

KNOW COSTS & GROW PROFITS

**LEARN HOW
L.J. ROGERS TRUCKING,
K & L FREIGHT MANAGEMENT,
& NICK STRIMBU, INC.
ARE USING MCLEOD'S
PROFITABILITY ANALYSIS
TO BOOST THE BOTTOM LINE**

The beauty of McLeod's Profitability Analysis module is that you can look at your costs from every angle. Profitability Analysis (PA) can show you what's making money and what's not. You can address both immediate, short-term problems and long-term strategic issues. In the short term, PA's real-time data makes it possible to take actions quickly to correct profit-squeezing problems. In the long term, PA's high-level view of operations helps you determine where to focus your attention. After identifying an issue, you can drill down into details to uncover and understand root causes, and in turn, you can use this knowledge to 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. L.J. Rogers Trucking, K & L Freight Management, and Nick Strimbu, Inc. are using PA to avoid the bad lanes and customers and focus on the good ones. Managers are using the tool to guide decision-making on a daily basis and to ensure that growth is profitable. Here are some of the ways these companies are profiting from Profitability Analysis.

CASE STUDY:

L.J. ROGERS TRUCKING

L.J. Rogers, which is headquartered in Mebane, North Carolina, offers full service truckload and logistics services nationwide. "If you start using Profitability Analysis, it will be very eye-opening to you," says David Tate, Controller. "It was to us. We were surprised to find out just how much money we were making on our top two or three customers and just how much we were losing on our two or three worst customers."

TAKE A CLOSER LOOK AT SOME OF YOUR ROUTINE LINEHAUL-BACKHAULS

"We put together a P&L just to isolate some of those common round-trip scenarios. Some of the backhauls looked pretty bad alone, but when we paired them up with the primary customer, it wasn't so bad. We could live with it. We're getting our trucks back home and the overall round trip is profitable. On the other hand, you might find out that some of those round trips that you thought were profitable really are not that profitable. Now that you see that clearly, you can start to make some decisions. You can look for another way to get that truck home that might make the round trip more profitable."

INCREASE PROFITABILITY BY DOING NOTHING MORE THAN REALLOCATING CURRENT RESOURCES

"PA lets us increase our profitability without changing anything else. If we could raise rates, buy new tractors, and hire drivers whenever we wanted, it wouldn't matter which software we used or if we had specialty modules like PA to use. But in the real world we realize that there are extended periods of time that we don't have access to these things, especially raising rates at will. That's why it's critical to have the ability to increase your profitability simply by reallocating current resources and assets to zero in on the best customers and the best lanes."



EXAMPLE OF BROKERING LOW-PROFIT LOADS AND REASSIGNING TRUCKS TO HIGH-PROFIT LOADS

“Once we were able to isolate and identify some of our customers who are not as profitable as we thought they were, we decided to broker some of the less profitable loads. We then took the drivers and trucks that became free and put them on other customers that are more profitable. So we’re increasing profitability without raising any rates, without hiring any new drivers, without buying any new equipment. That’s what I think PA can do for a carrier.”

a particular customer are not showing a good profit, you have to think ahead. Five years from now, do you really want this to be your biggest customer? If not, now is the time to start making some of those tough operational decisions. You’ll want to start slowly moving those trucks and those drivers to new opportunities where the profit is better.”

YOU HAVE TO LOOK AT PROFITABILITY

“Carriers need to learn that you can’t just look at revenue. You’ve got to look at true, bottom-line profitability. All those costs have to be covered somehow. PA gives



USE THE DATA TO DISPEL MYTHS

“Having access to an accurate picture of our costs and profits helps everyone see where things really stand. This tends to dispel some myths. Just because one customer has been sending you the biggest check every month doesn’t mean that customer is profitable. What’s the cost of servicing that relationship? Once both sales and operations see the true picture, everyone can work toward the same goal of increasing profit.”

THINK ABOUT THE FUTURE AND MAKE THE TOUGH DECISIONS NOW

“PA helps you plan ahead. You may know from experience that in the next several years you’re going to have limited or no opportunity to raise rates and that your costs aren’t going to go down. If most of the lanes you’re running for

you the visibility into costs that you need to do serious budgeting and projecting so you can find ways to become more profitable.”

