LTL Carriers Can Profit Even In A Poor Economy

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I agree — the economy is bad. Now let's go out there and make some profit.

As capacity continues to plague the less-than-truckload segment of the trucking industry with reduced revenues and decreased profits, transportation executives are increasingly frustrated as they report and evaluate their measured profits. By now, traditional cost-cutting strategies such as layoffs, furloughs without pay, reduced fixed costs, "deadlined" equipment and wage reductions all have been initiated with less than stellar results. Sales rate increases and offers of even deeper discounts have been tried in an effort to bolster market share and top-line revenues. Tactics that were effective in prior years are no longer enough to sustain profitability in the present market.

Is the LTL segment of the trucking industry doomed? Of course not. Contrary to popular belief, market conditions are ripe for LTL's to position themselves as "elite" carriers in a very competitive and cutthroat marketplace. And since conventional wisdom has failed to restore profitability, we must look instead to unconventional wisdom, which suggests embracing the current economy instead of competing against it.

For example:

- Avoid wasting cash flow, time and resources battling variables out of your direct control.
- Abstain from conventional business practices and take an innovative approach that creates profitable opportunities.
- Learn how to maximize your operating strengths to gain an advantage on your industry rivals.
- Challenge your leadership team to develop new business concepts that operate within the framework of your model.
- Streamline your operation's efficiencies by eliminating discretionary and nonproductive spending.
- Tear down the departmental "silos" that promote contradictory corporate goals.

The following are five specific programs and opportunities available within your LTL operations, sales and finance departments that will improve bottom line profits immediately. The execution plan for each program goes well beyond the obvious implementation process you may have already tried.

1. Reduce and eliminate pickup-and-delivery miles by creating cost-effective and efficient "peddle routes."

This strategy involves more than just cutting a few miles when planning your pick-up and delivery shipments in sequential order. Restructure your peddle routes to avoid the traditional circuitous core-zone routes and replace them with straight-line peddle runs traveling primary routes. That will decrease backtracking miles, substantially reduce the number of peddle drivers crossing each other's paths and eliminate a number of routes and drivers close to the terminal. Fewer miles mean less labor, less fuel and less maintenance — the three largest variables on a profit-and-loss statement.

2. Design a "bullpen" sales training program using existing operations and clerical employees.

Integrate current members of your operations and clerical staff into the sales team by designing a sales territory close to the terminal and allowing them to conduct field sales three days a week for three hours a day. Benefits include: Additional top-line revenue. Improved morale for front-line employees. Maximized employee contributions. And creating a training ground for your next full-time sales representative without inflating human resource expenses. The program has an extremely low failure rate because these employees sell within the boundaries of the operation and see this as a one-time opportunity to advance their career.

3. Use cheaper equipment and labor alternatives.

If feasible, use straight trucks instead of tractor-trailers to reduce Class A wages, maintenance, fuel, registration and new equipment expenses. Use part-time P&D and dock labor to reduce per-hour wages, health-care costs and paid time off.

4. Solicit nontraditional revenues that eliminate or reduce one or more of the three internal purchased transportation costs — pickup, delivery and linehaul — as well as dock costs.

Examples are: pool distribution, local shipments, same-day deliveries and multiple shipment pickups. These all can eliminate one or more of the internal purchased transportation costs if integrated properly into your operation. In addition, target expedited and volume LTL shipments that commingle with your P&D and linehaul operation to reduce capacity issues and improve revenue per mile.

5. Implement a "Kaizen" style of profit and loss management and operating efficiency improvement process.

"Kaizen," which means "improvement" in Japanese, is a management practice based on continuous improvement. Use it to avoid the typical American business goal of a general 10% improvement. Isolate each line item on your monthly P&L statement and drill down to the smallest details to determine what drives each cost factor. Then strive for a 2% to 5% improvement for each independent line item. Design financial and operating "dashboard metrics" aligned with profit objectives to illustrate a quick summary of key performance indicators. Then, apply a Kaizen strategy to improve results. The net result will likely be a greater than 10% improvement in profit and efficiency.

Finally, don't be afraid to hire new talent now. If your current leadership team isn't producing results, recruit successful leaders from the ranks of thriving competitors. If they were able to generate profit for your opposition, they can do it for you. Struggling LTL carriers can no longer accept poor results when other carriers are succeeding and there are alternative solutions available to generate the desired profits.