

How Independent Agents and EDI Can Help Your Business Grow  
By Tom Heine

Independent brokerage agents and EDI (Electronic Data Interchange) can help grow your logistics business.

Let's consider the agents first. Obviously the business they bring with them increases your volume. But there's more to it. The right combination of brokerage and agent can generate synergy -- a kind of business magic.

Here's what that can mean.

If an agent books \$1,000 worth of business and - for the sake of simplification -- the carrier gets \$800, the net would be \$200. The agent would get, say, \$120 and you would get \$80 - or 40% of that \$200 net. Looks good.

Of course, you don't get that money for nothing. You have real expenses and serious responsibilities. You have to monitor credit, bill the customer, collect the money and pay the carrier as well as track and pay for insurance. You must maintain a web site, provide mileage software, as well as pay for postage, utilities, accounting, a TMS system and professional fees.

So that \$80 is hardly all profit. Let's say overhead and direct expenses account for \$50. That leaves you with \$30 for \$1,000 of agent billing or \$30,000 on every \$1 million.

But those numbers don't tell the whole story. They may not reflect the benefits of a successful agent relationship in which you help the agent with, say, your knowledge and contacts and the agent does the same for you. The result can be a whole that is more than the sum of its parts, what we call synergy. It's the stuff that makes businesses grow.

Let's quantify that added value in our example. Let's say synergy results in a 10% increase in your agent's sales.

Now your agent brings in \$1.1 million for a gross profit of \$220,000. The agent's share is \$132,000; your gross is \$88,000. Deduct \$50,000 for your expenses (a number that has not gone up) and you're now looking at a net profit of \$38,000 instead of \$30,000.

In other words, the synergy that increased sales by 10% leads to a more than 25% increase in your profit from that agent.

How do you attract and retain productive agents? Why should a good agent give you 40% of his net? Why should they trust you with their business? What can you do for them?

Put yourself in the agent's place. Here's what you should be looking for:

- \* Great management -- a responsible company with excellent credit that pays carriers quickly, a well-organized company that works hard to minimize errors, a company with a good reputation.

- \* Helpful motivated staff -- people who treat your customers intelligently, with professional concern and courtesy.

- \* Great web site - your face to the world on the web should be attractive, businesslike and easy to navigate. It should lead your customers and carriers quickly and intuitively to what they're looking for.

\* Great TMS (Transportation Management System) -- software that is easy to understand and use, that quickly provides the information you need and that serves your customers and carriers efficiently.

And that transportation management software should include EDI, the classic electronic language of corporate logistics.

With an EDI-capable software system, you open the door to a well-established world of commerce and all the possibilities it represents. You speak the language of the big boys.

EDI can help you attract ambitious agents. If an agent's current customers don't use it, then you've opened a new door for that agent. Now that agent can call on larger shippers. Perhaps he can gain additional business from existing customers. Synergy again.

But there is another benefit to EDI. It requires some set up and preparation. In a sense, a new agent and EDI customers are wired into your system. Among other things, that means they have a stake in your operation. Neither agent nor customer is likely to switch abruptly to another brokerage, at least not without consideration and preparation.

So EDI can attract independent agents, it can help retain them, and it can help provide the synergy that makes your agent's business -- and your business -- grow.

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