CONSIDER THE RISKS OF NOT KNOWING YOUR REAL COSTS

“When you don’t have visibility into your costs, you run the risk of continuing to pour resources into bad customers and bad lanes. You can also miss opportunities. PA can show you which lanes or customers can be real winners. The last thing you want to do is to walk away from a profitable customer or a lane because you didn’t have the data from PA to see the opportunity. That’s one of the real risk factors.”



CASE STUDY:

K & L FREIGHT MANAGEMENT

K&L Freight Management, which operates out of Addison, Illinois, specializes in expedited freight with both their assets and their brokerage. “PA really had an immediate impact on us,” says Leigh Anne Espinosa, Executive Vice President. “It really opened our eyes and taught us not only how to effectively run our business from an operations and service standpoint, but also how to do what we’re all actually in business to do—make money.”



PA REVEALED THAT A MAJOR CUSTOMER WASN'T PROFITABLE

“We had just won the Best Carrier of the Year award from one of our largest customers and they wanted us to increase the volume. They asked, ‘How quickly can you scale? How quickly can we get you to continue to run

more for us? When we started using PA and looked more closely at the numbers, our jaws dropped. We were losing on a lane that we were actively trying to expand. That was exactly what we needed to know so that we could avoid making matters worse.”

TAKE ACTIONS BASED ON THE DATA

“By looking closely at costs and making adjustments as needed, we’ve been able to take unprofitable customers and lanes and turn them around. Once we can see what’s making money and what’s not, we can take actions to move resources around to the customers and lanes that are more profitable for us.”

LAY OUT A ROAD MAP THAT SHOWS WHICH FREIGHT GETS ASSIGNED WHERE

“We have several specialties. We’re experts at expedited freight and we have a local fleet, a regional fleet, and an OTR fleet. In the past people tended to rely on their intuition about which load should be assigned where. As we grew, this approach didn’t work so well. There was a lot of confusion and we weren’t always making the most profitable choices. We were able to use the analysis from PA to lay out a road map that says, ‘This is what our local fleet does, this is what our regional fleet does, this is what our OTR fleet does, and this is what our specialty fleet does.’ So if a load falls into one of those categories, we put that on our fleet board. If it doesn’t, then it goes to our brokerage.”

DISCOVER NEW PROFITABLE LANES

“In the process of defining what our regional fleet should handle, we identified different points that would work with our plan, even if we weren’t already going there. One of these was a lane to Minneapolis. We hadn’t been going there before, but a new sales rep came in, saw that we had Minneapolis up on the board as another location that could work, and sure enough, now we have a successful lane that’s running there. We were able to copy what we were doing somewhere else successfully and move it into another area. Taking this data and creating a clear road map for both your sales team and your operations team is huge. It helps them understand what kind of business they can sell for your assets that will truly make money for the business.”

ACCOUNT FOR THE IMPACT OF TOLLS

“Being based in Chicago means you have to deal with tolls. PA helped us look at that cost in detail and see how much we were paying on this lane compared with that lane. That helped us make decisions that were based on true costs, not just our best guesses. We also found that we were paying tolls shuttling back and forth for a local customer on a particular route. As it turned out, there was another route that took almost the same amount of time that avoided the tolls, and we’re getting a significant savings from that. Having the analysis from PA is what started our conversation on tolls so that we could find this.”

GET DISPATCHERS TO THINK DIFFERENTLY AND HOLD THEM ACCOUNTABLE

“We’ve created a culture at K & L where people think about cost differently now. Someone might say, ‘This doesn’t look great on paper, but the velocity of it is good.’ PA data spurs those types of conversations. We’re getting dispatchers to start looking at things differently and we’re starting to hold them accountable for taking costs into consideration as they assign loads and routes. They want their KPIs to look good. They want to make their goals. The conversations that PA has started amongst our teams are great!”

JUMP AHEAD OF THE COMPETITION

“The market is always changing and getting more competitive. One of the advantages of having PA is that you can work out some of your issues now, before the next capacity crunch hits. If you find ways to solve some problems now by learning more about your true costs, you’ll have the competitive advantage. You’ll be that much further ahead and ready to capitalize on the market.”

USE THE DATA TO INFORM PRICING DECISIONS

“The information coming from PA also helps you make better decisions when it comes to pricing loads and responding to shipper bids. You can look at costs in the details, so you can know how much the backhaul will be, what the velocity will be, and more. You have a clear and solid view of your costs, so you know what rate you need to make a profit.”

