



Executive Summary

Get started with OTR SOLUTIONS, and speak with a TRAFFIX logistics expert today.

In this collaboratively produced whitepaper, **Traffix and OTR Solutions** investigate strategies for shippers and carriers alike to build financial resilience in an increasingly volatile transportation landscape. As brokers and carriers continue to struggle, it is imperative that **shippers and carriers alike have the financial insight and resilience necessary** to ensure their operations remain uninterrupted in the face of an unexpected shutdown.

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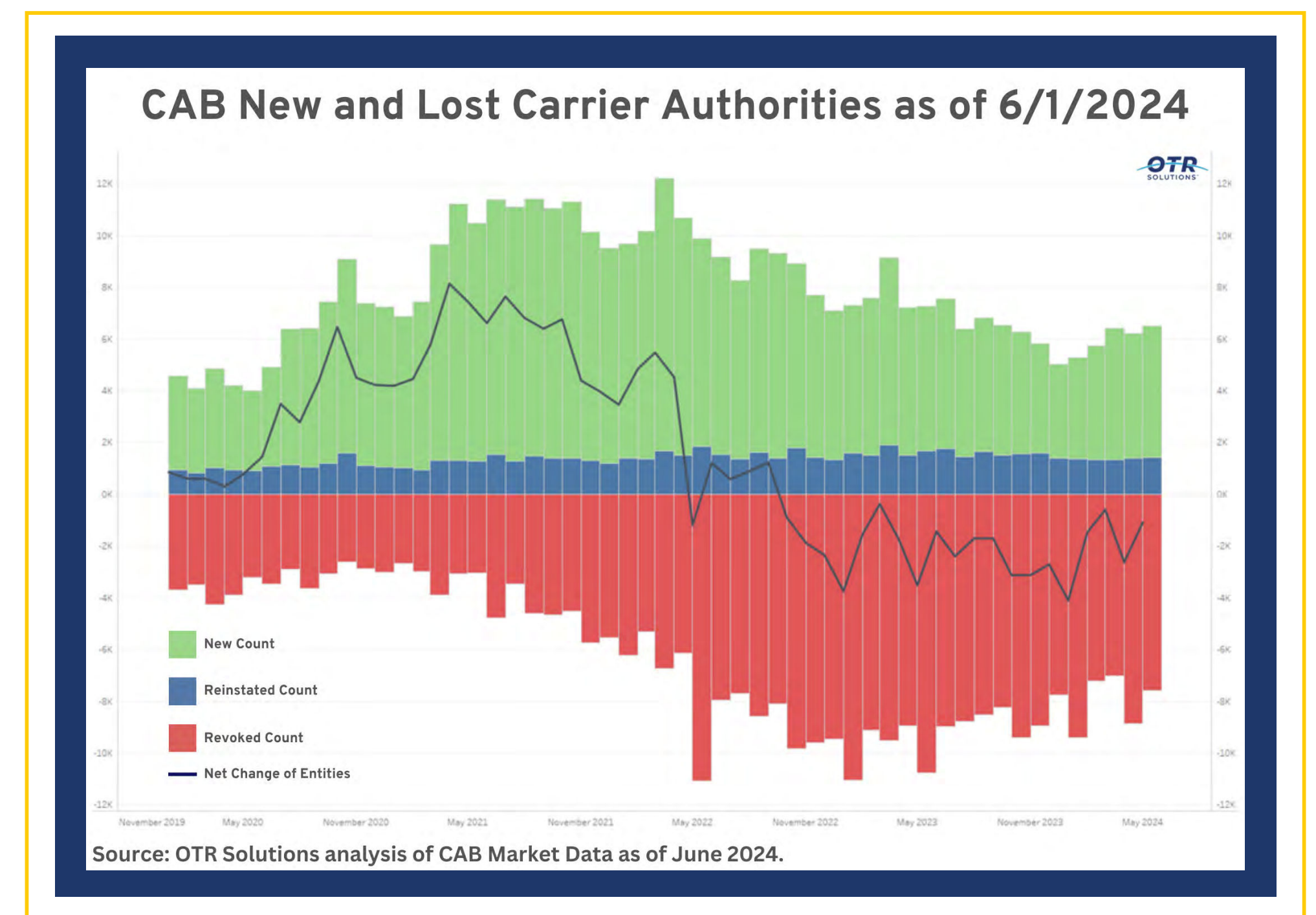
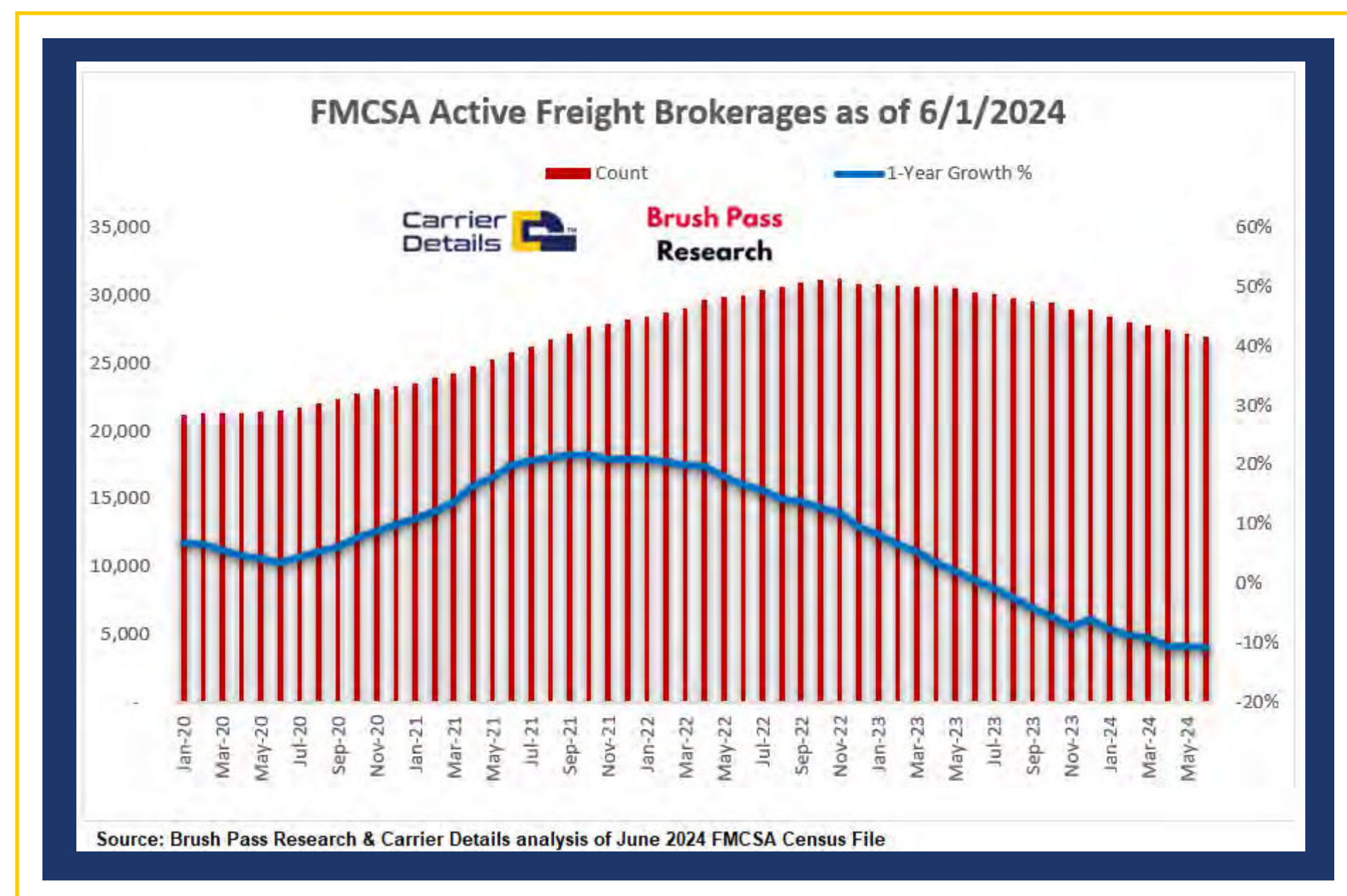
SUPPLY CHAIN STABILITY:

