

CORRALLING PROFITABILITY



McLeod's Profitability Analysis
Gives You the Insight to
Make More Profitable Choices

| START WITH YOUR COST PER LOAD | USE CPL TO
HIDDEN COSTS TO LIGHT | IDENTIFY ADDITIONAL
AND COLLECTION ISSUES | SPECIFY COSTS TO A P
EVIDENCE | GET YOUR PERSONNEL TO THINK ABOUT
BASIC BUILDING | YOUR TEMPLAT
GAIN MULTIPLE | BE PREPARED FOR
GET YOUR PERSONNEL INVOLVED AND TAKE ACTION
GROWTH | BRING IN NEW COSTS TO LIGHT |
AS DETENTION | COLLECTION ISSUES
GIVE PEOPLE THE JOBS | GET YOUR
WAY | THINK BASIC BUILDING
USE PROFITABILITY | GAIN MULTIPLE
EXPECT SOME GET YOUR PERSONNEL
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Brokers are finding a new way to boost profits. The strategy is to expand the effort beyond the traditional focus on margin, because profit is affected by an assortment of costs in addition to settlement costs. By using McLeod's Profitability Analysis module to analyze these costs, brokers are empowered to take action to reduce costs and improve the bottom line. K & L Freight Management and L.J. Rogers Trucking are capitalizing on the opportunities that come with access to precise data on brokerage costs. Through Profitability Analysis, they gain visibility into every cost component that affects their business. Here are some of their strategies for success.



K & L FREIGHT MANAGEMENT,

which operates out of Addison, Illinois, specializes in expedited freight with both their assets and their brokerage. Leigh Anne Espinosa, Executive Vice President, says that K & L chose McLeod in anticipation of a growth phase.

"We wanted to make sure our growth was going to be smart and profitable, not just blindly growing."



- **START WITH YOUR COST PER LOAD.**

“Cost per load—CPL—is the basic number. This is where looking at all kinds of costs begins. Start with the profit from your P&L statement for a specific time frame, such as a year, and divide that number by the number of orders over that time period. With Profitability Analysis you can set up templates and tweak CPL as needed to examine specific costs, lanes, customers, and more.”

- **USE CPL TO FIND YOUR SWEET SPOT.**

“You can play with the numbers. I’ve used CPL to strategize. I’ll look at the potential in a lane and manipulate the numbers to see what would happen if I added X amount of people here and achieved this much more volume. Does this reduce my CPL? Used in this way, you can find your sweet spot for growth.”

- **BRING HIDDEN COSTS TO LIGHT.**

“Randy Seals talks about the ‘cost-per-load effort variable.’ I call it the ‘pain-in-the-neck factor.’ Some customers turn out to be more challenging than others. You end up spending more time per load on their loads. That’s a cost that you need to track, so that your account managers can add a little extra when quoting them. If a customer takes a lot of your time, you’re also losing the opportunity to bring in other business. This is a cost and you shouldn’t ignore it. Another example is carriers who bounce loads too frequently. The time spent responding to these bounces could be spent developing better carrier relationships.”

- **IDENTIFY ADDITIONAL CUSTOMER COSTS, SUCH AS DETENTION, OS&D, AND COLLECTION ISSUES.**

“McLeod gives you the data to track other costs and assign them to customers. If a customer doesn’t pay for their own detention, you might need to add additional costs for that customer per load. If you have a customer who seems to have OS&D claims every other order, that’s a cost. Another example is collections. If your collections staff is spending a higher percentage of their time working on a particular account, that customer is costing you more. Make sure the people

quoting this customer know about the time spent by the collections staff.”

- **SPECIFY COSTS TO A PARTICULAR CUSTOMER.**

“Profitability Analysis makes it possible to specify costs that should be applied only to a particular customer. If you’ve hired an extra person to work nights specifically to handle orders for one of your customers, you can add an extra amount to account for that expense.”

- **GIVE PEOPLE THE HARD EVIDENCE.**

“You have to respond quickly in our industry, but you also need to go beyond your gut when you make decisions. You need to look at the numbers. McLeod makes it possible to show your team tangible figures. Once they see it, they’ll get on board with the decisions that need to be made. For example, we were curious about expanding in a particular lane. The opportunity was there and the customer wanted us to take more of the freight, but when we looked more closely and could see all of the empty moves that were required, it opened our eyes immediately. It wasn’t what we were hoping for, so we halted that growth right away.”

