Managing Logistics by the Numbers

Ideas for Using KPIs in Logistics from LTI Delivers, Syfan Transport, Best Logistics, and Barton Logistics

Managers at the most successful logistics companies gain visibility into the business by tracking the right KPIs — Key Performance Indicators. But which KPIs are the most important? How do you act on what they tell you and use the numbers to coach your staff? And what is the best way to get started with KPIs in the logistics world? Managers from LTI Delivers, Syfan Transport, Best Logistics, and Barton Logistics offer their insights into managing by the numbers.

LTI Delivers

LTI Delivers is an affiliated brokerage of Don Hummer Trucking. Jake Von Feldt, Director of Finance at Don Hummer Trucking Corporation and LTI Delivers, advises people to understand why each KPI matters. "You've got to be curious and dig into the details that drive that KPI," he said. "The KPI alone means nothing."

• Focus first on strategy

"It's important to determine your strategic goals first. Once you figure what you're trying to accomplish, pick your KPIs carefully so that they align with your strategy."

• Be sure you understand why each KPI is important

"Tracking KPIs isn't about fancy charts that look impressive. It's about understanding your business. So you need to be able to explain to someone else what each individual KPI means."

• Hold people accountable

"KPIs are one way I work with our revenue producers. They have base pay plus commission and it's easy to track their current numbers. If they are hitting their volume and margin goals, we're in good shape. If we're missing goals, then we have a problem and our managers have visibility to jump in and ask the important 'why' questions."

• Use Vital Signs for individuals across the enterprise

"Each revenue producer has access to a personalized set of PowerBroker's Vital Signs. I've built these to show a break-even level in terms of commission and a profit goal. I also created a company-wide set of Vital Signs for management view, again based on the break-even numbers and a target margin."

• Limit your KPIs

"Some people try to track too many KPIs. Determine your most critical issues and focus on the KPIs that tell you about that. If you try to track too many KPIs, you can lose your focus."

• Track revenue against profit

"I use lane analysis in PowerBroker to see where we are going and how revenue compares to profit in each lane. I want to make a direct correlation between a high percentage of revenue and a high percentage of profit. If I have a high percentage of revenue and a low percentage of profit, it appears to me that I'm doing that lane for practice, so something needs to change there."

• Hire people with curiosity about the business

"You want to hire people who have an overall sense of curiosity about understanding their business. These are the people who will learn from KPIs and use them to drive better results."

Best Logistics

Best Logistics is a full-service, integrated logistics and transportation company. "One of the biggest changes that occurred when we started using McLeod was that we were suddenly able to get to the data," said Paul Davis, Manager of Process Improvement and Training at Best Logistics Group.

• Tailor KPIs to fit the need

"Put the right numbers in the right hands and don't overwhelm people with KPIs they don't need to see. My CSRs want to know how they're performing, how the company's performing, and if we're all meeting our goals and expectations. The operations manager has a different set of questions. The VP of operations has a more numbers-based set of questions."

• Explore the range of options

"The beauty of KPIs is that you have a wide range of options. Many people are going to want the day-to-day quick snapshot, but others will want hard data from all sorts of angles. Find out what's there and give people what they want."

• Use real-time data to eliminate guesswork

"We use KPIs to drive the flow of information. The numbers on everyone's screen update every minute. There's no guesswork, because you know exactly where you stand."

• Give people access to their numbers

"We make sure everyone knows their goals for the month, the week, and today. Then we give them access to their performance metrics. They can interact with those numbers. We try to keep those numbers visible to everyone all the time. So it becomes sort of a self-fulfilling prophecy. They start seeing. They know what's expected. They know how to figure out where they stand in that expectation and proceed from there. It's been very successful for us."

• Use KPIs to promote teamwork and transparency

"At Best Logistics, everyone's on the same team. There are no hidden agendas with us. KPIs help promote teamwork and transparency. Everyone can see what the numbers reveal so we can all work together to reach our common goals."

• Stay flexible

"Today is different from yesterday and it's going to be different from next week. Our KPIs went through a growth process. We weren't scared to change how we were looking at things and this helped us find what worked for us."

