NEW METRICS AND FRESH STRATEGIES FOR IMPROVEMENT

A Look at New Ways to Use Information to Boost Your Business

BY RANDY SEALS

One of our hurdles in the trucking business is breaking out of the mindset of "We've always done it this way." Maybe you've always kept an eye on certain metrics, such as revenue, deadhead miles, loaded miles, and such. But are you looking for new and better ways to see how your business is running? Your software systems are full of valuable data, and I want to suggest some new ways that you can put that information to use.

New Metrics: Velocity, Revenue per Hour, and Optimal Freight Movement Index

Every load has a finite time in which you can optimize your profit on that load.

Velocity and Revenue per Hour

Velocity and Revenue per Hour (RPH) are both very straightforward metrics. Velocity tells you the speed at which loads are being handled, from pick-up to delivery. To calculate the velocity for a load, take the load's distance and divide that number of miles by the hours taken between when a load was picked up and when it was delivered. This gives you the velocity of that load in miles per hour. If a 1,000-mile load takes 20 hours, the velocity for that load is 50 mph. RPH is simply the amount of revenue generated by a load divided by the number of hours it takes to deliver the load. A good way to increase your RPH is to increase your velocity.

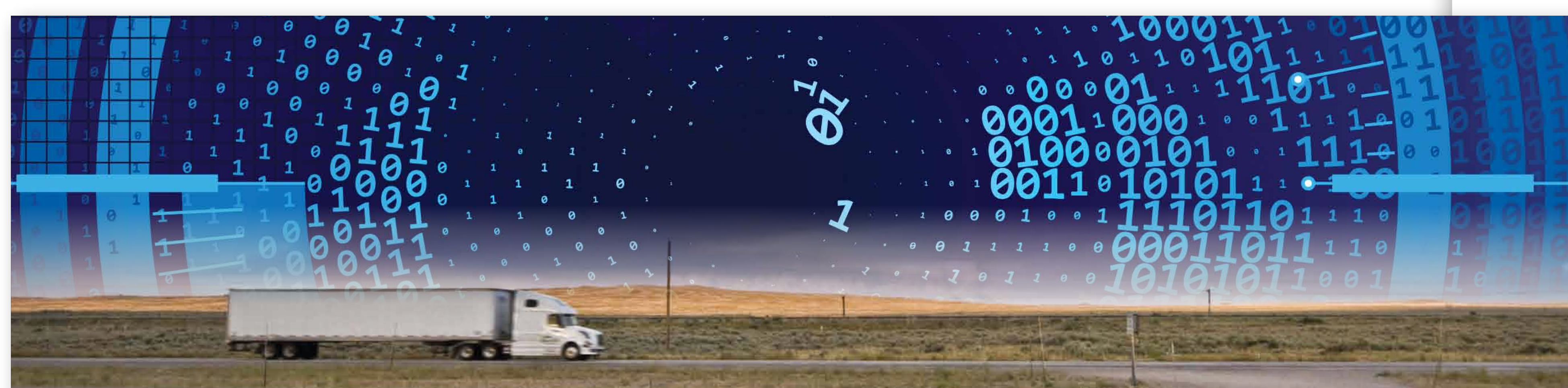
If you're like most managers, you probably tend to focus on revenue per mile (RPM), but that's only one side of the story. Try comparing RPM on two loads when one is a long, lonely haul across the Great Plains and the other involves fighting traffic in the densely populated East Coast. Your RPM may be the same for both loads, but your costs per mile go up when a load takes longer to deliver, so RPM numbers alone don't provide an accurate view of your profit in every case.

Focus on Asset Utilization and Driver Productivity

Your costs go up when a load takes longer because asset utilization and driver productivity suffer; and in most cases, you burn more fuel. If you want to improve asset utilization and driver productivity, then you need to start looking at velocity and RPH. Which loads are getting delivered too slowly? RPH helps you determine that. Also, if increasing your velocity in some situations is impossible, RPH helps you see how such loads must be priced to ensure a profit.

You want to watch driver productivity, too. Most drivers are paid by the mile, so that cost is set for each load, but driver productivity does affect your bottom line. Higher driver productivity reduces the need to hire new drivers, because you can get more done with the crew you have. Finding good drivers today is labor-intensive and costly, which is why so many carriers are striving to increase driver retention.

If you want to retain your drivers, you should help them earn more money. Velocity can help. Look at what's slowing down your loads. Detention is always a good place to start. Fix some of these problems and hike your velocity up a notch. Your drivers will thank you for it.