LEVERAGING FACTORS & BROKERS TO BUILD
FINANCIALLY RESILIENT SUPPLY CHAINS

In today's North American freight market, **shippers grapple with securing reliable carriers**, a task made difficult due to a dwindling number of dependable options. Concurrently, **carriers find themselves struggling with escalating operational expenses, burdensome regulatory frameworks, and cash flow constraints**, rendering the industry less enticing for newcomers.

The COVID-driven freight boom was reflected by a staggering rise in both the number of brokerages and carriers in 2020 and 2021, but when you look at the following 3 years, the market has been slowly shedding participants as conditions deteriorated. In particular, **the last 18 months has seen escalating closures of both carriers and brokers alike, indicating persistent challenging conditions prevalent within the industry.**

In a telling statistic from Brush Pass Research, **in the last 18 months from May 2024 the market realized a -11.79% net negative change of active broker authorities.** A similar trend is apparent amongst carriers, with a net negative change of -10.76% active carrier authorities over the last 18 months from May 2024 based on the data sourced by OTR Solutions.



Looking at the data above, it's clear that today's freight environment offers extreme difficulties for logistics providers. In just the 18 months prior to May 2024, the U.S. freight market witnessed the exit of over 4,000 brokerages and approximately 159,000 carrier authorities. **For logistics providers, today's freight landscape presents significant obstacles to long-term, sustainable growth.**

Given these circumstances, it has become imperative for both new entrants and established trucking companies to fortify their financial positions, enhance cash flow management strategies, and better manage operational risk and its financial consequences. This white paper delves into how partnering with the right factoring company and freight broker can aid carriers in achieving these objectives.

THE IMPORTANCE OF FINANCIAL RESILIENCE IN A DYNAMIC FREIGHT MARKET

Following the collapse of several high-profile freight brokerages in recent years, **shippers and carriers alike have learned the importance of financial resilience.** The sudden closure of brokerages has immense repercussions for shippers and carriers alike, including:

- ✓ **Payment Delays and Financial Instability:** Carriers may experience delays in receiving payments for services already rendered, leading to cash flow issues. This financial instability can affect their ability to maintain operations, pay drivers, and manage expenses like fuel and maintenance.
- ✓ **Increased Transportation Costs:** With the sudden loss of their brokerage partner, shippers might have to resort to more expensive or less reliable transportation options to ensure their goods are delivered. This can lead to increased transportation costs and impact their overall logistics budget.
- ✓ **Loss of Business Opportunities:** For carriers and shippers alike, the sudden shutdown of a brokerage partner can disrupt established business relationships and routes. Carriers may lose consistent loads and need to find alternative sources of business, which can be time-consuming and challenging, especially in a competitive market. Shippers, meanwhile, will struggle to navigate the inevitable supply chain disruption of an unexpected brokerage closure, which may result in higher customer dissatisfaction as supply chains struggle to keep up with consumer demand.

As brokers both large and small continue to contend with a difficult logistics market, it's time for shippers and carriers alike to consider **how they can leverage broker and freight factor partnerships to build financial resilience** in an era of unprecedented volatility for the transportation industry.



Achieving robust financial resilience requires working with partners that provide essential support and expertise.