Syfan Transport

Syfan Transport is an asset-based trucking company that also provides third-party logistics services. Brian Miller, Project Manager for Syfan Transport, says that it's important to find the reasons behind the changes when looking at KPIs. "The information is there in McLeod," he said. "For example, if volume for a certain customer drops off, you can pull out the data and understand why."

• Identify what's important

"You need to know why you're tracking each KPI. Management needs to go through the process of identifying what's important, so that you're following the right numbers."

• Go deep into McLeod's Vital Signs report and find the reasons behind changes

"McLeod Vital Signs reporting dashboard can give you detailed information. It's just a matter of how deep you want to go. Make use of this to drill down and get the data that helps you identify the underlying causes of problems. For example, if we see that revenue is down from over the last six months for a particular lane, we can look at the numbers in more detail and see that one particular customer stopped sending us freight out of Georgia in July. With that information in hand, we can take actions. We can get in touch with the customer and find out what happened."

• Use the numbers to help people

"Don't get so focused on numbers that you forget that you're managing people. We set goals for our staff and try to help them make as much money as they want to make. If they're making money, then the company's making money, and everyone's happy at the end of the day."

• Set goals for everyone

"Everyone has a minimum to reach. That's our approach company-wide, including our sales force, operations and dispatch, and accounting. Everyone walks in the door having expectations to meet and that's where we're getting our KPIs from, those basic goals."

• Use data for coaching

"You can sit down with the members of your carrier sales staff who are less successful and use KPIs as a coaching tool. You can show them the numbers that the more successful team members are getting and help them understand how the more seasoned members of your staff are succeeding."

• Look for carriers that are one and done and remove them from your system

"It's easy to track how many times we are reloading carriers. How many carriers do we set up and then use only once? You have to pay for everything that's going into setting up the carrier, but you don't have to keep paying the monitoring services if they're not hauling any loads for you."

• Focus on KPIs that reflect relationships

"Syfan Transport is relationship driven. We've found that you can identify how relationships are being created through by how numbers are being generated. We run a report once a week that looks at phone-talk time, logs entered, and phone calls made. For the salespeople we add into that loads covered, average margin per day, and revenue per day."

• Use common sense

"Numbers alone never tell the entire story. You have to use common sense. For example, the seasonal nature of the business is that it's hard to meet revenue goals in some regions during certain months of the year. At these times the revenue KPIs for some of your staff may be short of their targets, but that doesn't mean they aren't working hard, making the calls, and doing everything they can to get freight."

Barton Logistics

Barton Logistics provides full truckload freight transportation services. "When we make business decisions in the absence of data, we stand a very good chance of making the wrong decision," said Criss Wilson, VP of Operations for Barton Logistics. "Without data, it's guesswork."

- ## Choose KPIs based on your objectives

  "KPI selection is a function of the problems that you're trying to address or the objectives that you have declared. Don't create a KPI absent of need. A KPI that is created absent of need will not change behavior and a KPI that doesn't change operational or tactical behavior is worthless."

- ## Keep pushing to refine your use of KPIs

  "See how much you can learn from your KPIs. For example, we started by tracking cash flow monthly. We then moved to getting weekly numbers and now we've got it down to the day. We're working with McLeod to bring it down to the hour. We also plan to take margin in that direction."

- ## Analyze your KPIs to inform action

  "Knowledge from KPI analysis is the grease that allows you to move your project forward. You can make brilliant strategic decisions, but your actions to implement those decisions aren't going to bear fruit without the knowledge that comes from analyzing your KPIs."

- ## Use KPIs to help your staff improve

  "If you make performance KPIs available to members of your staff, you're likely to see two basic responses. The people who generally accept mediocre outcomes tend to ignore the data, but the people who are motivated to perform use this data as a scoreboard. They use it to improve."