- **GET YOUR PERSONNEL TO THINK ABOUT COSTS IN A NEW WAY.**

“Getting people to change their outlook is one of the hardest tasks. I point out to our people that even though we specialize in moving freight, finances and IT play a huge role in our business. It’s not just about getting the freight from point A to point B. It’s about efficiency and costs. The sooner that you can communicate that and get that message across to your operational players, the better. They need to understand that and change their thought processes. No one’s going to automatically flip the switch and start thinking in a completely different way about the decisions they’re making, so this needs to be continually reinforced. If you want to benefit from the information that McLeod can give you, you have to adopt a new outlook on what you’re doing. You have to think in a different way to make full use of the perspectives that McLeod can give you.”



L.J. ROGERS, which is headquartered in Mebane, North Carolina, offers full service truckload and logistics services nationwide. David Tate, Controller, says that the level of detail available from McLeod was impossible with their previous system. ***"Once we learned how to put the Profitability Analysis cost template into effect, we could accomplish with a few clicks and a few minutes what would have taken weeks to do without it."***



- **THINK OF CPL AS THE BASIC BUILDING BLOCK.**

“Cost per load, which I like to call P&L by load, is the starting point. The system allows you to see the revenue, the settlement costs, and any additional costs that you add through the cost template. Once you got that building block, you can do anything. The ability to figure cost per load helps you put all of these other reports together.”

- **BUILD YOUR TEMPLATES CAREFULLY.**

“These templates will only be as effective as the amount of effort you put into building them. The easy thing to do is just to take all of your indirect costs and allocate to all of your loads. For some costs, that might make sense, but for others, you need to be more specific. For example, if you have certain agent commissions, you’ll want to allocate those costs to the loads associated with that particular agent. Put effort into building that template and make it specific. Try to allocate costs to specific loads and specific issues, because that will give you a solid starting place for putting other reports together.”



- **USE PROFITABILITY ANALYSIS TO GAIN MULTIPLE PERSPECTIVES.**

“I think of Profitability Analysis as giving us P&L statements about everything. With McLeod, we are able to run customer-specific P&Ls, driver P&Ls, tractor P&Ls, lane P&Ls, dispatchers P&Ls and so on.”

- **BE PREPARED FOR SURPRISES.**

“Some of what you’ll find in these reports is just going to solidify what you already knew by years of ‘seat-of-the-pants’ analysis. You knew this customer was a dud and you knew that lane was making money. But there have been other instances where the data from

McLeod has really opened our eyes. Once you see all the costs laid out, some customers don’t look as good as you thought they were. It’s really helpful to have that information.”

- **EXPECT SOME TRIAL AND ERROR.**

“If you’re picking up all of your numbers correctly when you’re determining your cost per load, your bottom line in Profitability Analysis should be pretty close to your accounting P&L bottom line. You may not come out to the penny, and that’s not critical, but you want to be pretty close. If you’re way out, you probably just need to go back and recalculate some things manually. You may discover that you didn’t put the right cost per load in the template for

this item or you double counted something. Maybe you allocated all of a certain cost to all of the loads, but then went in and put in an exception to allocate that same cost to just this customer or this revenue code. So there’s bound to be some trial and error.

Usually when

you go back and research it, you’ll figure it out. Either you calculated this wrong or you double counted something or left something out.”

- **GET YOUR PERSONNEL INVOLVED AND TAKE ACTIONS.**

“Controllers and all accounting people who are working on costs need to sit down and get executive management and operations people involved, because the goal of this isn’t just to print off an impressive report. The goal is to figure out what action to take. If you’ve got these bad lanes, how do you get out of them? If you’ve got these good customers, how do you build on them? Do something with these reports. That’s the goal of all this—that we become more profitable at what we do, that we use our trucks, our people, and all of the assets that we have to make our company as efficient and as profitable as possible.”



THE TOOLS YOU NEED

McLeod's Profitability Analysis module leads the industry by providing access to the broadest range of integrated financial data. Smart brokers are using this information to pinpoint areas where costs can be managed more effectively. When costs are reduced, profit increases. *The opportunities are there and McLeod gives you the tools you need to make it happen.*



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