

Is there a future for Intermodal Marketing Companies?

Why intermodal marketing companies must embrace technology or risk extinction

A Truth

Freight brokers, including intermodal marketing companies (IMCs), are middlemen.

There is nothing wrong with that, as long as there's value to justify the broker commission. For decades, that value has been access to freight capacity, and it's fueled a highly successful industry.

However times are changing.

Uber, Convoy and other freight marketplaces are offering easy, direct access to carriers, with real-time visibility and performance reporting that many brokers can't match. The technology gap is particularly wide in intermodal freight, where IMCs continue to rely on phone, email and faxes to manage drayage moves to and from rail yards.

Data-hungry shippers want more and are willing to adopt new business models to get it. And that puts IMCs in the crosshairs of a classic dilemma: adapt or die.

Large-scale brokers with advanced technology platforms are somewhat immune to the threat of dis-intermediation, but small and mid-sized brokers are the most at risk.

There is good news. Brokers who manage intermodal freight can leverage the same marketplace model used by their newest competitors to automate processes and provide shippers immediate access to freight status and shipping documents.

The bad news? These brokers have been slow to embrace new technology and new ways of working. Caution is sometimes warranted as new models are assessed. But the hesitation, in this case, is not about caution, but folly.

Time is the enemy of old-school freight broker processes.

Why the urgent need to change?

As digital marketplaces and visibility platforms proliferate across every industry, including traditional OTR trucking, many IMCs manage intermodal freight moves much like they did in the 1980s.

Let's look behind the curtain at how primary tasks are being handled.

SOURCING INTERMODAL DRAYAGE CAPACITY

On any given day, a freight broker's day is spent "fighting fires" – scrambling to cover loads after last-minute fall-offs. This mass of phone calls and emails to find alternate drayage carriers eats up huge chunks of time. Hours and hours put against just a handful of bookings. It's quite inefficient, and not very profitable.

PROVIDING STATUS UPDATES

Here the typical response to a shipper's "where's my container?" request:



You don't call your bank to get your current account balance, so why are brokers calling carriers to see if the container arrived?

PERFORMANCE REPORTING

Status updates are not only inefficient, but also inaccurate because they're not real time. Performance reports simply aggregate this flawed data and can be downright dishonest. Example: one IMC asks its carriers to complete a spreadsheet noting on-time performance for each load. Because the data is self-reported, carriers may bump up the numbers to get to something they deem respectable – let's say 96%. But this broker increases even these overstated carrier numbers because the company feels shippers expect to see 99% or better performance. When this kind of deception is commonplace, that's a pretty good sign the model is flawed.

ACCESSING SHIPPING DOCUMENTS

Today, paperwork accumulates on the driver's passenger seat, and documents are eventually sent to the IMC to process billing. IMCs can wait 7 days or more for the paperwork loop to close. One larger broker actually has his carriers mail in paperwork daily and employs 18 clerks to process this paperwork for 1,700 daily loads. Yikes!

This "brawn over brains" strategy doesn't map with today's freight management landscape, where automated workflows and real-time data make such manual approaches seem antiquated and out of place.

Today's logistics managers want total control over their lines of supply, from a transparent view to container location and ETA. Current intermodal freight practices impede these goals, so shippers are beginning to question the value of IMCs and are open to newer, technology-aided solutions. IMCs that don't see this need to pay attention.

There's an Answer

There's an answer for manual-intensive commerce processes in the digital age. They're called marketplaces, and they enable a highly efficient, one-to-many connection between supply and demand.

- 2 million sellers use the Amazon platform to reach about 300 million potential buyers
- Crafters connect with 40 million buyers on Etsy
- 37 million travelers use Expedia to shop for the best flights and accommodations

The same kind of hyper-efficiency is taking hold in traditional OTR freight. A recent [Frost & Sullivan study](#) estimated that the trucking-as-a-service market will grow from \$11.2 billion in 2019 to \$79.4 billion by 2025, with digital freight brokerage accounting for \$54.2 billion of this 2025 projection.