The Optimum Freight Movement Index (OFMI) is defined as the optimum speed in which any individual load could be delivered.

Optimal Freight Movement Index

Every load has a finite time in which you can optimize your profit on that load. The Optimum Freight Movement Index (OFMI) is defined as the optimum speed in which any individual load could be delivered. The point of looking at OFMI is to establish the ideal. How would it look if you were operating at the height of efficiency?

Consider a 500-mile load as a simple example. If everything goes right - no detention picking up or delivering the load, no traffic delays or accidents, and a driver with enough hours available to go straight through - you should be able to average 50 mph over those 500 miles. That means your OFMI for handling that load would be 10 hours.

If you deliver that load in 10 hours, you've maximized your profit per hour; but if you assign the wrong driver and hours-of-service limitations kick in after 5 hours, you might have to relay the load or let it sit for a spell. Now the total time becomes 15 hours. You end up taking fifty percent more time than your OFMI.

In this way, OFMI gives you a goal for operational efficiency. Track your performance against this benchmark. When you fall short of the goal, dig down to see why, and find ways to get your loads delivered more quickly.

Fresh Strategies: New Ways to Leverage Standard Metrics

Lane Analysis

It's common to look at length of haul and deadhead by lane, but are you looking at hires, turnover, domicile, and accidents by lane? It may seem odd to evaluate your power lanes in terms of where drivers live, but keep in mind that drivers like to get home as much as possible. Do you have excessive turnover on one lane? Why? Are the drivers not getting home enough? It costs you money every time you lose a driver. Are you hauling freight to Georgia and you have drivers who live there, but you're not making a point of giving the loads to those drivers? There are multiple ways to analyze your lanes, and you need to be exploring as many of them as you can. You need to put the data together in a way that you can make sense out of it. For example, gather your data on revenue, then make a matrix that shows all of your power lanes and how much you make on each one. Get all of this on one sheet of paper (or one screen) so that you can compare it all with ease. You can see at a glance where you should look for freight and where you shouldn't.

Accident Data

Look at all of your accidents by day of the week, time of day, location, length of service, road type, road condition, accident type (such as backing up or making left turns), and more. Your safety team needs to look into all of this, analyze the data, and report back to you. You want to put information in the hands of your drivers and you want to educate your staff. Say that 35% of your accidents happen while the drivers are backing up. You want to keep the drivers thinking about the problems that arise when they back up. Your operations people need to talk to the drivers and help them become aware so that they can reduce the number of accidents.

Hourly, Daily, and Weekly Rhythms

Productivity gains can allow your business to grow without the cost of adding more staff.

Everything happens in rhythms. Certain times of the day or days of the week are highly productive and others are slow. When are those times at your company? Are your personnel functioning more efficiency in early morning, late morning, midday, early afternoon, or late afternoon? On Mondays or Fridays? Why? What is the secret of the high productivity or the reason for the low productivity? You have this data in LoadMaster or PowerBroker. Examine it and find out. Then try to learn some lessons that can help your personnel boost their productivity throughout the entire day or entire week. Productivity gains can allow your business to grow without the cost of adding more staff.

Fuel

Everyone uses strategies to get fuel at the lowest price, but how many of us are doing all we can to use the least amount of fuel? To reduce fuel consumption, try looking at these things: appointment times, circuitous miles, deadhead, idle time, the fuel efficiency of your equipment, pre-planning, routing, Y-splits, and loading schedules. If your planners and dispatchers aren't always thinking about the impact of appointment times on fuel usage, get them to start paying attention to this. Are you monitoring your out-of-route miles? The money spent on the fuel that's used to go out of route is just lost. Look closely at your split loads. How long does one driver wait for the other driver to arrive? How much deadhead is involved? Maybe you need to establish limits for your personnel, so that you can get a better handle on avoiding splits that take too much time and use too much fuel.

Let Your Staff Know the Score

All of this work to transform raw data into useable information won't mean much unless you put the information in the hands of the people who can use it. Look for ways to reduce the complexity of your company's business by giving people clear and easy visibility into their performance. Provide multiple views, put data in context, tailor reports to fit individual tasks, export data to other software tools, and present data in easy-to-comprehend graphic displays. Most people come to work eager to make a difference. Let your people see metrics that reflect the results of their actions, give them the coaching they need, and they'll work with you to take your business to new levels of success.

McLéod SOFTWARE

877.362.5363
www.McLeodSoftware.com