CASE STUDY: NICK STRIMBU, INC.

Nick Strimbu operates out of Brookfield, Ohio and hauls freight in the Midwest and Atlantic Seaboard. The company features refrigerated trailers, flatbeds, and dry vans, and has logistics services. "PA helps put everyone on the same page," says Cory Knowlton, Director of Operations and IT. "We have clear-cut data and we can see where we need to focus. We're no longer making decisions based on hunches or because that's how we've always done it in the past."

LOOK BEYOND REVENUE

"We've learned to make decisions that aren't just revenue-based. You can make all the revenue in the world, but if you've got more costs than revenue, then you're not making money on that revenue. That's the key point. Don't just look at the revenue. Look at the actual profit on that lane or that customer."

FIND OUT THE PRECISE COSTS OF YOUR DEADHEAD

"PA allows you to see how much deadhead is costing you. For example, you may have the cost of paying the driver for those miles, the cost of fuel, and overhead costs that you have chosen to apply on a per-mile basis. PA will take this and calculate the cost to run empty so that you can evaluate backhauls. We've looked at customers with higher deadhead and determined that some of the loads didn't pay enough to offset the cost of the deadhead involved."

IMPROVE VELOCITY AND INCREASE DRIVER RETENTION

"PA can show you the velocity of a load and this can be important. We hear from drivers that they're sitting at a customer and waiting. It's taking too long to load or unload. This uses up too much of our clock and we can't

get the next load delivered on time. Moving our fleet completely to ELDs made this situation more difficult. By tracking velocity and looking for the root causes when the delivery speed is slow, we've been able to see which customers are causing the delays. Increasing your freight velocity will boost your profit, but the benefits from PA go beyond dollars and cents. By helping us target the problem customers, we're helping our drivers, so PA is helping us with driver retention."

BE WILLING TO LOOK AT EVERYTHING

"We've hauled freight for one customer for decades and the revenue has been high, so everyone assumed that we were making money on the account. It was hard to believe when PA showed us otherwise. There was an excessive amount of deadhead. We were going to New England and we just couldn't get loads coming out of there with the specialized trailers we were using. In this case, we used PA's profit and costs templates to analyze the data and make the decision. That customer had a very high rate, but even though the rate was high, it wasn't covering that cost of running that lane."



MAKE THE HARD DECISIONS

"McLeod has tools to show you whatever you want to know, but you have to use the data and apply it to your business. PA will help you find the problems, but then it comes down to the hard decisions required to fix the problems, using that data."

USE PA TO SEE BEYOND RATES

"We've learned to use PA to consider more than the rate. Maybe a lane has less congestion or less highway construction. Maybe there are fewer tolls or the LOH is just right. Maybe the rate's lower, but because we get the freight delivered quicker, we can utilize the driver's HOS clock and get more loads done in a week for that same driver. You have to do the analysis to see the true profitability on each lane."

PUT THE RIGHT DRIVER ON THE RIGHT LOAD

"We have different ways that we pay our company drivers and our owner-operators, so we use PA to see how our costs and profits stack up with different types of pay. This allows us to see which loads should go to drivers paid one way versus drivers paid another way."



CREATE A NEW MINDSET THAT FOCUSES ON PROFIT INSTEAD OF REVENUE

"People have a tendency to think in terms of revenue goals, but you want to change that mindset so that they are looking for the best profit decision. Over the long term that's going to affect the business, because that shift in thinking will trickle down to each one of those little decisions."

BRING HARD FACTS TO THE CUSTOMER FOR RATE NEGOTIATIONS

"When we can get hard facts on the costs it takes to deliver loads and bring those hard facts to our customers, this helps us negotiate rates. They can see that we've done research, that we have good tools, and that we're not just trying to get more money. We can have an honest conversation and it helps us reach a better agreement."



MCLEOD EMPOWERS PROFITABILITY

The Profitability Analysis module is unrivaled in its ability to provide you with a range of integrated financial data. You no longer need to guess which lanes are performing better than others or which customers are truly making money for the business. You can track load velocity and revenue per hour. You can remove the mystery around costs and use that knowledge to make changes that dramatically improve the bottom line. *You're in the business to make money and McLeod is ready to help you do just that.*

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