That's not a bicycle coming, it's a freight train.

Goldman Sachs transportation equities analyst Matt Reustle said, "New entrants (Convoy, Uber Freight, uShip) are trying to gain market share by offering price transparency, online load boards and freight marketplaces...with the goal of disintermediating human interaction in the freight booking and payment process."

"Drayage drivers are on the marketplace app, so we can see shipment progress in real time to keep customers informed."

- Kari Hackett, PTI Logistics

Shippers are attracted to the promised benefits of pure-play digital freight marketplaces: faster brokerage, real-time visibility, instant access to shipping documents and faster, more efficient payment cycles. Such platforms have been aimed mainly at traditional freight, until recently. DrayNow is a full-service digital marketplace for managing intermodal drayage shipments – from sourcing to tracking to reporting. Importantly, DrayNow seeks to serve, not displace, IMCs with a platform that lets them collaborate on the marketplace with thousands of vetted drayage carriers.

Despite the advantages that marketplaces promise, IMCs have been slow to shed traditional ways of working – a luxury they won't enjoy for much longer.

Freight Marketplace Advantages:

Virtual Capacity

How would you like to contact over 2,500 qualified intermodal drayage carriers in 30 seconds – the time it takes to post a load?

Newer freight marketplaces enable that capability, yet front line brokers at IMCs still spend hours and hours each week calling drayage companies to arrange container moves. There are no details shared on these calls – origin, destination, time, price – that couldn't be shared, virtually and simultaneously, with hundreds of carriers that already go into and out of the railyard where services are needed.

Approved marketplace drivers are automatically alerted to newly posted loads that meet the criteria they have identified in their profile on the platform. Load requests are accepted with a simple touch of a button on their smartphone. The vast majority of loads are accepted within 7 minutes. Once this happens, shipping paperwork and data flow seamlessly between carrier and broker within the platform.

Unless exceptions occur, there is no need for manual interaction.

A DIFFERENT TYPE OF CARRIER

For IMCs, one of the main attractions of marketplaces is the type of carriers who participate – specifically, smaller owner-operators who have shifted from long-haul to intermodal. With freight marketplaces, these owner-operators look at a set of available jobs and choose the lane, time, and run radius that makes sense for their lifestyle and bottom line. They are invested in a way that company drivers at larger drayage companies are not.

"Typically, IMCs have not had access to the one-or-two truck carriers. Marketplaces like DrayNow are moving drivers from long-haul and bringing new, highly reliable capacity to the intermodal dray market."

- Chris Brach, Radiant Clipper

VIRTUAL CAPACITY AIDS SALES GROWTH

By embracing digital marketplaces, IMCs can accelerate sales growth by gaining access to new capacity. Let's say there's freight demand in Green Bay but the IMC lacks coverage in that area. The virtual capacity of a marketplace allows them to confidently pursue the opportunity and open up a potentially lucrative new market.

Freight Marketplace Advantages:

Increased Productivity and Profit

The biggest enemy within IMCs today is inertia – a “this is the way we’ve always done it” mindset that stifles change. The current overreliance on manual processes sucks up time that could be spent handling more loads or building strategic relationships with customers. **Some examples:**

FINDING TRUCKS

Sourcing capacity one phone call or email at a time is absurdly inefficient. For IMCs, an intermodal freight marketplace is home to thousands of railyard-experienced carriers that have already expressed interest in such freight. It takes less than a minute to post a load and less than 10 minutes, typically, for a marketplace carrier to accept. The IMC is alerted of the acceptance via the platform and all paperwork is handled electronically, taking hours per week of unnecessary grunt work off the broker’s plate.

PROVIDING STATUS UPDATES

In a marketplace model, there is no need to call carriers to check driver location or ETA. Through the DrayNow mobile app, driver location updates are automatically recorded every minute, with accuracy within 5 meters. To check status, brokers simply type in a reference number to see the railyard location, the destination location, and the exact driver location. They also see an accurate ETA estimate that, through integration with Google Maps, considers traffic delays. This comprehensive data is real time and available on the platform, 24/7.