FREIGHT BROKERS AND FACTORS: FINANCIAL RESILIENCE BEGINS WITH THE RIGHT PARTNERS

Shippers and carriers looking to build financial resilience in a complex freight environment need to align with the right brokers and freight factors, whose strategic collaboration can fortify your business foundation. **By positioning yourself alongside the right partners, both shippers and carriers can navigate financial challenges more effectively** and position their company for long-term prosperity and competitiveness in the market.

KNOW YOUR PARTNER: THE ROLE OF FREIGHT FACTORS AND FREIGHT BROKERS IN BUILDING FINANCIAL STABILITY

While freight factors and freight brokers are common figures of the broader logistics ecosystem, many shippers and carriers lack an understanding of the precise role of these vital supply chain partners. In this section, **we'll break down the role of freight factors and brokers to better understand how they can help shippers and carriers alike build the financial resilience needed in a volatile logistics landscape.**

FREIGHT FACTORS

There are two types of freight factoring: **recourse and non-recourse.**

Recourse factoring programs often offer slightly reduced fees, but their agreements typically entail provisions for chargebacks on unpaid invoices. Given that a significant portion of shippers (26.7% according to [Dun & Bradstreet](#)) fail to settle their invoices promptly, this arrangement can introduce uncertainty for carriers, who may find themselves unexpectedly burdened with additional costs.

In contrast, true non-recourse factors, like OTR Solutions, assume all associated risks on behalf of carriers. Should they fail to secure payment for a carrier's invoice, the carrier is entirely absolved of any financial obligation once the load is cleanly delivered. With true non-recourse factoring, carriers can enjoy worry-free business stability with improved cash flow.

HOW DOES FACTORING WORK?



Carrier signs up with a factor.



Carrier hauls freight for a shipper for which they must be paid.



The factor pays the carrier usually within 24 hours.



The amount the carrier receives is the total amount of the invoice less the agreed upon fees for the factor's services.



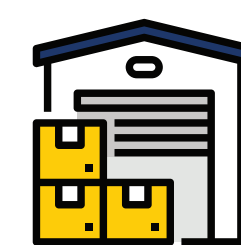
The factor invoices the shipper or broker and collects payment for the full amount of the invoice.

FREIGHT BROKERS

Freight brokers, such as TRAFFIX, serve as intermediaries bridging the gap between shippers and carriers. For shippers, this means streamlined access to verified capacity without the complexities of overseeing their shipments. Meanwhile, carriers benefit from access to a plethora of available loads, efficiently managed by seasoned transportation experts, all consolidated under a single billing entity.

HOW DO FREIGHT BROKERS WORK?

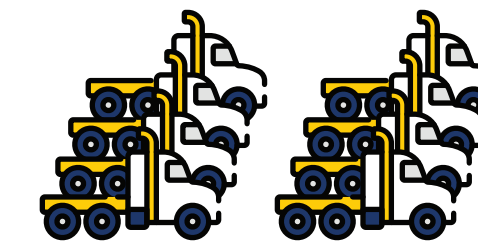
Shippers send their shipments to freight brokers giving them access to a network of highly vetted carriers and transportation experts who will manage their shipment from pickup to delivery.



Shippers



Freight Broker

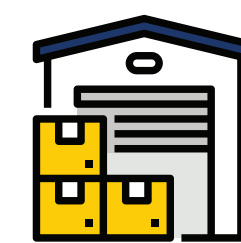


Carrier Network



Expertise

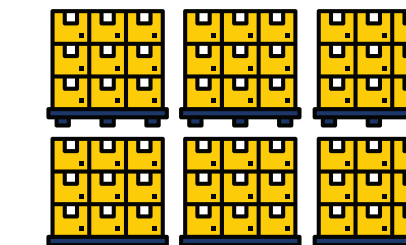
Carriers partner with freight brokers to gain access to high volumes of available freight that is managed by expert transportation professionals.



