



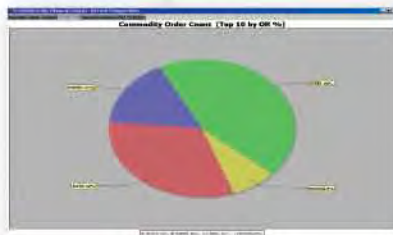
A CLEAR PICTURE OF PROFITABILITY

MCLEOD'S PROFITABILITY ANALYSIS MODULE
GIVES YOU VISIBILITY INTO COSTS, REVENUE, AND PROFITABILITY
WITH UNPARALLELED SCOPE AND SOPHISTICATION

BY RANDY SEALS, MCLEOD SOFTWARE

Making profit from hauling freight is not as simple as it used to be. Carriers face all kinds of decisions every day that affect costs, revenue, and profit. The complexity of the trucking industry has increased substantially in recent years, and these changes have altered the equations used to maximize profit. You need to be able to view your costs and revenue from multiple angles, so that you can see what's making money and what's not. If you don't have enough data, the right data, and data in a timely manner, you're working in the dark. You end up relying on your gut feelings, and your gut can't always make the best choices.

McLeod's Profitability Analysis (PA) module gives you the hard data that you need to make the decisions that will maximize profits. This tool offers powerful information that can be used to address both immediate, short-term problems, and long-term strategic issues. You can view data in real-time and take actions quickly to correct profit-squeezing problems. You can also view your operations from a high level and determine where to focus your attention. Once you've selected an area, you can drill down into details to identify and understand root causes. With this valuable information in hand, you can devise business strategies that will boost profits. Having this degree of visibility into all aspects of costs and revenue empowers you to manage your business with more precision than ever before.



Client	Commodity	Loaded Miles	Empty Miles	Total Miles	Empty %	Revenue	Cost	Profit	OR %	Velocity	Fuel/Total Revenue	Total Cost	Total Profit	
0	AUTO	2948.00	1297.00	4245.00	30.55	3.35	2.84	0.51	18.32	2.19	790.73	9822.88	4922.70	6644.27
4	DISPOS	3453.00	3148.00	6601.00	47.84	2.80	1.84	0.96	33.50	1.97	1006.10	6842.88	1084.10	4758.48
11	STEEL	3897.00	672.00	4569.00	14.71	4.95	3.69	1.26	3.24	84.20	2.00	1800.30	10118.50	13491.20
2	PROCTA	3005.00	4184.00	7189.00	58.34	1.97	0.88	1.09	47.3	3.43	3.90	4862.50	831.35	4031.15
20	Total	31223.00	17171.00	48394.00	35.50	1.78	0.24	1.54	6.16	74.28	2.23	3887.20	41988.42	32601.53

Report from Profitability Analysis

TRANSFORMING RAW DATA INTO VALUABLE INFORMATION

The PA module helps you run your business by transforming raw data into valuable, actionable information. The LoadMaster® dispatch system contains a wealth of data, and the PA module is fully integrated with LoadMaster. Through the use of cost templates that you establish based on

your business model, the PA module generates data that is matched against the revenue and cost data from your business operations to reveal how your company is making or losing money.

You no longer have to guess why profit is up or down, because you have the facts you need about business costs and revenue. The PA module is designed to provide you with these facts on a timely basis and in easily understandable formats. With this information at your fingertips, you can see clearly which actions will enhance the bottom line.

Zone
States
Zip Code
Location code

Revenue Code
Operations User
Controlling Party
Week

Customer
Trailer Type
Destination
Month
Quarter

Fuel Surcharge
Remaining Charges
Total Miles
Empty Miles
Revenue/Loaded miles
Transit Time
Cost per mile

Group
Total Revenue
Loaded Miles
Empty Percentage
Revenue/Total miles
Total Cost
Velocity
Profit per mile

