THINK BIG

Smaller fleets with plans to grow may benefit by following these big fleet practices

FACTORING

THINK BIG

Everybody loves a story of the little guy defying the odds and bringing down the big guy. Lots of small-to medium-size trucking company owners have their own “slaying Goliath” tales to tell, and they are rightfully proud of finding a way to compete effectively against large fleets that have distinct advantages of scale and name recognition.

Too often, though, thinking of how to succeed as the “little guy” equates to dismissing certain “big guy” fleet-management practices as undoable. Maybe there’s concern about the cost of outfitting trucks or the office with new tools and technology. Sometimes, it comes down to the feeling that there just isn’t time to learn something new when business is going well anyway.

Those are legitimate concerns. Time and money must be managed wisely in any business, but especially at a smaller trucking company. It takes a lot of both to keep the business going day to day.

On the other hand, some big-fleet practices can and should be adopted, despite the upfront pain of putting in money, time and effort. Why? New approaches that increase efficiency or cut costs significantly can make it easier for a smaller fleet to take on new customers, add trucks and drivers, and expand its reach or services.

Which approaches are the right ones? There’s no simple answer to that, as no two companies run the same. Even so, there are some big fleet business practices that are worth exploring that can, if implemented correctly, significantly increase a small outfit’s performance.

OPTIMIZE FLEET MAINTENANCE

Everything depends on the truck: It must get from shipper to receiver in a timely manner; it should have good-to-excellent fuel economy to keep costs reasonable; it must be safe for the driver and other vehicles driving around it; and it must be able to pass a roadside inspection without incident, and definitely without being put out of service.

Larger fleets have an advantage when it comes to maintenance because they have shorter equipment cycles. A recent survey by FTR and CK Commercial Vehicle Research showed that, on average, small fleets keep their trucks on the road for about five years, almost twice as long as large fleets.

Don Ake, of FTR, told Heavy Duty Trucking magazine that the small fleets surveyed are "profitable but not making the amount of money they want, so they will tend to put off new expenditures, or even replace their equipment with used equipment. They will run their equipment a very long time and use the money they have to repair it rather than replace it, and over time that leads to more maintenance expense in total."

It also means more downtime, with the truck in the shop:

- ***Not earning any income***
- ***Costing money for repairs***
- ***Racking up fixed costs (daily costs, such as insurance, that occur whether the truck is running or not)***

There is no magic solution to eliminate downtime, but smaller fleets can adopt the big-fleet approach of standardizing and structuring preventive maintenance intervals in a way that best suits the way each truck is used. That requires making preventive maintenance a priority when creating a work schedule, rather than fitting it in when it's most convenient.

SMALLER FLEETS CAN ADOPT THE BIG-FLEET APPROACH OF STANDARDIZING AND STRUCTURING PREVENTIVE MAINTENANCE INTERVALS IN A WAY THAT BEST SUITS THE WAY EACH TRUCK IS USED.

OPTIMIZE FLEET MAINTENANCE

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The first step is having a detailed record of every truck in the fleet that includes its age, mileage and maintenance history. Next is determining the proper maintenance schedule for each vehicle and creating a checklist that covers changing or checking all fluids and filters, examining tires, wheels and rims and inspecting all safety-related areas.

Put a formal system in place for drivers to report vehicle problems, and pay attention when they say something "feels off" in the truck. Your drivers know the truck's quirks best, and will often catch a problem in its early stages.

All of this can be accomplished by a detail-oriented manager with a handful of trucks, but once a fleet gets past about a dozen vehicles, the work becomes far easier to track with help from technology. Big fleets have been seeing the benefits of fleet-management tools for years, and these days the price and ease of use make them accessible, if not essential, to smaller fleets.

Any size fleet can find a system that meets its particular needs, so that it can easily create a custom PM schedule and alert the manager and driver when the vehicle is due for maintenance, track fuel economy, have a detailed repair and maintenance history and more.

Additionally, installing a telematics system in vehicles can have a direct impact on maintenance costs, because the data it collects offers a window into the vehicle's condition, including diagnostic code alerts. With more detailed information on hand, maintenance schedules can be adjusted according to need rather than a calendar.

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BENCHMARK AGAINST OTHER FLEETS

Successful companies keep an eye on the competition. Benchmarking is just a more comprehensive method of measurement that allows a company to spot progress and shortfalls in relation to similar businesses.