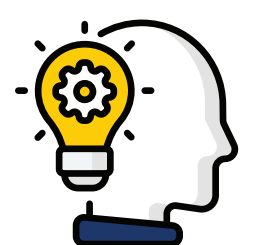
Shippers



Freight Broker



High volumes of Freight



Expertise

Choosing brokers that offer transparent, fair, and automated payment processes further enhances financial security. In an industry where sudden disruptions can lead to significant financial losses, the right broker partnership acts as a safeguard, ensuring carriers can maintain steady operations and invest confidently in their growth.

Freight factors and brokers like OTR Solutions and TRAFFIX, play pivotal roles in sustaining existing carriers, streamlining operations for shippers, and cultivating an environment conducive to the emergence of new players in the supply chain and beyond.

WHAT ARE THE BENEFITS OF USING FREIGHT FACTORS AND FREIGHT BROKERS?

A thriving economy relies on a robust freight market, characterized by a large number of trustworthy carriers facilitating the seamless movement of goods across North America. **Enhanced carrier capacity not only ensures stability in transportation expenses for shippers but also fosters the optimization of supply chain operations.** Freight factors and brokers like OTR Solutions and TRAFFIX, play pivotal roles in sustaining existing carriers, enhancing their operational efficacy, and cultivating an environment conducive to the growth of both new players and the transportation industry at large.

HOW DO CARRIERS BENEFIT FROM USING FREIGHT FACTORS?



- ✓ **Improved Cash Flow:** Freight factors typically pay carriers within 24 hours, ensuring swift access to funds to cover operational expenses.
- ✓ **Operational Efficiency:** Freight factors like **OTR Solutions** streamline carrier operations by handling direct invoicing to shippers and brokers.
- ✓ **Free Credit Checks:** When transporting freight for a new shipper or broker, carriers face unforeseen risks. Freight factors often conduct shipper and/or broker credit checks at no cost to the carrier, mitigating financial risks. For ease of use, **OTR Solutions** broker credit check feature is embedded directly within their Client Portal.
- ✓ **Reduced Risk of Bad Debt:** Genuine non-recourse factors, such as **OTR Solutions**, shield carriers in case payees cease operations. This guarantees payment for carriers, even if the factor isn't paid.
- ✓ **Business Expansion:** With the burden of invoicing and chasing payments lifted, carriers can dedicate their energy to expanding their enterprises.

HOW DO CARRIERS AND SHIPPERS BENEFIT FROM USING FREIGHT BROKERS?

Shippers benefit greatly from incorporating freight brokers into their supply chain. They gain access to extensive carrier networks, alleviate administrative burdens associated with managing shipments, enhanced visibility, and tracking capabilities, mitigate risk through thorough carrier vetting, and realize cost savings by leveraging the broker's volume to negotiate favorable rates.

Meanwhile, carriers benefit from working with freight brokers through access to a broader network of shippers, ensuring steady load availability. Brokers handle logistics, negotiations, and payments, allowing carriers to focus on transportation. **This partnership enhances operational efficiency, reduces empty miles, and helps maintain consistent cash flow and business growth.**

Sales Resources: Partnering with a trusted broker such as **TRAFFIX** equips carriers with a dedicated sales team without the expense of hiring additional staff.

Avoid Supply Chain Fluctuations: Relying solely on direct partnerships with shippers can expose carriers to volume fluctuations, risking disruptions to their load planning without access to a broker's pool of available loads.

Expert Load Management: Partnering with freight brokers that prioritize hiring transportation experts, like **TRAFFIX**, ensures carriers' loads are expertly managed. Carriers benefit from efficient operations, minimizing delays and keeping routes on track.

24/7 Support on the Road: Freight transportation is inherently unpredictable, with incidents occurring round-the-clock. In such situations, drivers require immediate support from trained staff who can deliver timely assistance whenever unforeseen issues arise.



THE RIGHT PARTNER: CHOOSING THE RIGHT FREIGHT FACTOR AND BROKER FOR YOUR BUSINESS

Now that we've covered the roles of freight factors and brokers and their benefits, let's explore how to choose the right ones for your business.