Count
Freight Chg
Billed Miles
Revenue/Loaded miles
OR %

- **You can view data from every angle.** Every trucking company has a unique footprint, so profitability strategies will differ. Yet in every case, there is a need to know costs and revenue in fine detail according to loads, customers, lanes, commodities, trailer types, and more. The PA module accommodates this need by allowing you to examine profit from multiple perspectives. Here are some of the possibilities:
 - You can conduct lane analysis. For each lane in which you operate, you can look at profit, average hours per load, loaded hours, average miles per load, and more.
 - You can examine costs, revenue, and profit, all broken down by your choice of: origin, destination, day of the week, customer, commodity, equipment type, length of haul, tractor, driver, or dispatcher.
 - You can see your operating ratio for each customer, load, lane, commodity, and more.
 - You can review costs, revenue, and profit per mile.
 - You can track velocity: loaded, empty, and total.
 - You can calculate revenue per hour.
- **You gain a high-level perspective along with the ability to drill down into details.** Say that you're viewing data that summarizes profit by customer. The next step would be to drill down into each customer to see how those figures break down per load, per day of the week, per lane, etc. You may discover that a marginally profitable customer has one category of loads that are particularly costly.
- **Graphic options transform raw data into easily understandable information.** For example, 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 PA module can present this data in bar graph format, and then the disparity of Friday's profits will jump off the page at you.
- **Reports can be tailored to cover any time period chosen and pulled at any time.** Freight is not bound by accounting periods and your analysis of profit and loss should be similarly free of any such restrictions. Devise the reports that suit your needs and the PA module will generate them as ordered.
- **Data can be exported to Microsoft Excel.** Microsoft 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.

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Change It

STRATEGIES FOR ACCELERATING PROFIT

The PA module gives you access to vital information, but it's up to you to use this information to your advantage. Strategies are essential, because without them, you're lost in a sea of data. The goal is to gain an in-depth, detailed understanding of your revenue, costs, and profitability so that you can make decisions based on that knowledge. Here are some of the strategies for gaining the knowledge you need to accelerate profit:

- **Look at your lanes.** Are you concentrating on the most profitable lanes? How does this lane compare to that lane in terms of deadhead costs? You may have a long tradition of working certain lanes, but you need to know which of those lanes is really

costs are different, carriers often fail to account for this. Look at your regional and your long-haul loads to compare how your revenue stacks up against your costs in each category. Freight selection is becoming more important, and the PA module gives you the data you need to determine which freight is bringing you the best return.

- **Evaluate your pricing and auto-rating parameters.** With the knowledge you gain from examining costs and revenue with respect to various categories, such as customer, commodity, and length of haul, you can set rates more accurately. You can pinpoint areas where adjustments are needed to reach profit goals. You're no longer stuck with using a blanket 5% increase in rates when you see that profits are lagging. You can find ways to set rates, choose loads, and manage operations that are highly specific to the needs of individual aspects of your business.

The goal is to gain an in-depth, detailed understanding of your revenue, costs, and profitability so that you can make decisions based on that knowledge.

making money for you. Your gut feeling may not be on target. Get the facts and make your decisions based on those facts.

- **Compare regional versus long-haul.** Many trucking companies get started by focusing on either regional or long-haul. Then as business grows, the companies move into the other area. The problem is that although the

- **Examine profit generated by personnel.** Some members of your staff will excel and others may struggle, but good people are always willing to learn. If you identify a group of unprofitable loads, and you discover that it's all related to a specific dispatcher, it's time to step in and offer some guidance. Try to determine how the best dispatchers are handling

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matters differently, and get them to share their secrets with other members of your staff.

- **Find out how your profit runs by days of the week.** Chances are that your profit is not the same each day of the week, and there's probably a pattern. Dig down into this. Find out what's causing the fluctuations. For example, if the loads on a certain day of week are repeatedly causing a non-productive weekend delay, you may want to change the way you price these loads or try to arrange other loading times.
- **Compare the costs of using company assets and drivers with the costs of using owner-operators.** Do you know how your profit compares between these two groups? You need to know, because it can affect decisions, both big and small. As you examine this, be careful to include all costs, because costs can vary widely when comparing


- **Compare your profits from flatbeds, reefer, and dry vans.** Is there a clear advantage for one type of equipment? Should you be moving your business more aggressively in this direction? If profits are lower for one type of equipment, find out why. Perhaps steps can be taken to correct the problems, cut costs, or generate more revenue.

VELOCITY AND REVENUE PER HOUR

Two metrics provided by the PA module deserve particular attention: velocity and revenue per hour (RPH). Velocity is a metric that gives you the speed in which loads are being handled, from pick-up to delivery. The fundamental equation is simple. Take the distance required for a load, and divide that number

the use of owner-operators with the use of company assets and drivers. And keep in mind that asset depreciation means that all of your assets don't generate the same costs. Newer trucks have higher costs.

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. Increase your velocity and you increase your RPH.



Increase your velocity and you increase your revenue per hour.