Larger fleets may have staff that is dedicated to analyzing industry data, and may even hire experts to conduct a study of industry trends specifically for them. They invest in it because every penny in cost reduction multiplies into significant dollar amounts, and because they need to know their competitive advantages and build on them.

Small fleets may not have the personnel or funds for custom analysis, but they do have access to meaningful industry data. Various organizations conduct wide-ranging surveys of industry behavior that they make available to their members or sell to the general public. Released on an annual, quarterly or monthly schedule, these reports offer snapshots of key performance indicators in the industry, allowing companies to see how they stack up in multiple areas. These days, fleets can also turn to tools that track up-to-the-minute data in key areas.

That's valuable information for getting on the right path to increase profit margins. Getting a clear picture of the profits and costs of similar-sized trucking companies can help with driver recruitment and retention, equipment decisions, technology investments, staffing structure and more.

EVERY FLEET IS UNIQUE SO IT'S IMPORTANT TO LOOK FOR THE STORY BEHIND THE NUMBERS.

BENCHMARK AGAINST OTHER FLEETS

The information uncovered may be surprising. A trucking company that experienced a 5 percent increase in its rate per mile from 2015 to 2016 will initially consider that a positive. But when seeing that its counterparts of similar size, hauling similar types of loads increased an average of 8 percent during the same period, the company gets a good reality check, and a reason to look for an explanation. Another angle: A fleet concerned about repair costs going up by 5 percent from the previous year will be heartened if it sees that its counterparts' average repair costs went up by 8 percent.

Every fleet is unique, of course, so it's important to look for the story behind the numbers so the company can focus on the right issue to benchmark. If, for example, fuel economy for the fleet's vehicles is below industry average, the fleet manager can check on driver behavior, maintenance schedules or idling time and then make the appropriate adjustments.

It's easy to get paralyzed by information overload, but benchmarking is not meant to be an all-consuming overhaul of business practices. Instead, a company uses the data available to spot an area for improvement, then sets a realistic goal to reach in a reasonable amount of time.

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KNOW YOUR NUMBERS

Look at any "about us" page on a large trucking company website and the story almost always starts with one or two trucks. Growth appears to be completely organic, as the owner picks up more customers, adds more trucks and eventually looks out at a company with hundreds of tractors and trailers serving thousands of customers.

Somewhere between those humble beginnings and enormous success lies a business plan that includes long-term goals broken down into short-term actions. That plan must include a realistic assessment of what expansion means to the bottom line.

At first glance, the equation seems simple: More contracts mean more revenue. So, an owner might say: "I make $500 per truck per month. If I get these two contracts and add 10 trucks, that's $5,000 more per month." But growth does not follow simple arithmetic.

Why? For starters, new equipment is an expense that will almost certainly be taken into consideration. There will also be a need for more drivers, which entails both labor costs and recruiting effort. Managing the larger fleet may take more staff. A big enough jump in workload could warrant an investment in technology that will pay off in the long run, but take a significant initial investment.

All these calculations will depend on the type of loads the fleet is hauling, the area they operate in, and the state of their equipment. Getting new business is just the first step — the company must be ready to provide consistent, reliable service.

Owners with growth in mind need to know the capital required per truck, per lane or per driver on any new route, so that they can calculate their true profit margin. In this expansion space, the company will also need to assess its cash flow cycle, and whether it will require a new source of capital to see the business through as it changes form.

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GROWTH DOES NOT FOLLOW SIMPLE ARITHMETIC.

KNOW YOUR NUMBERS

This is the point where many growing companies turn to factoring to ensure there is sufficient cash flow. Rather than waiting for up to 90 days for payment from its new routes, the company will know exactly how much money is coming in and when. In addition, a factor takes care of collections and other back office tasks, giving the company some breathing room on staffing. As the company continues to grow, a factor's credit checking also reduces probability of working on deadbeat hauls.

An owner in fleet-building mode may want to grab every new opportunity and figure out how to handle it as needed. Running hard and fast feels exciting, while controlled growth requires patience. Ultimately, that patience pays off because the company is less likely to get unexpectedly thrown off course. Knowing all the numbers coming in and going out allows for better planning, more effective streamlining and an increased ability to absorb small upsets.

Business growth is, understandably, the chief goal of any operation. In the competitive world of trucking, the temptation can be to attempt too much, too quickly, and overextend. But by studying the fundamentals, such as optimal maintenance, and then utilizing advances in technology to benchmark competition and operational solutions such as factoring to maximize cash flow and optimize growth, smaller trucking companies can follow the same path to success as their larger counterparts.

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