

GOING BEYOND MARGIN



HOW THE MCLEOD
PROFITABILITY ANALYSIS MODULE
GIVES LOGISTICS COMPANIES NEW WAYS
TO IMPROVE THE BOTTOM LINE

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THE NEED TO GO BEYOND MARGIN

MCLEOD'S PROFITABILITY ANALYSIS
MODULE CAN BE USED BY LOGISTICS
COMPANIES TO PULL THE LID OFF OF
PROFITABILITY. THIS POWERFUL ANALYTIC
TOOL HAS A LONG HISTORY OF GIVING
MCLEOD CUSTOMERS IN-DEPTH VIEWS
OF COSTS FROM EVERY ANGLE. LOGISTICS
COMPANIES CAN USE THIS COST VISIBILITY
TO GO BEYOND MARGIN AND PURSUE

MULTIPLE
NEW
STRATEGIES
FOR
BOOSTING
PROFIT. BY
DELIVERING
PRECISE DATA ON COSTS AROUND
MULTIPLE FACTORS, SUCH AS CUSTOMERS,
COMMODITIES, CARRIERS, AND LANES, THIS
TOOL PROVIDES INVALUABLE INSIGHTS INTO
THE ACTIONS NEEDED TO REDUCE COSTS
AND INCREASE REVENUE.

*Logistics companies need
to look at all of their costs,
not just settlement costs.*

Margin is not profit. Logistics companies need to look at all of their costs, not just settlement costs. Data on margins is clearly useful,

because it tells you how much you made on a single load or a group of loads, but it falls short in terms of giving you an

accurate picture of profit, given that settlement costs aren't the only costs associated with doing business.

You have expenses for payroll, utilities, office equipment, software licensing, and marketing, just to name a few. Some of these may be set, but others vary. If you want to track profit, not only margin, you have to find a way to factor all of your business costs into the equation. *Now you can.*

T H E A B I L I T Y

READILY AVAILABLE REAL-TIME DATA FROM EVERY ANGLE

The starting point for visibility into profits is cost per load (CPL). CPL is calculated by taking your total business costs from a specified time period—month, quarter, or year—and then dividing that figure by the number of loads handled over that time period. The key is including all of your costs, not just settlement costs, so you are putting yourself in the position to view profit, not simply margin.

Establishing your CPL is a vital first step toward a wealth of analysis that can follow. The next step is to isolate and examine specific cost components. Through the use of templates and revenue codes, the Profitability Analysis module allows you to isolate these cost components, so you can start evaluating and comparing your costs in an amazing variety of ways. Depending on how you define the fields, you can look at CPL by customer, commodity, lane, length of haul, day of the week, employee, and more.

Some of the costs will be static costs, such as overhead for maintaining an office, but even here there may be valuable information to be discovered. If you operate out of two offices, you may discover that the one office has a significantly higher CPL. In this case, you may either decide to shift some of your freight to the office with the lower CPL or begin looking for ways to reduce costs at the office with the higher CPL, or both.

THE PROFITABILITY ANALYSIS MODULE MAKES DATA AVAILABLE IN THE WAYS YOU NEED IT:

- **Real-time data**—You don't have to wait until the end of the month or even the end of the week to see figures on various cost components.
- **High-level overview along with the ability to drill down into details**—Maybe you are regularly hauling both wallboard and bricks. Examining the CPL by commodity for these loads will reveal if one is much more profitable than the other. If so, you can drill down into the data to uncover the reasons. With this information in hand, you can determine which actions are needed to increase profits.
- **Easy-to-comprehend graphic displays**—When looking at a list of figures for profit by day of the week for several weeks, all you see at first glance is a bunch of numbers. You have to take some time to study all of the figures in order to discern the fact that profit is down every Friday. The Profitability Analysis module can present this data in bar graph format, and then the disparity of Friday's profits will jump off the page at you.
- **Customized reports**—Reports can be tailored to cover any time period chosen and pulled at any time. Freight is not bound by accounting periods; your analysis of profit and loss should be similarly free of any such restrictions. Devise the reports that suit your needs and the Profitability Analysis module will generate them as ordered.
- **Microsoft Excel export capability**—Data can be exported to Microsoft Excel. Excel offers a variety of ways to manipulate data and there's a good chance that many members of your staff are familiar with the Excel environment, so this export capability can make it easier for a wide range of people to work with the data.

T O D O M O R E

STRATEGIES FOR BOOSTING PROFIT

Knowledge is the key to increasing profit. If you can see in clear detail which loads are bringing the best profit and which are not, you can gear your business efforts towards increasing the most profitable freight. Here are several ways to gain the knowledge that will empower you to take profit-enhancing actions:

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Maybe one lane has a much higher CPL than all your other lanes, so you need to either improve the profit or stop handling the freight. You investigate further and discover that this is the only freight that you haul into Georgia. You have only one carrier available for these loads and their rates are too high. Having this information in hand, you can prod your carrier reps to find a selection of carriers to use, which in most cases will mean that you'll be able to bring the rate down.

