Reducing P&D Miles Resulting in Lower Variable Cost, Improved Efficiencies & Increased Profits...

Without having to invest in additional technology or resources

By Doug Sartain
Principal
Shipmate Logistics

Article Appeared In Transport Topics

Increasing operating costs, declining revenues and tighter budgets have forced LTL, private fleet, cartage and small parcel carriers to eliminate unnecessary expenses. One effective cost-cutting strategy for these carriers is to reduce the number of Pick-up & Delivery miles. Getting rid of these nonessential miles will significantly lower the three largest variable expenses found on the P&L (labor, fuel & equipment).

Cutting miles begins with efficient Inbound Planning. A simple exercise to evaluate the route planning is to look at the peddle routes from the previous day. Take a map of the service territory, lay a clear piece of Plexiglas over it and use different colored grease pencils for different drivers to label deliveries and pick-ups in the order they were run. Review the results for efficiency, productivity and improvement opportunities.

- Are the right drivers planned on the appropriate routes?
- Are the inbound linehaul arrival times causing an increase in local Pick-up & Delivery miles?
- How many stops are routed on each peddle route and are the routes productive and loaded to capacity?
- Can the peddle routes closest to the terminal be broken up and the deliveries loaded onto other drivers passing through that area?
- Were the drivers routed using an inefficient old style "core-zone" plan (drives to a geographical area and peddles all day in a circular fashion) or were they planned on a "straight line" route which reduces miles?
- Measure the distance (stem miles) from the terminal to the first stop and from the last stop to the terminal.
- How many peddle stops are located on the perimeter of the service territory?
- Could an off route stop be delivered another day?
- Were appointment deliveries scheduled efficiently?
- How many times did a peddle driver back-track or travel on or near the same roadway multiple times?
- Look for planned overlapping on deliveries and pick-ups between the multiple peddle routes.
- How many times did drivers cross each other during the day?
- Where are the bulk of the deliveries and pick-ups located?
- Are the peddle routes balanced by deliveries and pick-ups?

- Did the driver stop for lunch en route to another stop?
- Were pick-ups made before the deliveries were completely finished?
- Once the deliveries were completed, did the driver pick-up in the same area or did they travel across town to pick-up because that was the only pick-up available at the time?
- Were deliveries and pick-ups made based on closing times or made in geographical order?
- Were the pick-ups ready when the peddle driver was nearest to the pick-up location?

The only time LTL, private fleet and parcel carriers make money in the Pick-up & Delivery operation is when the trailer door is up and the driver is either taking "revenue" off or loading "revenue" onto the trailer. All other time spent is variable cost. Measure the total "door-down" time vs. the total work time for each driver and decrease the percentage. It's not surprising to find drivers who spend 75% or more of their day with the trailer door down.

Since there are no customers located on the highway, strive to minimize highway miles. Check to see how often a peddle driver traveling on the highway passed a stop loaded onto another peddle driver but was located right off an exit. There may be opportunities to make the "highway route" more productive or to eliminate an entire peddle route closer to the facility by adding those stops onto peddle drivers passing by on the highway.

Once the daily peddle routes have been critiqued, it's time to make improvements. The intent should be focused on reducing the number of miles. Involve the entire operations and sales staff in the process (planners, dispatchers, drivers, dock workers, sales reps and any other employees necessary). By involving everyone, the buy-in will be more receptive and the results will be immediate.

Establish benchmarks and Key Performance Indicators before making changes to the peddle routes so improvements can be measured. Create metric goals that support the reduction of miles and/or time. Examples of effective KPI's are: Total Daily Miles, Miles/Route, Miles/Stop, Revenue/Mile, Cost/Mile, Stops/Hour, Number of Daily Peddle Routes, Stops/Route, Stem Miles and Percent Driving With The Trailer Door Down. Remember to consider the fluctuation in daily business levels when evaluating KPI's.

Decision makers should review the mileage results daily and be held accountable. It's also helpful to determine the cost/mile and then convert the mileage cuts into real savings. For example; using $3.50 cost/mile and 10 routes… saving just 25 miles per route results in a daily savings of $875 or nearly $250,000 (1/4 million dollars) annually!

The strategy of Reducing P&D Miles by improving your planning and dispatching efficiencies will generate immediate results and increase bottom line profits.

This concept of improving profits by reducing miles can also be applied to any sales force. The fewer miles a sales rep travels, the more time available to make additional calls. More sales calls will result in more sales.