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The valuable information that velocity and RPH bring is visibility into asset utilization and driver productivity.



Why More Carriers are Focusing on Velocity and RPH

There's a long tradition in the trucking industry of focusing on revenue per mile (RPM), but calculating revenue according to mileage tells only one side of the story. There's no point in comparing RPM on two loads when one is a straight shot across the Great Plains and the other takes you through a series of major metropolitan traffic snarls on the East Coast. Your RPM may be the same for both loads, but your costs per mile go up when the load takes longer to deliver, so revenue-per-mile numbers alone don't provide an accurate view of your profit in every case.

The valuable information that velocity and RPH bring is visibility into asset utilization and driver productivity. Assets are a major cost component, so anything you can do to increase asset utilization will increase profits. RPH is a metric that helps you identify which loads are being delivered too slowly. It directs your attention to places where improvement will boost profits through better use of your assets. Also, if increasing your velocity in some situations is impossible, RPH helps you see how these loads must be priced to ensure a profit.

When loads are being delivered slowly, driver productivity is down. Even though this doesn't directly affect the cost of a load, given that most drivers are paid by the mile, it does affect your business. 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.

Improving your velocity can help you retain drivers, because it helps them earn more money. When drivers aren't moving, when they're in a downtime situation, they're not earning money. If they're waiting for a relay, they're not getting paid. They may get something for being detained, but neither the driver nor the carrier comes out ahead from detention fees in comparison with keeping the trucks moving. Take your velocity up a notch, and your drivers will thank you for it.

Increasing Velocity

If velocity is slumping, dig deeper to look for reasons and patterns. Look at individual loads that have low velocity numbers and stack those up against each other. Are they mostly for the same customer? Taken by the same driver? In the same region at the same time of year? You would expect a slower velocity for loads on northern routes during the depth of winter, for example.

Also look at velocity by customer, driver, day of the week, planner, and customer service representative. At first glance, you may think that your customer service reps don't affect velocity, but remember that they're making the appointments and if they're not aggressive enough, you might have to get them to work harder on the appointment times. In addition to looking at loaded miles, give some attention to your velocity on empty miles, because this is another potential way to improve asset utilization.

The idea is to apply the metric across your business, then analyze the results so that you can see which actions need to be taken to improve. Determine which loads are making money and which aren't, and train your people to book freight that increases your velocity. If you want

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to improve the bottom line, visibility into your business is essential, and velocity gives you an excellent way to see how your business is performing.

Using RPH Strategically

RPH gives you a window into comparing revenue from multiple angles. For example, if you examine RPH according to length of haul, you'll gain information that is completely missing by examining RPM in the same way. RPH tells you how well you're using your assets every day (and every hour), while RPM tells you only how much money you made on the distance.

The visibility into asset utilization and driver productivity provided by RPH can be applied in many ways. Has the use of e-logs helped or hindered your use of assets? Compare your RPH for each truck before and after you implemented e-logs. Or take the RPH for every driver in your fleet, then look at the graph for today versus one year ago when you had no e-logs. Set the chart to view this in a stacked graph. All of a sudden you're going to see exactly what impact e-logs has had on RPH for each of your drivers.

By providing RPH, the PA module shines light into aspects of profitability that are obscured from view for most carriers. Gaining this knowledge opens up new avenues for pursuing improvement. Strategic decisions can now be based on a deeper understanding of how revenue is generated.

Velocity and the Optimum Freight Movement Index

One approach to boosting profits through improved velocity is to use the Optimum Freight Movement Index (OFMI). OFMI is the optimum speed in which any individual load could be delivered. Each

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

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

Deliver that load in 10 hours, and you've maximized your profit per hour, but if you assign the wrong driver and hours of service limitations kick in after five hours, you might have to relay the load or let it sit for a spell. Now the total time becomes 15 hours. The OFMI gives you a goal for operational efficiency. Track your performance against this figure, and find ways to get your loads delivered more quickly.



GETTING STARTED

The PA 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.

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T O D O M O R E



UNMATCHED SCOPE AND SOPHISTICATION

No other software product on the market today can provide a range of integrated financial data to match the PA module. Only McLeod Software customers can get a picture of profitability for their businesses with this scope and sophistication. As the trucking industry becomes more complex, it's not as easy to know where the profit lies. *With McLeod's Profitability Analysis module working for you, you'll be able to see paths to profit in ways you've never seen before.*

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