to spend less time marketing and more time hauling freight. And the more time you can spend hauling freight, the more money you can expect to make.



“For me, it’s about reliability and transparency. I can’t haul every load, but the customers who trust me with their freight know I’ll be there when I say I will, and if something goes wrong, I’m on the phone working it out. I believe they appreciate my honesty and effort, because they keep calling back.”

— Rich Hernandez of Mustang Express in a 2013 article in *Heavy Duty Trucking*.



TRANSPORTATION FACTORING

96% Foley's Factoring Program gives you the cash flow you need to help your business grow. Foley has the ability to advance up to 96% of the face value of the carrier's load within 24/48 hrs. When you factor through Foley, you'll work with a account representative who will help customize a program that is best suited to your business' growth plans.

Aggressive growth plan? Our tiered pricing structure results in an automatically reduced rate as you factor a greater volume of invoices.

New to factoring? Ask about a risk-free trial of our factoring program with no additional fees or purchase requirements.

WHAT YOU CAN EXPECT

- Recourse & Non-Recourse factoring
- Free fuel advances
- Free credit checks
- Free Fuel Card (with discounts)
- Flexible payment options
- Free load board

SUPPORT SERVICES

- 24/7 online account access
- Dedicated Account Representatives
- Professional billing & collections support
- Faxes & scans accepted
- Full contract review



About the Author



Alex Elias is the Operations Manager for Foley's Freight Factoring Department. In his role, Alex is responsible for the strategic growth of the department, as well as ensuring that every Foley customer receives fast payments and superior customer service. Alex is also an active member of the International Factoring Association and an authority on the current state of the factoring industry.



About Foley

With over two decades of experience in regulatory compliance and financial services, Foley is a trusted partner of motor carriers, employers and staffing firms. From interpreting confusing DOT regulations to FCRA hiring requirements, our clients count on us to manage their safety, reputation and financial performance.