CHASING DOWN DOCUMENTS

In intermodal freight, lack of paperwork can slow down a shipment and delay billing, as brokers chase down drivers for bills of lading. Marketplaces eliminate this frustrating task by putting technology in the driver’s hands, allowing him to photograph documents and automatically upload them to the platform. As a result, IMCs can reclaim hours of time, trigger billing processes to improve cash flow, and share documents with their shipping customers as deliveries are completed.

“The survivors in this industry will be the brokers who can go into the market with a lower price because they are more efficient internally.”

- Jon Krystek, Knichel Logistics

Today, much of the work done by frontline brokers is manual and time-consuming. But there is more upside here than downside because of the massive productivity gain that is associated with change. By adopting collaborative, cloud-based work processes for managing intermodal drayage, IMCs can manage more freight with fewer, more productive resources – and that spells more profit.

Freight Marketplace Advantages:

Market-based pricing

The traditional fixed-price approach that IMCs use to set contracted drayage rates is flawed. For example, let's take a contracted lane involving 3,000 moves a year. An IMC will typically try to cover the lane using one carrier at a set price that is locked in for the year. The idea of fixed rates is foreign to marketplaces – and for good reason. Capacity fluctuates during the year, so brokers should be able to capitalize when this price flexibility favors them and their customers.

Another pricing benefit of an intermodal freight marketplace is the ability to create perfect supply/demand matches, resulting in a better rate. If a driver is now making regular pickups in Chicago from his base in Northern Indiana, then he would naturally value a delivery into Chicago from his home region – and he would handle that container delivery for less. Fixed pricing ignores the benefits of this type of market efficiency.

An intermodal freight marketplace also creates network efficiency by increasing opportunities for street turns. Digital marketplace DrayNow, for instance, has visibility to the load activity of hundreds of IMCs on a particular lane. That makes it easier to identify opportunities to use the same just-delivered box for a subsequent outbound container move, or vice-versa.

"The marketplace has allowed us to serve new markets where we lacked capacity. That drives my bottom line."

- Brad Zwierlein, Mode Transportation

Freight markets are dynamic, and marketplaces allow brokers to capitalize on this in a way that fixed pricing cannot.

Over time, marketplaces can aggregate pricing data and, based on the volume and capacity in that lane, can accurately provide the rate that the IMC should be paying.

Today, pricing is a **guessing game** for brokers – "What should this load should cost me?" With a marketplace model, there's no more guessing. Brokers will leverage the accumulated intelligence of the marketplace to ask, instead – "What is the capacity yield in this lane?"

Market-driven pricing optimization for intermodal freight is within reach.

Freight Marketplace Advantages:

Total transparency

Shippers have pretty simple requests of brokers during the course of a freight transaction. Can you move my container? How much will it cost? Where is it? When will it arrive? Are you meeting agreed performance goals?

But as carriers are introduced to execute the freight moves, the manual and disconnected nature of today's intermodal freight processes makes these answers hard to get and inaccurate. By far, the biggest overarching benefit of an intermodal freight marketplace is TRANSPARENCY.

Capacity	Price	Shipment Status	Paperwork	Performance
In traditional brokered freight, carriers often accept loads without committed capacity. A marketplace directly connects broker and carrier, and any status change is immediately viewable within the platform.	Marketplaces, by their very nature, are fair because they reflect the price carriers are willing to accept. Underpriced loads may be ignored as unprofitable. Conversely, brokers may be able to improve their profits with lower rate requests on desirable lanes.	No more "where's the truck" phone calls. The driver's precise location automatically uploads to the platform every five minutes, along with a highly accurate ETA.	No more chasing drivers down for bills of lading. Drivers create electronic versions that they upload to the platform for all to see. Workflows force compliance since drivers cannot get the data they need to proceed with the pick-up/delivery until paperwork is uploaded.	On-time performance data is largely self-reported by carriers and, for that reason, is often inaccurate. With the marketplace model, performance reports simply reference arrival times based on real-time GPS tracking. Weekly report cards to brokers detail actual carrier performance with 100% accuracy.