- **UNCOVER COST-PER-LOAD VARIABLES (CPLV)**

By isolating and examining cost components, you can discover if there are costs that are varying from load to load. Try looking at CPL by customer, commodity, site, carrier, day of the week, or month of the year. For example, you may discover that load costs are higher in January than July for one of the lanes you run regularly. During January you should either increase your fees to your customers or find a way to reduce the higher costs.

If you have 70 loads and 50 of those loads are cereal loads and 20 are paper cups, you want to be able to calculate the profit you're making for each commodity and assign a percentage figure, so that you

- **ESTABLISH COST-PER-LOAD-FACTORS (CPLF)**

Start examining how various static costs affect profit on each load. For example, establish the CPL for such costs as insurance, employee benefits, and utilities. Do your fees for each load accurately reflect the costs that you are incurring? Maybe your CPL by customer reveals that one customer stands out in terms of costs. The solution could be to put in an extra \$10 per load for that customer.

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can compare the two and see which is more profitable. The higher volume of cereal loads means that there is more profit overall, but it might be that you're making a higher profit per load on the paper cups.

Here again, you want to get beyond margin. Your margin does not automatically translate into profit. The costs associated with the cereal loads could be different from the costs associated with the paper cup loads. Data on margins won't reveal that. You have to get deeper into CPL analytics to uncover the true root causes.

- **CALCULATE COST-PER-LOAD QUOTIENTS (CPLQ)**

The CPLQ can be used as a metric for comparing the profitability of various elements of your freight brokerage business. For example, you can look at CPL by customer and calculate an aggregate or average profit for each customer. A report on these calculations might show you that one company has a CPLQ of 0.6, while several other companies have scores nearer 0.3. CPLQ can be calculated with respect to any factor you choose, such as commodity, carrier, lanes, and more.

- **TRACK YOUR COST PER HOUR (CPH)**

The Profitability Analysis module makes it possible to see your cost per hour. Logistics providers may want to look at this metric in certain situations instead of rate per mile, because the time spent on the load can have a huge impact. Having access to your costs at this level of detail opens new doors for negotiation with both carriers and shippers.

- **MONITOR YOUR COST-PER-LOAD-EFFORT-VARIABLE (CPLEV)**

CPLEV is a metric that tracks the time members of your staff spend covering the loads. The ability to track the cost of booking loads can be a huge advantage for logistics providers, because the time spent can vary significantly and this cost is completely absent from margin data. The time spent must be monitored and entered manually into the Profitability Analysis module. Once the data has been collected, the software can organize it for analytical purposes.

For example, say that the orders from a customer who uses EDI require next to no time at all, while the orders from another customer regularly present complications that keep your

staff busy for hours with almost every load. The second customer is costing you substantially more per load. This fact will jump out at you in your report on CPLEV by customer.

If you need to approach a customer about the time spent on their load, you'll have the data. You can go to the customer and say, "Look, it's taken me six hours to cover your load every time I do this, because these are the parameters and the variables that affect my cost-per-load effort for your loads."



- **EVALUATE VARIOUS BUSINESS DECISIONS**

You can also use this information to evaluate various business decisions, because you can manipulate these factors as circumstances require. Are you thinking about hiring new staff? Put the added cost of additional staff into your CPL equation and crunch the numbers again.



*Having this information
at your fingertips empowers you
to take the actions which
will improve the bottom line.*

T H E A B I L I T Y



GETTING STARTED

Logistics providers will find that the Profitability Analysis module can deliver an amazing variety and volume of information, so it's best to digest the data incrementally. Start by focusing on one specific area, such as day of the week, commodity, lane, customer, or length of haul. After you gain a firm grip on that one area, branch out and cross-reference. Look at more areas, look at each area in more depth, and look at connections between different areas. The information available pulls the covers off your profitability. ***You can see what's working and what's not.***

T O D O M O R E

IT'S A NEW EQUATION

Moving freight is a highly competitive business, so the companies who succeed are the ones who have found ways to improve. The more you understand your business, the

No other software product on the market today can provide logistics companies with a range of integrated financial data to match the McLeod Profitability Analysis module. This tool puts data in your hands that provides critical insights into your company's profitability. Having this information at your fingertips empowers you to take

the actions which will improve the bottom line.

It's time for the logistics world to look



better positioned you are to make the improvements that give you an advantage. McLeod Software has the tools that give you unparalleled visibility into your operations.

beyond margin. No one disputes that margin still matters, but margin doesn't tell the full story. All business costs are part of the equation now.

And this new equation will help you boost profits more than ever.



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