WHAT MAKES A GOOD FREIGHT FACTOR?



Fee Structures: Scrutinize fees to avoid hidden costs that can make initial rates seem attractive but increase expenses over time. Key fees to watch for include tiered rates based on payment to factor, suspiciously high direct deposit or ACH fees, invoice processing fees, scanning fees, collection fees, and monthly minimums.



Recourse vs. Non-Recourse: While recourse factoring might cost less initially, it carries the risk of being liable for unpaid invoices, which can be stressful and costly. Non-recourse factoring, though potentially more expensive, provides peace of mind by removing this risk.



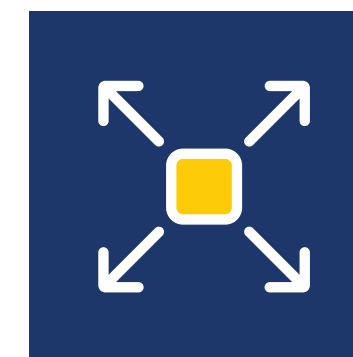
Customer Service: Evaluate the quality of customer service by considering response times, the availability of a dedicated account manager, and whether their hours of operation fit your schedule. Checking reviews and seeking recommendations can also provide valuable insights into a factoring partner's reliability and effectiveness.



WHAT MAKES A GOOD FREIGHT BROKER?



A Balance of Innovation and Expertise: Choose brokers that hire experienced logistics professionals and invest in technology that supports their team, avoiding those that over-invest in tech at the expense of core business capacities.



The Right Capacity: Opt for brokers with a meticulously vetted network of carriers, prioritizing safety, quality, and thorough vetting over mere network size.



Comprehensive Operational Support: Ensure brokers offer 24/7-365 support with well-trained staff, build long-term relationships based on trust, and provide guaranteed volume through power lane programs.



CHECKLIST: FIVE STRATEGIES FOR BUILDING FINANCIAL RESILIENCE WITH THE RIGHT FREIGHT FACTOR AND BROKER

1. Understand Cash Flow:

Gain a clear understanding of your revenues, costs, and profitability to make informed financial decisions.

2. Work with Non-Recourse Factoring Companies:

Choose factoring partners that offer true non-recourse factoring to avoid the risk of chargebacks.

3. Verify Broker Credit Scores:

Ensure brokers have stable financial health before entering into agreements.

4. Choose Reputable Logistics Partners:

Research the reputation of potential broker and factoring partners to verify past performance and ensure future success.

5. Streamline Invoicing and Payment Processes:

Select brokers and factoring companies with efficient, automated systems for invoice submission and payments.

TRAFFIX AND OTR SOLUTIONS: YOUR PARTNERS FOR FINANCIAL RESILIENCE

Since 1979, **TRAFFIX**, a premier full-service 3PL, has distinguished itself through a team of transportation experts focused on crafting customized solutions to tackle complex supply chain problems. Supported by leading technology, they empower clients to surmount challenges so they can focus on expanding their businesses.

"We wanted to tell the story of how brokers and factors can help our valued partner carriers grow their businesses. OTR Solutions is one of the best factors in the industry. Their terms are fair, they treat their carriers well, and they have been a tremendous company to work with."



Daniel Snow,
Managing Partner,
TRAFFIX

Founded in 2011, **OTR Solutions** is a full-service freight factoring and transportation technology company that leverages easy-to-use systems to provide reliable cash flow, back-office support, and operating solutions to U.S.-based carriers and freight brokerages of all sizes.

"It was a seamless process to collaborate with TRAFFIX on this white paper due to the great deal of alignment in our point of view on what makes a financially resilient supply chain. We are proud to partner with TRAFFIX, who is one of the most respected and longest serving brokerages in the transportation industry."



Clayton Griffin,
Executive Vice President
and Chief Strategy
Officer, OTR Solutions