Barriers to Embracing Freight Marketplaces

Kodak invented the first digital camera in 1975 but, according to former Kodak vice president Don Strickland, “We could not get approval to launch or sell it because of fear of the effects on (Kodak’s) film market.”

Freight brokers, including IMCs, have grown steadily and profitably over the last decade. But a Kodak-like end is likely for brokers who fail to adapt to shipper demands for fast, accurate answers on shipment status and, in general, better data on their intermodal freight performance and spend.

The following are just a few of the reasons IMCs cite for not utilizing digital marketplaces for intermodal freight:

“MARKETPLACES ARE GOOD FOR SPOT MARKET FREIGHT, BUT NOT FOR STEADY, CONTRACTED LANES.”

Actually, marketplaces have sophisticated freight matching technology that is ideal for identifying partners for steady freight. These consistent dray moves are treated on the platform as guaranteed coverage that moves reliably at expected times.

“MARKETPLACE APPS ARE SEPARATE FROM OUR TMS AND THEREFORE CREATE REDUNDANT WORK PROCESSES WITH SEPARATE INTERFACES.”

If brokers must leave the TMS to enter loads onto a marketplace but that step actually cuts 10–20 minutes off the time to manage a load (savings many hours per week), most efficiency experts would say that’s a good thing. Further, it’s possible to feed marketplace data into TMS systems. DrayNow, for instance, has integrated its systems with select IMCs, whose frontline brokers now access marketplace functionality within their day-to-day operating platform.

“CURRENT APPROACHES ARE WORKING FINE.”

IMCs need to remember that their customers are the same people that use Uber to track the exact location of an inbound car and FedEx to immediately know delivery status on an important package. Today, we take for granted technology’s ability to answer important questions in real time, and we notice when that doesn’t happen. Shippers expect their brokers to be more than a messenger between them and carriers.

What’s playing out in the intermodal freight industry today is the classic historical battle: Inertia vs. Change. Inertia is a powerful force, particularly when processes have been in place for decades. But IMCs can no longer afford the luxury of “the way we’ve always done it.” Shipper demand for efficiency and data transparency will force change – from the outside, in.

In the battle between inertia and change, change usually wins. It all depends on when you get on board with the change.

Creative Destruction and the Intermodal Freight Industry

“Creative destruction” is a World War II-era term that’s come to describe how innovation triggers the end of one thing (a business process, an industry), but often the beginning of something new and better.

We’re experiencing creative destruction in the freight industry as large digital freight marketplaces seek to disintermediate human interaction (i.e., brokers) in the freight booking process. This wave of digital innovation will inevitably take hold in the intermodal freight industry, where manual work processes feed a perception of IMCs as middlemen – a toxic label in the digital age.

IMCs must embrace technology, not only to make their current operating processes more efficient but to change the perception of the IMC’s role in shippers’ eyes – from a convenient capacity source to a strategic partner in creating a streamlined, transparent intermodal supply chain.

If you are an IMC, the current cycle of creative destruction in the freight industry is forcing a choice. It’s up to you. Do you want to stick with the flawed operating model that is destroyed by change? Or champion the creative alternative that brings you out the other side a smarter, more efficient business and a powerful force for change in the intermodal industry?

About DrayNow

DrayNow provides technology-driven solutions and operational acuity to the intermodal freight industry. Led by industry veterans, the company operates the first intermodal marketplace connecting brokers to available carriers. The DrayNow Marketplace is accessed by Third-Party Logistics (3PLs), Intermodal Marketing Companies (IMCs), and brokers through a desktop interface where users can view truck capacity in real-time, post loads, track load status and obtain electronic documents immediately. With DrayNow’s mobile application, truck drivers can get turnkey access to Intermodal freight, browse loads, compare rates and details, select loads, deliver loads and get paid faster.



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