- ## Cultivate critical thinkers

  "Try to identify the critical thinkers on your staff and then train them to seek answers in the data. Unlock that inner spirit of curiosity that they have and they will come back and amaze you."
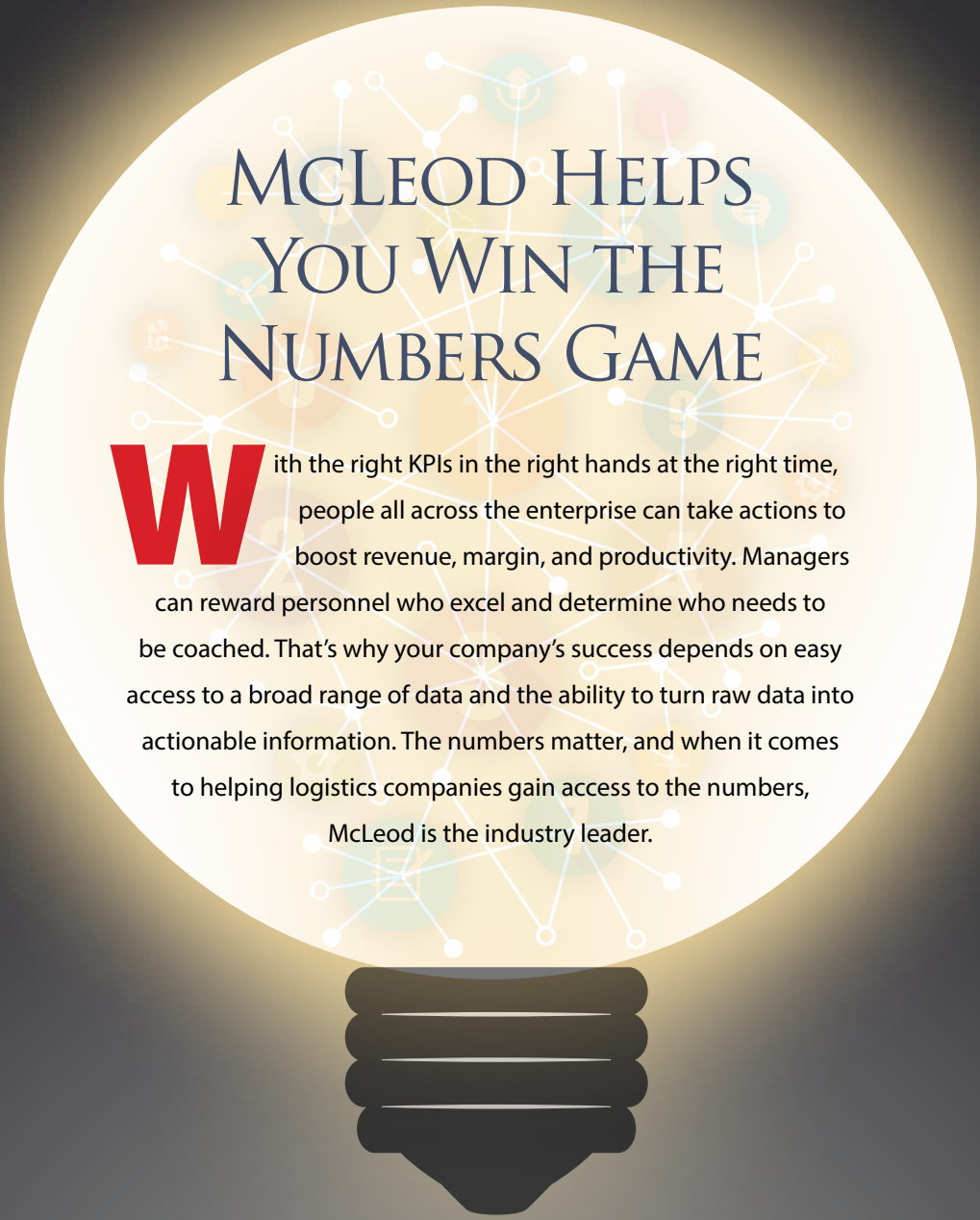
- ## Use KPIs to award bonus pay

  "Identify certain outcomes that you can measure using the data and then base incentive pay around them. An example is net margin. People who exceed the target that's been set get a bonus."

- ## Remember to consult the numbers when you face big changes

  "The marketplace can be volatile and there's bound to be a crisis from time to time. In these situations you have to change behaviors. Given that behaviors in business are often measured in cash and time, there will be metrics that can help you evaluate how you've performed in the past and how you need to change in the future."